Agenda item 8

Cabinet – 12 February 2020

Corporate Budget Plan 2019/20 to 2022/23 and Treasury Management and Investment Strategy 2020/21 Onwards

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

Related Portfolios: All

Service: Finance – council wide

Wards: All

Key decision: Yes

Forward plan: Yes

1. Aim

1.1 To provide the resource envelope for delivery of the Councils aims and objectives within the context of the legal framework which requires the Council to set a balanced budget each year.

2. Summary

2.1 This report contains several sections as follows:

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

- **Part 1** - The Revenue and Capital Corporate Budget Plan; comprising the final revenue and capital budget following consideration of the draft budget by Scrutiny Overview Committee.

- **Part 2A** - Treasury Management and Investment Strategy as required by the Treasury Management Code of Practice (2017). It includes details on the Prudential Code Indicators (PCIs) for the next three years and asks Cabinet to approve them and recommend adoption of these to full Council. The Strategy both complies with the Local Government Act 2003, and also provides an additional framework over and above the statutory minimum for monitoring performance.

- **Part 2B** - Treasury Management Policy Statement as required by the Treasury Management Code of Practice (2017).

3. Recommendations

3.1 **That Cabinet note:**

a) That at the time of despatch of this report, the final local government settlement for 2020/21 has not been received. (The final local government settlement for 2020/21 is expected to be received in early February, and will be included within the final papers to Council).

b) That at the time of despatch of this report, the precepting authorities (fire and police) had not formally notified the authority of their final council tax precept levels for 2020/21. (The council has been advised that they will be approved following meetings scheduled for early to mid-February, final figures may therefore be provided prior to or at the Council meeting of 27 February 2020).

c) That at the time of despatch of this report, of the levy authorities, (Environment Agency and West Midlands Combined Authority - Transport Levy), only the Environment Agency had formally notified the authority of their final demand for 2020/21. Estimates have been used for the Transport Levy based on informal communication, but these are subject to formal approval. (The final Transport Levy is expected to be approved early February, and will be included within the final papers to Council).

d) That the council tax base, set by the S151 Officer under officer delegations, is 71,549.80 for 2020/21.

e) The feedback from Scrutiny Overview Committee on the draft capital programme and revenue budget and responses to recommendations, as set out in the consultation section of this report.

f) That Members must have due regard to consultation feedback and the public sector equality duty (Section 149 of the Equality Act 2010) when making budget decisions.

3.2 **That Cabinet approve:**

a) That delegated authority be given to the S151 Officer to make any necessary amendments, in consultation with the Leader (portfolio holder for finance), to take account of the final local government settlement, final levies and precepts; final grant allocations and final technical guidance or legislation on the budget, and to make any necessary amendments to the statutory determinations and council tax bands to take account of those changes and the resulting final analysis of the budget and for these amendments to be submitted and therefore recommended to Council at its meeting on 27 February 2020, in consultation with the portfolio for finance (Leader of the Council).

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

c) The leasing programme set out at 3.3.2 and delegate authority for approval of in year expenditure to the Head of Finance (up to a cumulative value of £500k) and the S151 Officer (above £500k).

d) The extension of funding for the Falls Prevention service for a further 3 months to 30 June 2020, as referred to in 4.39, whilst a review of the service continues.

e) That consultation with service users on options for the future of Birchills Childcare provision commences, as referred to in 4.40.

f) The implementation of new fees and charges within Registrars for 'Change of Name Deed' as outlined in 4.42.

g) That delegated authority be given to the Section 151 Officer to agree payments for the pensions triannual valuation for 2020/21 to 2022/23, and to make arrangements to cover cash flow requirements as appropriate and outlined in section 4.36.

3.3 **Cabinet is asked to approve and recommend to Council, subject to receipt of the final local government settlement, final precepts and levies, receipt of final grant allocations, technical/legislative guidance and final specific grant allocations (*substitute figures and resolution to be provided to Council by the S151 Officer to take account of any changes arising from these*)**:

3.3.1 *Revenue*

a) The financial envelope of resources for 2020/21 as set out in **Section A: Part 1** "The Revenue and Capital Budget Plan".

b) A Walsall Council net council tax requirement for 2020/21 of £127.566m and a 3.99% increase in council tax (inclusive of 2% precept for Adult Social Care).

c) That the recommendations of the S151 Officer in respect of the robustness of the estimates made for the purposes of the budget calculations and the adequacy of reserves **be approved**, including the levels of central contingency and an opening general reserve of no less than £13.55m, as set out in **Annex 12** of the Budget Plan**.**

d) The (estimated) levies below for outside bodies and Cabinet **approve** that the final figures **be substituted** for these provisional ones once they are available at the Council meeting on 27 February 2020. (An estimate has been used within this report based on informal notification from the authorities).

LEVY	AMOUNT (£)
West Midlands Combined Authority Transport Levy	**11,137,950**
Environment Agency	**82,739**

e) The following statutory determinations (references are to the Local Government Finance Act, 1992 as amended), and subject to any final changes arising from receipt of final precepts and levies, receipt of final grant allocations, technical/legislative guidance and final specific grant allocations, **and Cabinet approve that these will be substituted** at the Council meeting on 27 February 2020 for the final figures once received:

I. **£641,492,969** being the aggregate gross expenditure, which the council estimates for the items set out in Section 31A(2) (a) to (f) of the Act.

II. **£513,926,831** being the aggregate income which the council estimates for the items set out in Section 31A(3) (a) to (d) of the Act.

III. **£127,566,138** being the amount, by which the aggregate at (e) (I) above exceeds the aggregate at (e) (II), calculated by the council in accordance with Section 31A(4) of the Act, as its council tax requirement for the year.

IV. **£1,782.90** being the amount at (e) (III) above**,** divided by the council tax base of 71,549.80, calculated by the council in accordance with Section 31B of the Act, as the basic amount of its council tax for the year (average council tax at band D).

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

A	B	C	D
1,188.60	1,386.70	1,584.80	1,782.90
E	**F**	**G**	**H**
2,179.10	2,575.30	2,971.50	3,565.80

f) The draft precept from the Fire and Rescue Authority and the Police and Crime Commissioner, issued to the Council in accordance with Section 40 of the Local Government Finance Act, 1992, for each of the categories of dwelling shown below and Cabinet **approve** that the final figures **be substituted** once they are available at the Council meeting on 27 February 2020.

PRECEPTING AUTHORITY	VALUATION BANDS			
Police And Crime Commissioner	**A**	**B**	**C**	**D**
	108.37	126.43	144.49	162.55
	E	**F**	**G**	**H**
	198.67	234.79	270.92	325.10
Fire & Rescue	**A**	**B**	**C**	**D**
	41.20	48.07	54.93	61.81
	E	**F**	**G**	**H**
	75.54	89.27	103.01	123.61

g) That having calculated the aggregate in each case of the amounts at (e) (v) and (f) above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the amounts of council tax for 2020/21 for each of the categories of dwellings shown below and Cabinet **approve** that the final figures **be substituted** once the final precepts are available at the Council meeting on 27 February 2020.

A	B	C	D
1,338.17	1,561.20	1,784.22	2,007.26
E	**F**	**G**	**H**
2,453.31	2,899.36	3,345.43	4,014.51

h) That notice **be given** of the council tax within twenty one days of it being set by publishing details of the same in the "Express and Star" newspaper circulating in the Authority's area.

i) That the S151 Officer **be instructed** to take all necessary action in relation to council tax, community charge and national non-domestic rates, including, where appropriate, the signing of all documents, billing, the giving of notices and the taking of necessary steps to ensure collection thereof.

j) That the S151 Officer **be given delegated authority** to make transfers to and from reserves in order to ensure that reserves are maintained as necessary and in particular, adjusted when reserves are no longer required, or need to be replenished.

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

3.3.2 <u>*Capital*</u>

a) The allocation of capital expenditure plans as set out in **Section A: Part 1** "The Revenue and Capital Budget Plan".

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

c) That the S151 Officer be **given delegated authority** to determine how each source of finance is used to fund the overall capital programme and to alter the overall mix of financing as necessary, to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the council.

d) That the S151 Officer, in consultation with the Leader (portfolio holder for finance), be **given delegated authority** to release capital resources held back for any contingent items that may arise (earmarked capital receipts for essential or emergency spend), and also for any match funding requirements that may be required of the Council in order to secure additional external capital funding (e.g. bids for government or other funding).

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

g) The Flexible Use of Capital Receipts Strategy set out in **Annex 11** of the Budget Plan **be approved**.

CAPITAL PROGRAMME – COUNCIL FUNDED SCHEMES			
Scheme	**2020/21 £**	**2021/22 £**	**2022/23 £**
Rolling Programme Schemes			
Memorial Safety in Walsall cemeteries	40,000	20,000	20,000
Highway Maintenance Programme – legal responsibility to maintain the highway network	2,800,000	2,800,000	2,800,000
Aids and Adaptations, Preventative Adaptations and Supporting Independence	400,000	400,000	400,000
Health through warmth	75,000	75,000	75,000
Funding to support essential works including health and safety	750,000	750,000	750,000
Ongoing implications of prior year approvals (new spend)			
Supporting transformation - Looked after children – out of borough placements	150,000		
Traffic Signals - Replacement of obsolete traffic signal control equipment	200,000	200,000	200,000
Provision of community dropped crossings along footways	20,000	20,000	
Promotion of Community Health and Safety	120,000	120,000	
Open water safety schemes - signage	5,000	2,000	
M6 Junction 10 road improvements in partnership with Highways England (grant)			650,000
Walsall Arboretum Extension and Country Park – infrastructure improvements		190,000	
New rail stations at Willenhall, Darlaston and Aldridge – local 10% contribution		1,500,000	1,500,000
Yorks bridge – increased funding for construction of replacement bridge		750,000	750,000
Willenhall Lane Cemetery Extension / Development of land for burials	525,600		
Strategic Acquisition for Third Sector Hub and operational accommodation - purchase of accommodation to support the formation of a third sector co-located hub and provide additional office accommodation for the council to support its ongoing rationalisation of its operational estate.	1,845,550	219,373	
Regional Materials Recycling Facility Project –Cabinet on 4 September 2019 approved for the Council to enter into a Joint Working Arrangement with 5 partner councils in order to facilitate the delivery stage of a local authority owned Materials Recycling Facility.	2,429,000	4,758,000	2,722,000
DfT Highways Challenge Fund Bid – funding to improve the quality of roads	260,000	260,000	
Enterprise Zones business investment as part of the Black Country LEP	451,000	908,000	1,378,000
Willenhall Lane Travellers site pumping station pump replacement	44,400		
ICT telephony cloud based system	500,000		
Civic Centre window replacement – improving energy efficiency		1,307,025	
Civic Centre plumbing – non heating related		66,600	
Council House general heating	1,085,000	1,085,000	

Scheme	2020/21 £	2021/22 £	2022/23 £
Council House internal decoration	55,500		
Walsall Proud Programme – Enabling Technology work stream	10,200,000		
New Capital Bids			
Darlaston Pool – health & safety fall arrest system	11,000		
Children's Locality Model – transformation to connect services and professionals by integrating staff into communities	73,000		
Upgrade of CCTV cameras in Bloxwich, Leamore, Willenhall, Darlaston, Palfrey and Caldmore	432,000	200,000	
School estate condition surveys		250,000	250,000
School temporary classrooms – ongoing provision for improving / replacing permanent mobile classrooms when they reach a state of disrepair		250,000	250,000
Rolling capital maintenance – to fund essential maintenance of council owned buildings	250,000		
Council House roof repairs		750,000	750,000
Replacement of tablet technology – rollout of new technology to enable agile working			2,250,000
Smartphones – replacement of current mobile phone devices from 2021/22		200,000	200,000
Proud card payments, digital website – to ensure council remains PCI compliant and allows for citizens to pay for services on line	500,000	500,000	
Maintaining a safe and secure environment – hardware and software upgrade	100,000	100,000	200,000
Flexible Use of Capital Receipts Strategy	4,000,000	0	0
Revised council payments system linked to the Enabling Technology work stream	265,000	0	0
Total Capital Programme – Council Funded Schemes	**27,587,050**	**17,680,998**	**15,145,000**

CAPITAL PROGRAMME 2020/21 - SCHEMES FUNDED FROM EXTERNAL SOURCES	Estimated Value £
Growth Deal (grant)	32,948,081
LTP Highway Maintenance Programme (grant)	1,943,000
West Midlands Strategic Transport Plan (STP) ‘Movement for Growth’	1,276,300
DfT Highways Maintenance Incentive Fund	405,000
DfT Pothole Action Fund	154,600
Land and Property Investment Fund	22,348,000
Disabled Facilities Grant –supports the council’s statutory requirement to provide disabled facility grants (DFGs) (grant).	2,894,013
Integrated Community Equipment Store – specialised equipment as part of BCF (grant)	810,000
Basic Need school allocation (grant)	1,322,344
Devolved Formula Capital school allocation (grant)	544,028
Capital Maintenance school allocation (grant)	2,071,685
Special provision fund – provision for pupils with special educational needs (grant)	319,229
Total Capital Programme – External Funded Schemes	**67,036,280**

CAPITAL PROGRAMME RESERVE LIST 2020/21 – COUNCIL FUNDED SCHEMES	Estimated Value £
Further provision for Preventative / Aids and Adaptations and Supporting Independence	250,000
Further provision for Health Through Warmth – tackling fuel poverty	75,000
Darlaston Leisure replacement boilers	250,000
North Walsall Cemetery – drainage improvements to solve long standing localised flooding on site	252,000
Bloxwich Leisure landing remodel – invest to save	150,000
Oak Park poolside seating – invest to save	26,000
Darlaston Leisure steam room generator replacement	4,000
CCTV replacement for Darlaston Leisure	4,000
CCTV replacement system for Gala Baths and Oak Park overflow car park	12,000
Walsall Arena and Arts Centre – creation of new theatre bar and associated facilities – invest to save	15,000
Walsall Arena and Arts Centre – new tiered seating in theatre	15,000
Cemetery and Crematorium – replacement roads, pathways, pothole repairs	100,000
Registry Office phase 2 – redesign to reception and ceremony areas	10,000
Air Quality Monitoring stations – replacement units	70,000
Cloud 2 – ICT transformation as part of Walsall Proud Programme	500,000
Replacement guillotine in print room	35,000
Purchase of UV printer for promotional materials in print room	25,518
Total	**1,793,518**

LEASING PROGRAMME 2020/21	Expenditure £
Refuse vehicles	1,860,000
Light commercial vehicles	1,892,000
Tractors and agricultural machinery	156,000
Welfare vehicles	496,000
Total	**4,404,000**

3.3.3 Treasury Management

1. **Section A – Part 2A** – The Treasury Management and Investment Strategy 2020/21 onwards, including the council's borrowing requirement, borrowing limits, and the adoption of the prudential indicators**, be approved**.

2. That decisions to effect movements between conventional borrowing and other long term liabilities, such as leases, **be delegated** to the S151 Officer.

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

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

4. Report detail - Know

4.1 The council's budget is a financial representation of the organisation's plans. It is constructed as an integral part of the council's planning processes and aligned to its priorities and objectives. The attached budget plan at **Section A Part 1** sets out the revenue and capital plans for service delivery for 2020/21 and beyond.

Council Corporate Plan priorities

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

Risk management

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

4.4 The identification of risks, and level of reserves, is referred to in the S151 Officer (Chief Finance Officer) statement at **Annex 12** of the Budget Plan. It is unlikely that all risks identified will arise, however new risks may also emerge. Managers are required to deliver services within their approved budget. Any known changes in service demand or costs arising from legislative or government demands are identified and dealt with within the overall revenue budget. The level of reserves should be sufficient to cover all but the most unusual of events. Any in-year use of general reserves may require replenishment to ensure the opening level of reserves is as required by the MTFS.

Financial implications

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

Legal implications

4.6 The legal duty for a council's finances falls within S151 of the Local Government Act 1972. Arrangements for the proper administration of the council's affairs are secured by the S151 Officer.

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

4.8 Under the Local Government Act 2003 (s25), an authority must set a council tax and balanced budget, giving 14 days notice of the council tax level prior to the date of billing. The Council must set a budget before 11 March of each year. This will include the S151 Officer's report that deals with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides, together with an assessment of risk. This is provided at **Annex 12** of the Budget Plan.

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

4.10 In recent years Central Government has capped the level of council tax rises. For 2020/21, the Government have announced that local authorities will again need to seek approval of their electorate via a local referendum if they propose to increase council tax levels by 4% or above as confirmed as part of the provisional local government settlement on 20 December 2019, inclusive of the 2% ring-fenced for Adult Social Care.

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

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

4.12 Our approach to consultation was reported to Cabinet in October 2019 and is set out in section 4.25 onwards of this report with responses from Overview Scrutiny Committee.

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

4.14 An Equality Impact Assessment (EqIA) is the chosen procedure, by the Council, for checking the lawfulness of decisions in relation to the impact on people with certain characteristics protected by the Equality Act 2010.

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

Procurement Implications / Social Value

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

Property implications

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

Health and Wellbeing implications

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

Staffing implications

4.19 There will be some staffing implications arising from this report. The contribution of the trade unions will be important in the council achieving its key aims and objectives particularly in these challenging times. Officers and members will consult widely with them on the employee implications of service redesign and delivery.

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

Reducing Inequalities

4.21 Assessing the impact of proposed changes to policies, procedures, services and organisational change is not just something the law requires; it is a positive opportunity for the council to ensure it makes better decisions, based on robust evidence. EqIAs are undertaken on proposals as they develop and reported to Cabinet to allow them to consider any revisions required to mitigate any impact.

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

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

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

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

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

Consultation

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

4.26 Consultation has been undertaken with councillors via the Scrutiny Overview Committee on the budget plan and process, and with national non domestic ratepayers and voluntary and community organisations on draft council tax increases. Further consultation will be undertaken, as appropriate, with all stakeholders as detailed proposals are developed as part of the Walsall Proud Programme.

Statutory consultation on the draft budget and council tax

4.27 In 2015 the government introduced the Adult's Social Care Precept, which allowed those councils with adult social care responsibilities to increase their share of council tax by up to an extra 2%.

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

4.29 Government have confirmed that this is to be extended by 2% for a further year for 2020/21. This precept is ring fenced to spend on supporting Adult Social Care, in recognition that local authorities are experiencing increased demographic pressures in supporting an ever-increasing elderly population.

4.30 Our approved budget for 2019/20 included a general increase in council tax of 2.99% plus 1% precept for social care, a total increase of 3.99%. Plans for 2020/21 also include a general increase of 1.99%[1] plus a 2% precept for adult social care.

4.31 As part of the council's statutory duty to consult with representatives of local non-domestic ratepayers (NDRP), businesses and community and voluntary organisations were consulted on the proposed council tax increase for 2020/21.

4.32 Consultation took place between December 2019 and January 2020. An email outlining the proposed increase in council tax and explaining the adult social care precept was distributed to c2,000 businesses and c1,200 community and voluntary organisations (via the One Walsall CVS network). As well as providing background information and a link to the relevant budget report, the email invited people to have their say.

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

4.33 By the final closing date, two responses had been received. One person fully supported the proposed increase, whilst the other expressed concerns that it would impact the most vulnerable.

"…as a care worker at present, I want to say I wholly support your plans for increases. This is a sector that is growing more demanding, and as such, needs to be funded correctly. I am more than happy to pay the extra money in my council tax to go towards the fund for a service we may well all need at one point in our lives."

"I believe in strong communities and properly funded public services. While I'm sure those with broad shoulders can bear this increase it's the very people who need these services who may not be able to meet this requirement of increased local funding."

Feedback from Scrutiny Overview Committee

4.34 Scrutiny Overview Committee received the draft revenue proposals in November 2019, and Cabinet received feedback in December 2019. The capital proposals as reported to Cabinet in December 2019 were referred on for Scrutiny Overview on 4 February. No feedback was received.

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

a) *Scrutiny Overview Committee on 25 November 2019 were provided with an overview of the draft revenue budget. The challenges presented to setting a multi-year budget by the delay of the announcement of the Government settlement due to the upcoming General Election were noted. This meant that the draft funding for local government had only been announced for 2020/21.*

With regard to 2020/21 draft revenue budget, Members sought to understand if the £10.6m additional finance for the year would be ongoing. Members were informed that, prior to the outcome of the next spending review, the assumption for financial planning purposes, had to be that it was a 'one off'.

Members made queries of the 2019/20 financial position and action taking place to mitigate existing overspends.

The Panel Resolved: That the draft revenue budget 2020/21 be noted.

There were no recommendations made to Cabinet.

b) *Scrutiny Overview Committee on 4 February 2020 received the draft capital programme. No comments were made.*

Amendments to the Revenue Budget

4.36 Since the draft revenue budget was presented to Cabinet in October 2019, there have been a number of funding announcements and technical changes to the budget, these can be summarised as follows:

- The provisional 2020/21 settlement was received on 20 December 2019. This confirmed permission for social care authorities to raise additional funding through a 2% social care precept in 2020/21, which has now been included within the final budget proposals, raising £2.45m for adult social care services.
- Additional investment in services, including £1.68m for adult social care provision; additional investment to support demand within adult social care and children's following a review of existing and future forecasts; and investment to fund shortfalls in income projections within economy and environment, for example, planning.
- Investment to support the borrowing costs for major capital schemes and to support regeneration initiatives.
- Capitalisation of some Proud investment in accordance with the Flexible Use of Capital Receipts national guidance, with some further release of revenue investment and transfer of investment into the capital programme to reflect that this investment can be capitalised as it relates to the Enabling Technology work stream.
- The additional £1 billion Social Care Grant (for adult and children's service) to be distributed using the existing Adult Social Care Relative Needs Formula for 2020/21. The Conservative party confirmed in their 2019 manifesto that the additional £1bn funding for Social Care announced in the autumn will continue for every year of the new parliament. As such, the MTFO has been revised to reflect this continuing funding in 2021/22. However distributions may change arising from the national Fair Funding review currently underway.
- Approval by the S151 Officer, under delegations of the council tax base and NNDR1 return in January 2020.
- Receipt of figures in relation to the pensions valuation 2020/21 to 2022/23, allowing a revision of the planning assumptions within the MTFO and release of some investment due to planned upfront payments for 3 years in 2020/21 which provides a reduction in overall costs across the period.
- Review of costs of borrowing associated with the capital programme requiring investment in 2021/22 of £5.5m and a further £1.4m in 2022/23.

4.37 The impact of the changes since October 2019 on the MTFO and savings requirement is shown below.

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Savings Requirement	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
@ October 2019	18.23	23.68	12.49	54.40
@ February 2020	8.77	21.06	17.30	47.13

4.38 Savings for 2020/21 onwards are predicated on delivery through the Walsall Proud Programme of organisational change for the council, the current plan of which is shown at **Annex 7** of the Budget Plan.

4.39 During the 2019/20 budget setting process, one saving proposal, in relation to withdrawal of the Falls Prevention service (at a saving £295k) was amended, with the service being continued for a further 12 months whilst a review of the service was undertaken. The £295k cost of continuing the service was jointly funded from partner contributions in 2019/20. Cabinet is minded to extend this by a further 3 months to 30 June 2020, pending a full report on the service to Cabinet in March. This extension will be funded from ongoing partner contributions, with Walsall's contribution being funded from reserves.

4.40 A further change to the 2020/21 budget is proposed, in respect of Birchills Childcare provision, which is the last remaining non-statutory Local Authority Childcare service. The provision is heavily subsidised by Children's Services and runs at a £70,000 per annum deficit, with a forecast increase in the deficit to £87k in 2020/21. Following two unsuccessful procurement/tendering exercises to transfer the service it is intended to consult with service users on the future of the service around viable options, including options to keep the service open, raising childcare fees to ensure the service becomes self-financing, and ceasing the service and closing the childcare provision. Cabinet are asked to approve the consultation on future options for the service.

4.41 The budget for 2020/21 is balanced, including the need to implement savings of £8.77m as outlined in **Annex 7**. The 2021/22 and 2022/23 budgets are not yet balanced, with the requirement to find c£38.36m of additional savings / efficiencies over the two years. The Walsall Proud Programme proposes an organisational wide programme of change activity of sufficient breadth to deliver the required savings from 2020/21 to 2022/23.

4.42 The savings identified at **Annex 7** include new charges to be implemented within Registrars for the 'Change of Name Deed'. Cabinet on 4 September 2019 approved for consultation to be undertaken on 4 income generating proposals. 3 proposals remain under review, but Cabinet are now asked to approve the introduction of new charges for the following, which are expecting to generate £10,890 in 2020/21:

- Change of Name Deed - £50 per certificate
- Change of Name – additional copy of certificate - £11 per additional copy

Both fees were informed through benchmarking with other local authorities that provide similar serves.

Amendments to the Capital Programme

4.43 The draft capital programme was set out in the report to Cabinet on 18 December 2019, totalling £90.36m. The programme has increased by £4.27m to £94.63m in 2020/21 with the following amendments:

- Flexible use of capital receipts to support infrastructure improvements as part of the Walsall Proud programme of £4m, in line with the Flexible Use of Capital Receipts Strategy at **Part 1 Annex 11**.
- A revised council payments system linked to the Enabling Technology work stream of the Proud Programme of £265k.

5. Decide

5.1 As set out in the legal section, Councils are required to set a legal budget. This report is the final stage in that process and Cabinet are asked to approve the recommendations as set out, and recommend the budget to Council on 27 February 2020 for formal approval of the 2020/21 budget and council tax levels.

6. Respond

6.1 Following recommendation by Cabinet, this budget report and plan will be forwarded on for formal approval by Council on 27 February 2020.

7. Review

7.1 Following approval by Council on 27 February 2020, the 2020/21 budget will be formally set and monitored throughout the year. Council tax bandings will be set and bills formally produced and distributed in accordance with approved guidance.

Background papers

- Corporate Budget Plan 2018/19 - 2021/22 as approved by Council on 28 February 2019.
- Draft Revenue Budget 2019/20 – 2022/23 - Cabinet 23 October 2019.
- Revenue Budget and Draft Capital Programme 2019/20 to 2022/23 - Cabinet 18 December 2019.

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V Buckley

Vicky Buckley
Head of Finance
6 February 2020

Councillor M. Bird
Leader of the Council
6 February 2020

SECTION A – Part 1

For Approval by Cabinet and Recommendation to Council:

Corporate Budget Plan and Treasury Management and Investment Strategy

2019/20 to 2022/23

February 2020

Contents **Page No**

Part 1 – Revenue and Capital Budget Plan

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

The council's budget is a financial representation of the organisation's plans for the forthcoming financial year and beyond. In times of economic uncertainty, it is imperative that the council plans over the medium term. This budget looks over the spending round for 2020/21 and anticipated 2 years of the next spending review period to 2022/23, and is constructed as an integral part of the council's planning processes. It is aligned to its priorities and objectives and specifically the council's corporate plan, strategic economic plan, corporate workforce strategy and the council transformation Proud Programme.

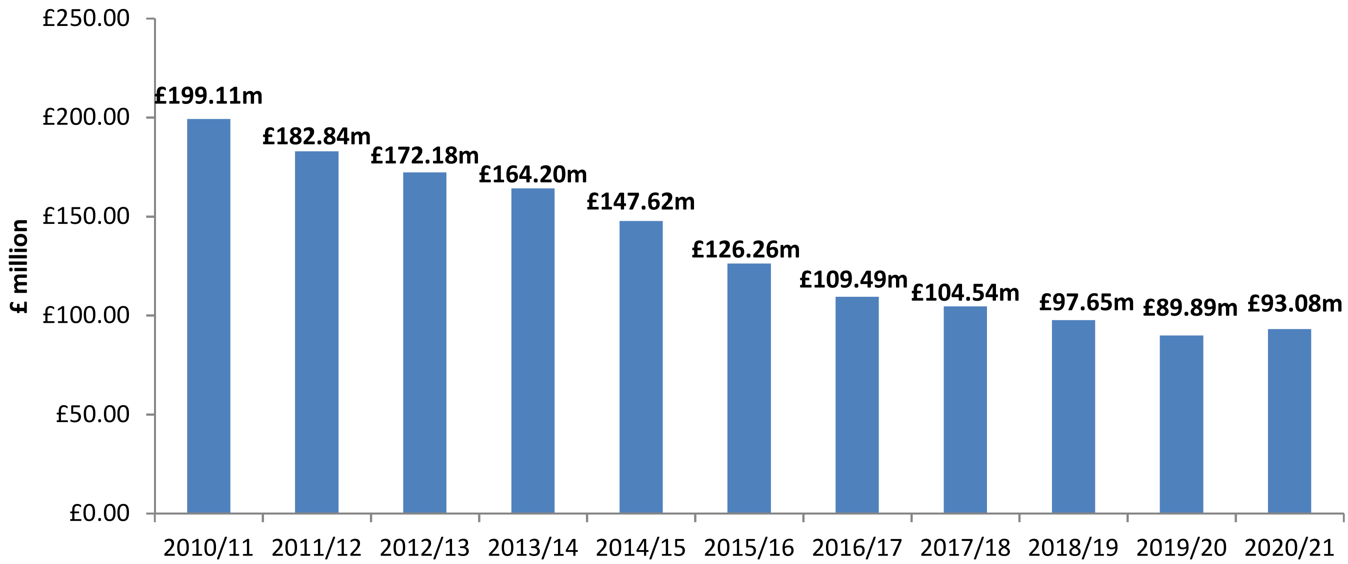
Walsall Council exists to serve the people and communities of Walsall, by representing and working with them to protect and improve the quality of life for all, particularly the most vulnerable. Walsall Council will provide strong, fair, open and honest leadership for the borough and its people and work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

By 2023 the council will be a key enabler of improvements to Walsall and its' Districts as a place to live, learn and work; working innovatively and collaboratively with strong and resilient communities, public sector partners, schools and businesses to shape services that deliver real and sustainable improvements to people's lives. The council will by necessity be smaller, doing fewer things, and those services that we continue to provide will be delivered in a very different way to how they are now. Our efforts will be focussed on reducing health, social and economic inequalities and creating an environment where the potential of the area, local businesses, communities and people can be maximised.

<u>Our Challenges</u>

Around half of Walsall's funding comes from Government grant (58% - top up, schools DSG and some specific service grants). In 2010, Walsall received £199m of Government core funding support to deliver services, alongside income generated from council tax. Between 2010/11 and 2020/21, Government has cut funding by c£106m. Alongside cost pressures over the same period, savings totalling c£201m have had to be identified and implemented.

Government Funding 2010/11 to 2020/21



Total forecasts for core funding are shown below. This shows an expected increase of c£6.3m over the period to 2022/23.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total (Reduction) / Increase £m
Business Rate Retention (BRR)	73.418	74.614	76.107	76.107	2.689
Top Up Grant	17.697	17.985	18.345	18.712	1.015
Baseline Funding *	91.115	92.599	94.452	94.819	3.704
Adjustment against baseline	(1.222)	0.484	(0.192)	1.374	2.596
Total Cash Limit	**89.893**	**93.083**	**94.260**	**96.193**	**6.300**
2020/21 Increase		**3.190**			
2021/22 Increase **			**1.177**		
2022/23 Increase **				**1.933**	
Total Increase					**6.300**

** Government set Walsall a baseline figure under the business rates retention scheme (Settlement Funding Assessment – SFA as referred to in table 4). The 'adjustment against baseline' takes into account our estimate of what Walsall will collect.*
*** We await confirmation of the Government Spending Round to confirm core funding allocations for 2021/22 onwards. Current assumptions are that ongoing increases will be in line with inflation.*

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

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

The council's second largest source of funding is council tax (c19.9% of the council's gross spend is funded from council tax), which continues to be subject to Government restrictions on the amount that can be raised from this income stream, previously through 'capping', and now through the referendum principles. The budget currently assumes council tax increases of 1.99% over the next three years, with an additional 2% in 2020/21 for Adult Social Care activity, in line with current referendum principles.

The provisional settlement for 2020/21 was announced on 20 December 2019. The future financial environment therefore continues to be challenging for councils for 2021/22 and beyond, with significant uncertainties in future grant, including public health, better care fund, etc. One of the major thrusts has been that local authorities can now keep a share of the business rates generated within their area rather than pooling for national redistribution, however this benefit is limited by other parts of the funding mechanism, such as Government top slicing of funds to meet new burdens, safety net authorities, national capitalisation targets, etc.

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

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

- Continued reductions in core government grant funding, for example:
  - Impact of full business rate retention (BRR) as part of the West Midlands pilot, and changes to the Government's intention to move to 75% retention for all non-pilots.
  - Impact of the Government's next Spending Review during 2020, which is expected to include a 'Fair funding' review of council services, to include the setting of new baseline funding allocations.
  - Public Health grant – this was expected to be transferred fully into BRR from 2020/21, and become un-ringfenced, but no further guidance has been issued. There is limited intelligence as to how this will impact, and we expect that this will be addressed as part of the next spending review period for 2021/22 onwards. Once subsumed into BRR, a significant chunk of this could be lost in future funding reviews.
  - Continuation or otherwise of other specific grants eg. integrated better care fund, social care, troubled families etc.
- Increases in demand:
  - From an ageing population putting strain on local authority systems both in financial and operational terms. For example, adult social care packages and

placements costs have risen by £15.87m from £56.21m in 2010/11 to £72.08m in 2020/21.
  - For looked after children, and the associated impact on numbers of social workers, and costs required to support these children. There were 488 in March 2011, compared to 644 in January 2020.
- Emphasis on joined up working - ongoing pressure for the Authority, local NHS and partners to further integrate services in line with the Government's national agenda.
- Government reliance on individual council's ability to raise income through council tax increases, rather than providing national ongoing funding to support social care pressures, etc.
- Welfare reform, including universal credit.
- Increased corporate costs, including costs in relation to pay and pensions.

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

The Medium Term Financial Strategy (MTFS)

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

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

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

Figure 1: Financial Framework

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

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

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

How we will achieve this is through:

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

Financial governance and leadership

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

Financial planning

1. Our financial planning will be inextricably linked to the council's strategic and corporate planning process. Our financial plans will reflect the councils key strategic priorities.
2. An annual medium term financial outlook, covering a four year time horizon, will integrate current expenditure plans and investment programmes, with cash-flow and

balance sheet projections, developed in the context of a longer-term strategy, which supports the council's strategic plan.

Finance for decision making

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

Financial monitoring and forecasting

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

Financial reporting

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

2. Summary of the 2020/21 Revenue Budget

The budget has been prepared for the four year period 2019/20 to 2022/23 to extend beyond the current Parliament and Government's Efficiency Plan period to 2020/21. The 2019/20 position is reported regularly to Members. The current position is a forecast small overspend of c£2.78m, and work continues to ensure the council outturns within budget by year-end. This is equivalent to 0.4% of the council's gross revenue expenditure.

The focus in this section is 2020/21, as this is the year for which Council are required to set the forthcoming financial envelope (the 'statutory determinations' or gross expenditure and gross income), the council tax requirement and the band D council tax level. Section 4 provides further detail on 2021/22 and beyond.

<u>2020/21 Revenue Budget Headlines</u>

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

- A focus on a policy-led, medium term, risk assessed budget setting approach using priorities established by Cabinet,
- A total net council tax requirement of **£127.57m,**
- A 3.99% council tax increase, equivalent to a Band D Council Tax of **£1,782.90** (excluding precepts) and **£2,007.26** (including precepts) subject to confirmation of final precepts,
- Investment of **£6.86m** for Adult Social Care cost pressures primarily to cover demographic changes,
- Investment of **£5.90m** for Children's Services cost pressures primarily to cover Looked after Children, management of caseloads, demographic changes and contractual inflation,
- Provision for other known budget pressures, including cost pressures and reduced levels of income or grant, of **£7.85m,**
- Provision for pay related costs of **£5.83m**,
- Bringing total investment to **£26.34m,**
- A new Social Care grant of £6m and the continuation of the current Social Care grant of £2.46m, as announced in the Spending Round 2019 on 4 September 2019. This will fund the investment in Adult's and Children's social care contained within the MTFO.
- Savings requirement of **£8.76m**,
- Appropriate use of prudential borrowing to support capital investment where affordable and sustainable with revenue costs being reflected in this report,
- Opening general reserves of c**£13.55m** in line with our Medium Term Financial Strategy.

The financial implications arising from the draft capital programme 2020/21 are contained within the draft revenue budget.

<u>Net Council Tax Requirement</u>

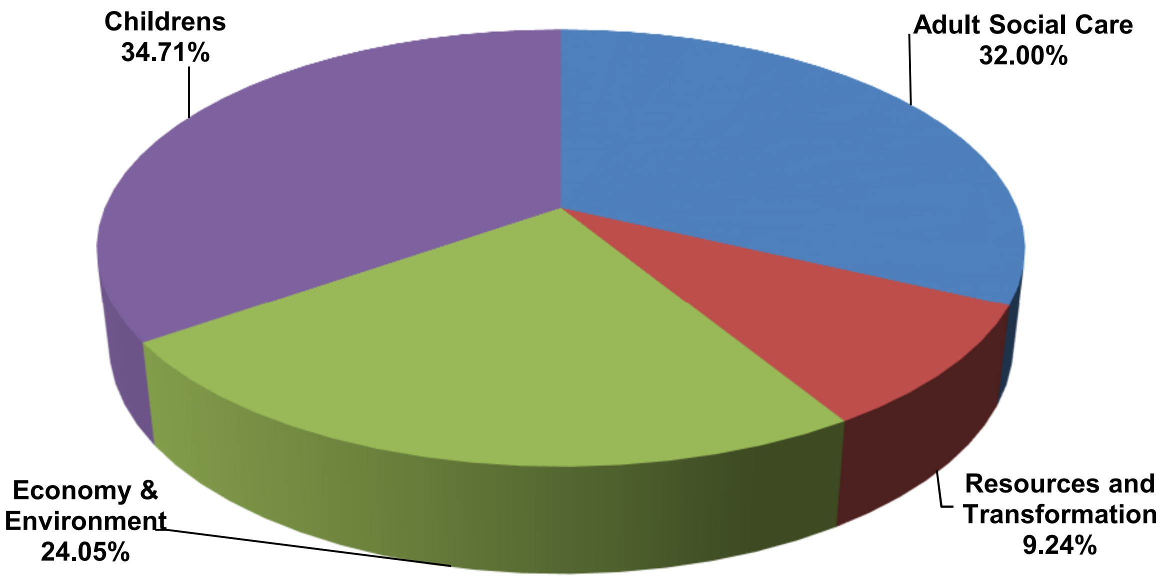
The gross revenue expenditure budget for 2020/21 will be **£641.49m**, and gross income will be **£513.93m**, resulting in a net council tax requirement of **£127.56m**.

It has been possible to commit to £26.34m **(Table 1)** to address key priorities in 2020/21, funding of essential cost pressures, provision to fund inflationary pressures (i.e. contractual) and corporate cost pressures to fund for example, pay and pension costs. Income targets have also been corrected in some areas, where ongoing shortfalls have arisen.

The change in council tax requirement from 2019/20 to 2022/23 is shown in **Table 1.**

Table 1: Council Tax requirement (Movements)			
	2020/21 £m	**2021/22 £m**	**2022/23 £m**
Council tax Requirement	**121.37**	**127.57**	**131.10**
Cost Pressures:			
Growth / Investment (Annex 4)	20.51	15.52	11.00
Pay changes – centrally held	5.83	(0.16)	5.32
Savings plans identified (Annex 7)	(8.77)	0.00	0.00
Other savings to be identified	0.00	(21.06)	(17.30)
Other movements / funding changes:			
Other changes including grants / income	(15.66)	4.30	2.02
Fall out of one off investment	0.00	(1.00)	0.00
Core Funding changes	(1.49)	2.32	1.57
Collection fund (surplus) / deficit	0.65	0.86	0.00
Transfer to / (from) reserves	5.13	2.75	0.92
Revised Council Tax Requirement	**127.57**	**131.10**	**134.63**
Council Tax Increase	3.99%	1.99%	1.99%

Figure 2 – Net council tax requirement by directorate



This results in a band D council tax for the Walsall Council element only of £1,782.90, representing an increase of 3.99% from 2019/20 levels. Most properties in Walsall (67.47%) are in bands A or B (**Annex 2**). **Table 2** shows the calculation at Band D.

Table 2: Net Council Tax Requirement and Council Tax Levels 2020/21		
Element of budget	2020/21 budget £	Council Tax Band D £
WMBC element - required from council tax	**127,566,138**	**1,782.90**
Police & Crime Commissioner precept	11,630,420	162.55
Fire & Rescue precept	4,422,187	61.81
Total from council tax	**143,618,745**	**2,007.26**

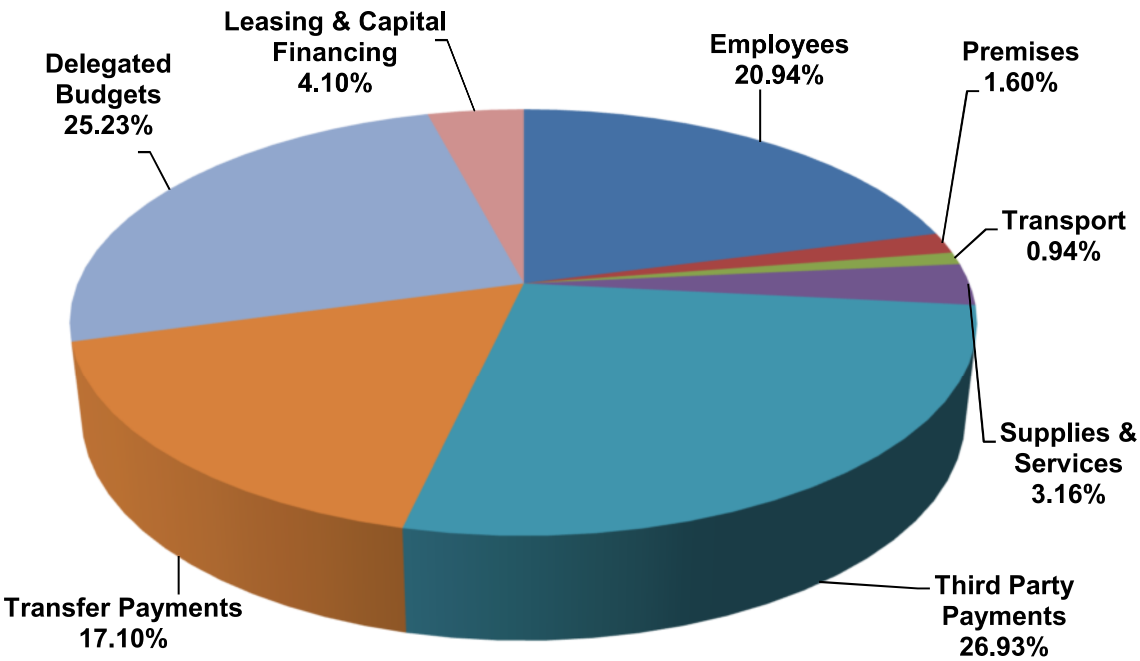
NB: based on an approved council tax base of 71,549.80 band D equivalents.

Expenditure analysis

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

Table 3: Expenditure by Category of Spend	
Type of Expenditure	**£ million**
Employees	134.359
Premises and Transport	16.284
Supplies and Services	20.261
Third Party Payments	172.774
Delegated Budgets	161.826
Leasing and Capital Financing	26.307
Transfer Payments	109.682
Total Expenditure (excluding Internal Recharges)	**641.493**

Figure 3 – Spend by Type of Expenditure

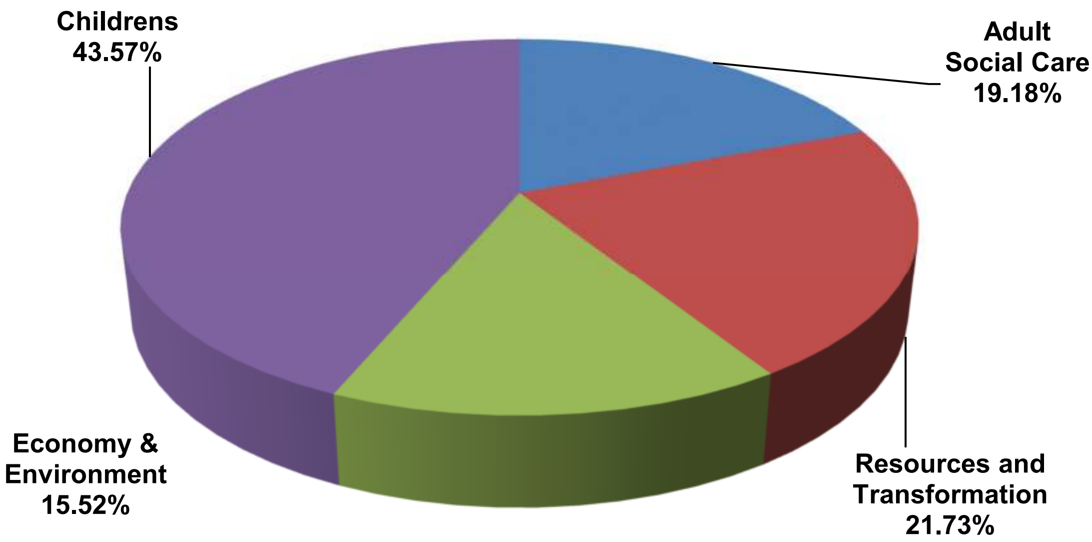


Notes

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

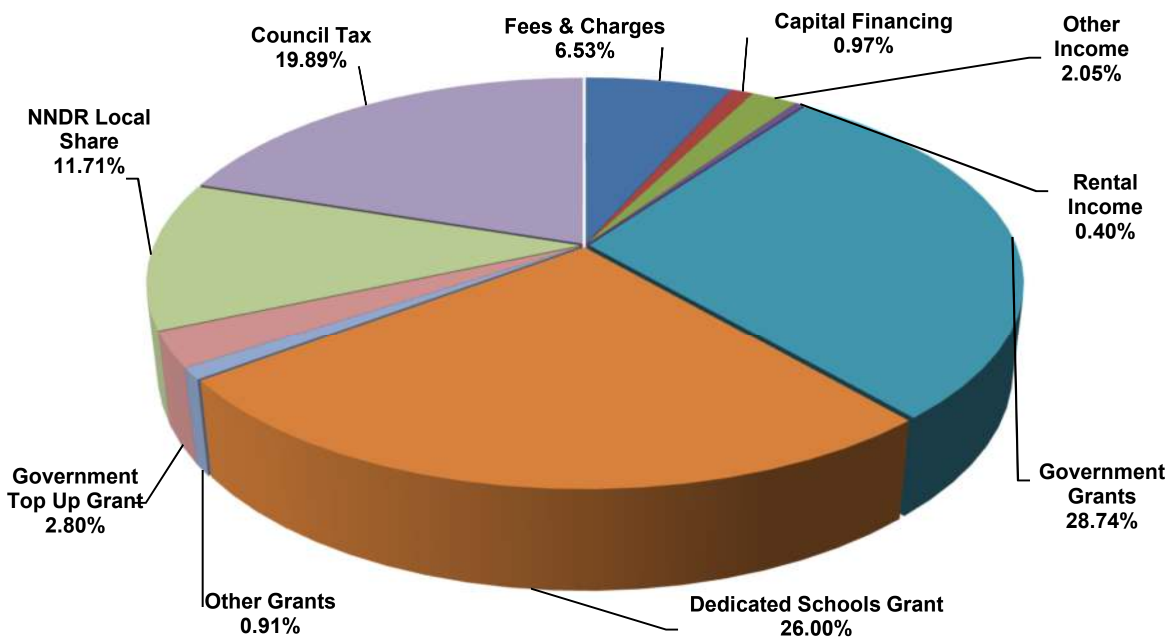
The £641.49m total council expenditure is analysed by directorate in **figure 4**. For Resources and Transformation, 12.17% of the 21.73% relates to Housing Benefit payments. For Children's Services, 26.40% of the 43.57% relates to Schools.

Figure 4 – Gross expenditure by directorate



<u>Income analysis</u>
The council receives income from a number of sources including council tax, Central Government grant and specific grants to help pay for certain services including schools and social care. The council also charges for parking, use of leisure facilities and other services. In 2020/21 the council tax will account for 19.89% of total income. **Figure 5** shows all the main sources of income.

Figure 5 – Sources of funding



Government central funding and business rate retention

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

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

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

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

There is a change in funding under the 100% business rates scheme in that revenue support grant (RSG) is no longer paid to the authority. Funding will continue to be paid to the authority through a top up grant and retained business rates into 2020/21.

There remains considerable uncertainty in respect of the amount of income we will receive in Government funding from 2021/22 onwards. The Spending Round SR19 relating to 2020/21, announced on 5 September 2019, confirmed that a full multi-year Spending Review is due to take place in 2020, a year later than planned due to the delay in Brexit negotiations, to cover the period from 2021/22. The Spending round also announced that, for the first time since 2002, no government department will see a cut to its budget, with all being increased by at least inflation.

The next budget statement (expected March 2020) is expected to confirm that the era of austerity is finally coming to an end (as previously announced by Government), and outline the impact on funding provided to local government, particularly to address rising costs of Adult Social Care.

The 2020/21 provisional finance settlement, announced on 20 December 2019, represents the eighth year in which the BRR scheme is the principal form of local government funding, summarised as follows:-

- Business rates local share - **£74.61m** in 2020/21 – this is an estimate of what Walsall will collect and retain in business rates. This local share is not guaranteed and is based on the council retaining 99% of what we actually collect in 2020/21, as part of the pilot scheme.

  Government set Walsall a baseline figure under the business rates retention scheme of £92.599m for 2020/21 which is made up of the business rates local share and top up grant. They also set a safety net threshold of £89.821m for 2020/21. If the safety net threshold is triggered, then any income loss below the threshold is funded by government. Any shortfall between £92.599m and £89.821m has to be borne by the council (99%), and fire authority (1%). Walsall is currently estimating the baseline to be £93.083m, slightly above the government baseline and so no safety net would be payable. Volatility in business rates will therefore need careful monitoring throughout the year.

- Top up grant – **£17.98m** in 2020/21. Some authorities collect more business rates than their calculated baseline funding level, and are therefore required to pay a tariff to Government in excess of their allocated share. Council's like Walsall have a greater baseline funding level than the business rates they can collect and will be paid a top up grant from Government to meet the shortfall.

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

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

Walsall's direct funding, as determined by government, represents an increase of 1.6% from 2019/20 to 2020/21. This is the first real increase in government core funding since 2010/11. Direct funding under the pilot scheme, compared to funding received in previous years, is set out in **Table 4**.

Table 4 : Government Settlement funding Assessment			
	2018/19 £m	**2019/20 £m**	**2020/21 £m**
Revenue Support Grant	**0.0**	**0.0**	**0.0**
Business Rates Baseline (99% retained from 2017/18 including effect of revaluation)	**70.4**	**73.4**	**74.6**
Top Up Grant	**27.2**	**17.7**	**18.0**
Total Government Settlement	**97.6**	**91.1**	**92.6**
Adjusted Settlement Funding Assessment	**103.6**	**97.6**	**91.1**
Grant increase/-decrease (adjusted) - £m	**(6.0)**	**(6.5)**	**1.5**
Grant increase/-decrease (adjusted) - %	**-5.8%**	**-6.6%**	**1.6%**

Other specific grants / pooled funding
The council receives a large number of external grants which make up 55% of the councils total funding. The main grants are summarised below -

- Dedicated Schools Grant – this is passported directly to schools under a specified formulae – the council will receive £166.8m in 2020/21 with future allocations dependent on final pupil numbers.
- Public Health Grant - Local Authorities in England took responsibility for the commissioning of some Public Health services from the National Health Service (NHS) on April 1st 2013. The grant, currently £17.2m, has reduced by c£2m since 2015-16. 2020/21 is expected to see at least a flat real [terms] increase but this is still to be confirmed. This was expected to be transferred fully into BRR from 2020/21,

and become un-ringfenced, which the Spending Round on 4 September 2019 confirmed would not happen. There is limited intelligence as to how this will impact post 2020/21. Once subsumed into BRR, a significant chunk of this could be lost in future funding reviews.

- Adult Social Care winter pressures - on 2 October 2018, Government announced £240m additional funding to be ringfenced to adult social care services for both 2018/19 and 2019/20. The Government Spending Round announcement on 4 September 2019 (SR19) confirmed the continuation of funding into 2020/21. The intention is to provide councils with short term funding to alleviate winter pressures on the National Health Service, particularly to ensure capacity in the acute setting and ensure timely discharge. The local allocation for Walsall is £1.43m for each year. The Department of Health and Social Care published separate guidance, suggesting the allocation could be utilised to cover the following areas;
    - Home care packages to help with discharges from hospital
    - Re-ablement packages to support with gaining independence and carrying out everyday tasks
    - Home adaptations including new facilities for personal care

  The funding will be used to alleviate winter interventions, supporting hospital discharges with appropriate social care support and promoting independence for older people who have an identified social care need.
- Additional Social Care grant - on 29 October 2018 an additional £410m was announced to council's for adults and children's social care, and the SR19 confirmed the continuation of funding into 2020/21, along with a further £1bn to be distributed using the existing Adult Social Care Relative needs Formula for 2020/21. The local allocation for Walsall is £8.8m in 2020/21. This funding has been given in response to councils concerns about pressures on adult and children's social care services, with an expectation that councils will use this funding to meet those pressures.
- Better Care Fund – The authority is the lead for the Better Care Fund pooled budget which involves partnership working between adult social care and Walsall Clinical Commissioning Group, with both parties making a contribution into the fund. The Better Care Fund (formerly the Integration Transformation Fund) was announced by the Government in the June 2013 spending round, at a national value of £5.3bn, to ensure a transformation in integrated health and social care. The Better Care Fund (BCF) is one of the most ambitious ever programmes across the NHS and Local Government. It creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services. The 2015/16 financial year was the first year of the BCF, with the Improved Better Care Fund (iBCF) introduced in 2017/18. For 2020/21, £21.3m will be received for BCF and £12.33m for iBCF.
- New Homes Bonus - £2m held centrally to support the budget – a reduction of £884k for 2020/21, with predicted ongoing reductions for future years. Our MTFO currently assumes reductions of £887k in 2021/22 and £692k in 2022/23.
- Troubled Families Grant - Continued funding for the troubled families programme as announced in SR19 - £1.3m.
- Housing Benefit grant of £76m expected to reduce annually as we move to Universal Credit.
- Discretionary Housing Payments of £1m - expected increase of c28% for 2020/21 as announced in SR19
- Other grants are expected to continue at current levels – these include specific grants for schools (Pupil Premium, 6th Form, Teachers pay/pensions), Street Lighting, and Leisure related funding.

Growth and Investment

The following key financial planning assumptions are included and are based on best professional estimates. The draft budget 2020/21 – 2022/23 includes provision for investment and cost pressures of c£47m, as shown in **Annex 4**, which are proposed to address service demand pressures linked to council priorities in the council's Corporate Plan, and the prioritisation of key services. There is a further £5.83m of pay and pension related investment to be allocated to services in 2020/21 once the pay award and pension valuation have been agreed. Primarily, investment covers:

1. *Provision for pay and pensions (corporate cost pressures) and inflation;*
   - An annual pay increase and provision for pay increments.
   - Impact of pension auto-enrolment and tri-annual employer pensions contributions based on the latest valuation information. Work is currently being undertaken by the pension fund to provide details for the next 3 years.
   - Provision for contractual increases, including the W2R contract.
   - No provision for general inflation – services are required to manage this within existing budgets.

2. *Demand and demographic changes within services (demand led cost pressures);*
   - Increases in placements/costs for looked after children.
   - Increased care packages/costs within Adult Social Care arising from an increased ageing population.
   - Management and inclusion of ongoing service pressures and income shortfalls from the current year (2019/20).

3. *In year Cabinet decisions;*
   - Extension of waste recycling centre hours.
   - Reduction in bulky waste collection charges.

4. *Changes in Government funding;*
   - Core funding reduced by c£106m between 2010/11 and 2020/21. There remains considerable uncertainty in respect of the amount of income we will receive in Government funding from 2021/22 onwards. The local government provisional settlement announced on 20 December 2019 outlined government spending plans for 2020/21 – an increase of £1.5m in our core funding.
   - Core funding via top up grant has halved, from c£32m in 2017/18 to £18m in 2020/21.
   - Comparison of actual business rates income compared with what the Government anticipated the council to collect, along with provision for appeals against rate valuations, means that actual income is roughly in line with Government estimates.
   - Actual income is, however, expected to rise in line with inflation.
   - Changes in the value of business rates retained by local authorities (currently 100% for Walsall as part of the pilot for 2020/21, although under review by Government in the longer term with an assumption of a minimum 75% retention), the risk to the council increases, as the council will be required to fund more of the cost of appeals, which have proved a significant cost to councils' to date.

Savings requirement
In order to set a balanced budget, and after a review of available resources from central Government grant and local resources, and taking into account additional known and likely pressures, total revenue reductions of just over £20.2m were approved by Council in February 2019.

For 2020/21 and future years, the council's medium term financial outlook has been updated to reflect the predicted changes to direct government funding, the collection fund and other known cost pressures set out in the previous sections of this report, resulting in a revised requirement to make changes to service delivery to meet a three year funding shortfall of c£47m as follows:

2020/21 - £8.76m
2021/22 - £21.06m
2022/23 - £17.30m

Walsall Proud Programme

Our approach to setting the budget is different from previous years. The new approach will set the overall financial savings expected to be delivered via Proud Programme work stream activity.

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

The Proud Promise is a key feature of the Programme and guides the decisions of the Walsall Proud Programme Board. The Proud promise is:

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

To deliver this ambitious programme of change, the council has contracted with PricewaterhouseCoopers as a Strategic Transformation Partner. The aim of this arrangement is to bring much needed critical capability and capacity to the council to work in partnership to design and drive change.

The Proud Programme is expected to deliver the required financial savings for 2020/21 and beyond – the extent of savings will of course be dependent on the pace of change and the level of ambition. The Proud Programme covers all council services and consists of eight key work streams:

1. Commissioning, Procurement & Contract Management (Third Party Spend)
2. Culture & Behaviours
3. Customer Access and Management
4. Designing the Ways of Working

5. Enabling Technology
6. Income Generation & Cost Recovery
7. Outcomes, Service Levels and Delivery Models
8. Service Productivity and Performance (Perform+)

Further details of the work streams and activity are shown in **Annex 5**. Cabinet approved a total investment cost to benefit ratio of 1:3 for Proud (for every one-off £1 invested, this will deliver at least £3 recurring additional benefit which can be used to support the council's financial position or be reinvested into services). **Annex 6** summarises proposed investment by work stream. The business case identified benefits of between c£42m (at low end of savings range) and c£79m (at high end of savings range), which is currently being re-baselined using latest available data. The Proud Programme is an ambitious transformation programme, and the aim is to deliver towards the higher end of the benefit range.

For financial planning purposes, the table below shows that by taking a more prudent view of benefits - at a mid-point of the range this provides headroom over the MTFO period against the savings requirement.

Profile of Indicative versus Required Savings	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Total Indicative Savings – Mid-Point subject to review	21	23	16	60
MTFO Savings Requirement	9	21	17	47

The programme is being developed around ten key outcomes, aligned to council Corporate Plan priorities:

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

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

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

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

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

Savings of £8.76m are required in 2020/21 to balance the budget. From the review of current Proud activity, it is anticipated that this can be saved from a number of reviews currently in train, as summarised in **Annex 7**, and by directorate in **Table 5**.

Table 5: 2020/21 Indicative Savings by Directorate	
Directorate	**Total savings £m**
Adult Social Care	1.00
Children's Services	0.71
Economy and Environment	0.90
Resources and Transformation	1.10
Corporate Savings	5.05
Total Savings / efficiencies	**8.76**

Key Proud activity to date has included:

- **Improve outcomes and customer experience**

  The council is committed to improving the customer experience through the programme. It will do this in various ways including: reviewing the services currently provided by the council in line with the council's agreed outcomes; simplifying processes and procedures used to deliver services, making services available digitally to support self-service for customers and re-organising the capacity within the council to deliver these services where possible to drive consistency and ease of access for customers.

  Given the critical importance of this activity, it is attracting investment particularly to support the provision of new technology. As part of the work completed so far, the following has been delivered:
  - A combined team (PwC and Council) designing and delivering improvements in how services are delivered to customers
  - A new organisational design for how simple customer enquiries and processes will be delivered in future informed by Members and feedback from existing customers
  - Real improvements in how a selected number of processes currently operate (including paying for a taxi licence on-line which has resulted in 50 customers now applying on-line with work underway to provide a book and pay service on line for bulky waste)
  - Building e-forms for Taxi licensing to enable customers to apply on-line reducing duplication of effort
  - Developed and published specification for new telephony solution
  - Investigated and built selected processes in Microsoft Dynamics (software solution to support the delivery of customer services and self-service)
  - Built statistical reports in Microsoft Power Business Insight software to demonstrate how we might use this software in future to understand and better manage the demand on council services in the future

- **Improve employee satisfaction and engagement**

  Council employees deliver a wide range of services to the residents of Walsall. Employees are a critical and valued asset to any organisation but in particular for the council where our employees provide essential services to communities, businesses and families in need. Helping those employees to thrive at work, equipping them with efficient and effective ways of working and being able to attract and retain talent, is critical to the future success of the council. As part of the Proud Programme, the following has been delivered:

Perform+ provides teams across the council with new ways of working designed to support high performing teams and improved service delivery. Perform+ has been rolled out in Money, Home, Job (MHJ) and Adult Social Care. Each roll out consists of a diagnostic followed by a 14 week deployment.

The roll out of Perform+ has already resulted in:

- 25% reduction in the time to process a benefit claim (MHJ)
- 38% reduction in cases in bed and breakfast accommodation (MHJ)
- 27 days reduction in the time taken for customers to receive their support plan (ASC)
- 218 additional support plans being completed per month, 56 additional assessments being completed per month and 16 additional safeguarding queries being resolved per month (ASC)

As part of the process, PwC have also trained 7 council colleagues as Perform+ Coaches (with more to follow) and the council lead is now developing our long term approach to embedding Perform+ as a new way of working within the council.

- **Improve service efficiency and performance**

As part of the programme, PwC have worked closely with colleagues across the council to review how the council is currently organised and its current working practices. Critically, this has included challenging the council to develop new ways of working to support improved performance. As part of this, the following has been delivered:

Detailed design to support new ways of working – this has included the design of the council's new functional model (new ways of working) and new ways of thinking.

Review of current ways of working and design of potential solutions in key areas including: third party spend, income generation and cost recovery and assets.

Outcomes and service redesign – a review and agreement to the council's 10 outcomes and the review and redesign of the Planning Service and development of the council's Resilient Communities model.

The council is now moving into the implementation of these designs through the following work streams:

- Outcomes and service redesign including implementation of the redesign of the planning service and the resilient communities model.
- Ways of working (Hub) with implementation of new redesigns for business insight, commissioning, procurement and contract management, communications, marketing and brand.
- Third party spend, including the implementation of Wave 1 opportunities (efficient council and procurement control) and the setting up of the Contracts Oversight Committee.

- Income generation & cost recovery including implementation of Wave 1 opportunities.

Collection Fund

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

The assessment undertaken in January 2020 calculated the following:

- Council Tax - an estimated surplus of £0.86m for Walsall (total actual surplus for 2019/20 of £0.96m, less the required contribution of £0.11m to the West Midlands Police and Fire & Rescue),
- Business Rates – an estimated net deficit of £0.05m (total actual deficit for 2019/20 of £0.05m, less the required contribution towards the deficit of £1k from the West Midlands Fire & Rescue).

Referendum

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

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

The provisional local government settlement for 2020/21, as announced on 20 December 2019, confirmed the council tax referendum limit of up to 4%, inclusive of 2% continuation of the social care precept. This would mean if a local authority seeks to raise its relevant basic amount of council tax by 4% or more for 2020/21, local people would have the right to keep council tax bills down through a binding referendum veto.

Walsall proposes to increase council tax by 3.99% (1.99% general increase and 2% precept for Adult Social Care), and therefore within the referendum limits set by government.

Levies and Precepts

Table 6 shows the levy to be made on Walsall Council by the West Midlands Combined Authority for transport, and the levy by the Environment Agency.

Table 6: Levies 2020/21				
Levy	**2019/20 £**	**2020/21 £**	**Increase / (Decrease) £**	**Increase / (Decrease) %**
West Midlands Combined Authority Levy (Transport)	11,137,950	11,137,950	0	0
Environment Agency	81,474	82,739	1,265	1.55

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

Table 7: Precepts 2020/21				
Precepting Authority	**2020/21 Amount £**	**Band D 2020/21 £**	**Band D 2019/20 £**	**Band D Increase %**
WM Police and Crime Commissioner	11,630,420	162.55	152.55	6.56
WM Fire and Rescue	4,422,187	61.81	60.60	1.99

General Reserves, Earmarked Reserves and Contingencies

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

The council's statutory S151 Officer produces the strategy, and advises on the level of reserves, in accordance with statute, best practice, professional opinion and the council's MTFS. In accordance with section 25 of the Local Government Act 2003 and to comply with CIPFA guidance on local authority reserves and balances, the S151 Officer is required to formally consider and report to members upon the adequacy of reserves in respect of the 2020/21 budget, as outlined in **Annex 12**.

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

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

3. Summary of the 2020/21 Capital Programme

The council has an asset portfolio of around £531m. Therefore managing and maintaining these assets is a key issue for the council to ensure they continue to be fit for purpose and their value is maintained. The capital programme is key to delivering the council's vision and priorities.

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

The 2020/21 capital programme totals £94.63m, detailed in **Annex 9**, and is presented in two parts:

- Council funded programme (£27.59m) - funded through borrowing and capital receipts (**Table 8/9**). Of this £0.75m is identified for council wide schemes, funding to support essential works including health and safety and other projects that cannot be guaranteed at the start of the year. A further £10.2m is included to fund infrastructure and technological improvements as part of the council's Proud Programme.
- Non-council funded programme (£67.04m) - funded from capital grants **(Table 10).**

In addition, the council's leasing programme for 2020/21 is £4.4m, the revenue costs of which are funded from services own budgets **(Table 11).**

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

Following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017, there is a new requirement for councils to produce a Capital Strategy from April 2018. This should "*set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk, reward and impact on the achievement of priority outcomes.*" The revised Capital Strategy is set out at **Annex 10**.

Council Funded Programme: Funded from Walsall's own resources

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

Borrowing going forward is required to be funded from council's own resources – generated through savings, and/or paid for via council tax. (This is also commonly known as unsupported or Prudential borrowing). Councils are allowed to borrow in accordance with the Treasury Management Code of Practice. The current capital financing / services cash limit is forecast to be able to support £20.45m of additional borrowing to fund high priority items in 2020/21.

An allocation of £1.5m is assumed from Capital receipts each year, which is monitored in year by property colleagues. Any additional receipts received in year (excluding those earmarked for specific schemes) will be considered to fund projects identified on the reserve list of schemes. Additionally, **Annex 11** sets out the council's Flexible Use of Capital Receipts Strategy, which will utilise eligible new receipts to fund elements of the council's Walsall Proud (Transformation) Programme.

Table 8 shows currently estimated resources to fund the mainstream capital programme for the four years from 2019/20.

Table 8 : Mainstream Capital Programme (Council funded)				
Category	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Capital receipts projected	1.50	1.50	1.50	1.50
Earmarked capital receipts	0.29	0.15	0.00	0.00
General borrowing	7.87	7.82	9.49	9.52
Borrowing for ICT schemes / public realm	3.18	0.00	0.00	0.00
Revenue contribution to capital	0.17	0.04	0.02	0.02
Prior year underspends	3.38	1.00	1.00	0.00
Borrowing for Regional Materials Recycling Facility approved by Cabinet 4 September 2019	0.00	2.43	4.76	2.72
Borrowing / Capital Receipts for Proud investment	0.00	10.20	0.00	0.00
Use of business rates – Enterprise Zone*	0.00	0.45	0.91	1.38
Flexible Use of Capital Receipts	0.00	4.00	0.00	0.00
Total Mainstream resources	**16.39**	**27.59**	**17.68**	**15.14**

*Requirement to cash flow prior to generation of business rates

A number of current schemes are expected to be carried forward into 2020/21, totalling £13.06m. This will be finalised at year end, and reported to Cabinet in June 2020 for approval. These schemes are summarised at **Annex 8.**

Capital Schemes
For 2020/21 services were asked to review current and future schemes included in the capital programme approved by Council in February 2019. Requests for new allocations were considered in line with council priorities and the pending work of the Proud Programme. Details can be found in **Annex 9** and are summarised by directorate in **Table 9** below.

Table 9: Mainstream Capital Programme 2020/21 by Directorate (Council funded)				
Directorate	**Rolling Programme £m**	**Prior Year Approval £m**	**New Allocations £m**	**Total Mainstream £m**
Adult Social Care	0.00	0.00	0.00	0.00
Children's Services	0.15	0.07	0.00	0.22
Economy and Environment	2.84	5.86	0.01	8.71
Resources and Transformation	0.48	1.68	1.55	3.71
Centrally held budgets *	0.75	10.20	4.00	14.95
Total Council Funded Capital	**4.22**	**17.81**	**5.56**	**27.59**

**Centrally held relates to £0.75m funding to support essential works, including health and safety e.g. LSVT retained housing land, asbestos removal, statutory testing, legionella, fire risk, demolition of redundant buildings, planned maintenance, risk management and self-insured property damage, along with £10.2m to support the Walsall Proud Programme and £4m flexible use of capital receipts.*

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

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

All capital schemes were reviewed by the Corporate Management Team, corporate asset review group and asset strategy group, prior to formal approval by Cabinet for recommendation to Council. The draft capital programme was scrutinised by Scrutiny Overview Committee. Whilst the overall demand for resources usually exceeds those available, schemes deemed to be a high priority in terms of reflecting the council's priorities can be funded, representing a balanced programme for 2020/21 with indicative allocations which are subject to further review for 2021/22 onwards.

Externally Funded Programme

Full details of externally funded schemes are found in the draft capital programme at **Annex 9** and are summarised in **Table 10** below. Many of these are indicative allocations pending formal notification from the respective funding bodies, and the capital programme will be adjusted in year to reflect final allocations. Certain schemes can go ahead as these are either fully funded by grant or have the necessary mainstream match funding already approved. If grant or mainstream funding is unavailable then the scheme will not go ahead.

Table 10: Externally Funded Capital Programme 2020/21 by Directorate			
Directorate	**Government Funding £m**	**Third Party / External* £m**	**Total Funding £m**
Adult Social Care	0.00	0.00	0.00
Children's Services	4.26	0.00	4.26
Economy and Environment	3.77	55.30	59.07
Resources and Transformation	3.71	0.00	3.71
Centrally held budgets	0.00	0.00	0.00
Total Externally Funded Capital	**11.74**	**55.30**	**67.04**

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

Leasing Programme

The 2020/21 leasing programme totals £4.4m, summarised in **Table 11** below. Leasing minimises the call on capital resources by spreading the acquisition cost over a number of years. Revenue funds are required to finance operating leases, and are included in the revenue budget.

Table 11: Leasing Programme 2020/21		
Directorate	**Asset cost**	**Revenue Leasing**
	£m	**£m**
Economy and Environment		
Refuse Vehicles	1.860	0.362
Light Commercial Vehicles	1.892	0.288
Tractors & Agricultural Machinery	0.156	0.293
Welfare Vehicles	0.496	0.006
Equipment	0.000	0.138
Total draft leasing programme	**4.404**	**1.087**

4. Medium term financial outlook – 2021/22 plus

Revenue

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

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

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

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

Beyond the 2020/21 one year spending round, funding allocations still remain uncertain. Settlement Funding Assessment figures produced as part of the 2020/21 provisional settlement on 20 December 2019 indicate a marginal increase in core funding of £1.5m in 2020/21.

A further Spending Review is expected in 2020 to cover the period from 2021/22, along with the outcome of the Fair Funding review of local authority finance, both of which are expected to impact on our medium term financial outlook.

A balanced budget is reported for 2020/21, with savings of £8.77m to be delivered through the Walsall Proud Programme. There is a further £21.1m of savings required in 2021/22 and £17.3m in 2022/23, which are also expected to be realised from the outcome of the refreshed transformation programme – 'Walsall Proud Programme'. This provides the council with a sound opportunity to plan ahead and seek to rebalance the budget to deliver its corporate plan priorities, and allows it flexibility to adapt to an ever changing climate.

As referred to in Section 2 , further details of the work streams and current activity are shown in **Annex 5**, with investment by work stream at **Annex 6**. The business case identified benefits of between c£42m (at low end of range) and c£79m (at high end of range), which is currently being re-baselined using latest available data. The Proud Programme is an ambitious transformation programme, and the aim is to deliver towards the higher end of the benefit range.

For financial planning purposes, the table below shows that by taking a more prudent view of benefits - at a mid-point of the savings range this provides headroom over the MTFO period against the savings requirement.

Profile of Indicative versus Required Savings	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Total Indicative Savings – Mid-Point subject to review	21	23	16	60
MTFO Savings Requirement	9	21	17	47

Annex 3 outlines the cash limit for 2019/20, the indicative cash limit for 2020/21 (subject to Council approval) and the required phasing of implementation of the Proud Programme to deliver a balanced budget over the period to 2022/23, summarised in **Table 12**.

Table 12: Revenue Cash Limits by Directorate				
Directorate	**Revised 2019/20 £m**	**Indicative 2020/21 £m**	**Indicative 2021/22 £m**	**Indicative 2022/23 £m**
Adult Social Care	64.68	67.49	73.70	77.52
Children's Services	68.99	73.19	76.35	79.10
Economy and Environment	49.57	50.72	50.39	51.04
Resources and Transformation *	19.49	19.48	19.27	19.52
Net Portfolio Cash Limits	**202.73**	**210.88**	**219.71**	**227.18**
Levies	11.22	11.22	11.22	11.22
Central budgets **	(92.58)	(94.53)	(99.83)	(103.77)
Council Tax Requirement	**121.37**	**127.57**	**131.10**	**134.63**

**Includes internal recharge income of £19.53m for Central Support Services and £1.25m for Office Accommodation which are recharged to cost of services.*
***Central budgets includes direct Government funding and business rates, and savings yet to be allocated for 2021/22 and 2022/23.*

Capital

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

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

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

Despite the above difficulties, significant investment is planned and funded over the three years 2020/21 to 2022/23 and the capital programme is balanced for each year, subject to annual review. The council is able to fund all existing commitments and has, through prioritisation of bids and resources and sound treasury management, been able to support new investment into key services, and areas of capital investment need.

The list of capital schemes included in the capital programme for 2020/21 to 2022/23 are shown in **Annex 9**. **Table 13** shows the capital programme against predicted available resources. **Table 14** summarises the capital programme by directorate.

Table 13 : Capital Programme				
Anticipated Capital Resources	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Council resources as shown in table 8	16.39	27.59	17.68	15.14
External Funding	57.09	67.04	19.41	16.30
Total capital resources	***73.48***	***94.63***	***37.09***	***31.44***
Capital Bids				
Rolling Programme Schemes	3.86	4.06	4.04	4.04
Prior Year Approvals	12.53	17.89	11.39	7.20
New capital allocations	0.00	5.64	2.25	3.90
Total council funded schemes	***16.39***	***27.59***	***17.68***	***15.14***
Externally funded schemes	57.09	67.04	19.41	16.30
Total draft capital programme	***73.48***	***94.63***	***37.09***	***31.44***
Funding shortfall (surplus)	**0.00**	**0.00**	**0.00**	**0.00**

Table 14 : Capital Programme by directorate			
Directorate	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Adult Social Care	0.00	0.00	0.00
Children's Services	4.48	4.44	4.44
Economy and Environment	67.78	23.51	18.67
Resources and Transformation	7.42	8.39	7.58
Centrally held budgets *	14.95	0.75	0.75
Draft Capital Programme	**94.63**	**37.09**	**31.44**

**Centrally held relates to an annual allocation of £0.75m funding to support essential works, including health and safety e.g. LSVT retained housing land, asbestos removal, statutory testing, legionella, fire risk, demolition of redundant buildings, planned maintenance, risk management and self- insured property damage, along with £10.2m one off in 2020/21 to support the Walsall Proud Programme, and £4m flexible use of capital receipts.*

Part 1 Annex 1: Summary of Corporate Revenue Budget 2020/21 by Directorate

DIRECTORATE	2019/20 REVISED FORECAST £	BASE BUDGET ADJUSTMENTS £	INVESTMENT AND PRESSURES (Annex 4) £000	SAVINGS (Annex 7) £000	2020/21 FORECAST BUDGET £000
Adult Social Care	**64,681,959**	(3,060,000)	6,862,500	(998,522)	**67,485,937**
Children's Services	**68,994,660**	(994,300)	5,900,500	(711,000)	**73,189,860**
Economy and Environment	**49,567,141**	(100,207)	2,148,092	(896,947)	**50,718,079**
Resources and Transformation *	**19,490,268**	0	1,089,016	(1,101,244)	**19,478,040**
TOTAL SERVICES	**202,734,028**	**(4,154,507)**	**16,000,108**	**(3,707,713)**	**210,871,916**
Non-service specific prudence/central items/capital financing	**(88,246,263)**	(5,129,174)	4,513,864	(5,053,760)	**(93,915,333)**
Levies:					
West Midlands Combined Authority Transport Levy	**11,137,950**	0	0	0	**11,137,950**
Environment Agency	**81,474**	1,265	0	0	**82,739**
NET REVENUE EXPENDITURE	**125,707,189**	**(9,282,416)**	**20,513,972**	**(8,761,473)**	**128,177,272**
(Use of)/contribution to reserves	**(4,333,744)**	**3,722,610**	**0**	**0**	**(611,134)**
TOTAL COUNCIL TAX REQUIREMENT	**121,373,445**	**(5,559,806)**	**20,513,972**	**(8,761,473)**	**127,566,138**

* Includes internal recharge income of £19.53m for Central Support Services and £1.25m for Office Accommodation which is recharged to cost of services.

Part 1 Annex 2: Council Tax Data 2020/21

1. COUNCIL TAX EXCLUDING PRECEPTS (WALSALL COUNCIL ONLY)

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

BAND	WEIGHT	2019/20 C.TAX	2020/21 C.TAX	ANNUAL CHANGE	ANNUAL INCREASE
		£	£	£	%
A	6/9	**1,142.99**	**1,188.60**	45.61	3.99%
B	7/9	**1,333.49**	**1,386.70**	53.21	3.99%
C	8/9	**1,523.99**	**1,584.80**	60.81	3.99%
D	**9/9**	**1,714.49**	**1,782.90**	**68.41**	**3.99%**
E	11/9	**2,095.49**	**2,179.10**	83.61	3.99%
F	13/9	**2,476.49**	**2,575.30**	98.81	3.99%
G	15/9	**2,857.48**	**2,971.50**	114.02	3.99%
H	18/9	**3,428.98**	**3,565.80**	136.82	3.99%

2. OVERALL COUNCIL TAX INCLUSIVE OF PRECEPTS

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

				ESTIMATE - ACTUAL T.B.A		OVERALL (INC PRECEPTS)
BAND	WEIGHT	2019/20 TOTAL C.TAX	2020/21 WMBC C.TAX	2020/21 FIRE PRECEPT	2020/21 POLICE PRECEPT	2020/21 TOTAL C.TAX
		£	£	£	£	£
A	6/9	**1,285.09**	**1,188.60**	41.20	108.37	**1,338.17**
B	7/9	**1,499.27**	**1,386.70**	48.07	126.43	**1,561.20**
C	8/9	**1,713.45**	**1,584.80**	54.93	144.49	**1,784.22**
D	**9/9**	**1,927.64**	**1,782.90**	**61.81**	**162.55**	**2,007.26**
E	11/9	**2,356.01**	**2,179.10**	75.54	198.67	**2,453.31**
F	13/9	**2,784.37**	**2,575.30**	89.27	234.79	**2,899.36**
G	15/9	**3,212.73**	**2,971.50**	103.01	270.92	**3,345.43**
H	18/9	**3,855.28**	**3,565.80**	123.61	325.10	**4,014.51**

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

				ESTIMATE - ACTUAL T.B.A		OVERALL (INC PRECEPTS)
BAND	**WEIGHT**	**2019/20 TOTAL C.TAX**	**2020/21 WMBC C.TAX**	**2020/21 FIRE PRECEPT**	**2020/21 POLICE PRECEPT**	**2020/21 TOTAL C.TAX**
		£		**£**	**£**	**£**
A	6/9	963.82	891.45	30.90	81.28	**1,003.63**
B	7/9	1,124.46	1,040.03	36.05	94.82	**1,170.90**
C	8/9	1,285.09	1,188.60	41.20	108.37	**1,338.17**
D	**9/9**	**1,445.72**	**1,337.19**	**46.35**	**121.91**	**1,505.45**
E	11/9	1,767.01	1,634.32	56.66	149.00	**1,839.98**
F	13/9	2,088.27	1,931.46	66.96	176.10	**2,174.52**
G	15/9	2,409.55	2,228.62	77.26	203.19	**2,509.07**
H	18/9	2,891.46	2,674.34	92.71	243.83	**3,010.88**

3. SPREAD OF PROPERTIES

The proportion of properties within Walsall MBC within each Council Tax band at 1st December 2019 is as follows:

BAND	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**TOTAL**
PROPERTIES (No)	**50,804**	**27,126**	**18,417**	**10,335**	**5,567**	**2,381**	**828**	**51**	**115,509**
PROPERTIES (%)	**43.99**	**23.48**	**15.94**	**8.95**	**4.82**	**2.06**	**0.72**	**0.04**	**100**
CUMULATIVE TOTALS	**67.47** (A–B)								
	83.41 (A–C)								
	92.36 (A–D)								

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

BAND	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
£	**0.89**	**1.04**	**1.19**	**1.34**	**1.64**	**1.93**	**2.23**	**2.68**

Part 1 Annex 3 : Revenue Cash Limit 2019/20 to 2022/23 by Directorate

This annex outlines the indicative cash limits by directorate, including portfolio responsibilities. These will be updated in year to reflect any movement in directorate/portfolio responsibilities. Savings for 2021/22 and 2022/23 are being worked on.

1. Adult Social Care Directorate

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

	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Opening cash limit	64,681,959	64,681,959	67,485,937	73,699,729
Base budget adjustments including funding changes *		(3,060,000)		
Investment / Pressures – see Annex 4		6,862,500	6,213,792	3,825,000
Less Savings – see Annex 7		(998,522)	TBC	TBC
Adult Social Care draft cash limit	**64,681,959**	**67,485,937**	**73,699,729**	**77,524,729**

*Removal of one off funding.

2. Children's Services Directorate

- ***Children's Portfolio***
  Services for children in need of help and protection, children looked after and care leavers, early help, schools meals commissioning, involvement of children and young people, transition arrangements between Children's and Adult Social Care, Walsall Children's Safeguarding Board and Chair of Corporate Parenting Board.
- ***Education and Skills Portfolio***
  Schools and education services, interagency cooperation, involvement of children and young people, special educational needs, disabilities and inclusion. Adult learning.

	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Opening cash limit	68,994,660	68,994,680	73,189,860	76,349,360
Base budget adjustments including funding changes *		(949,200)	192,000	(250,000)
Investment / Pressures – see Annex 4		5,900,500	2,967,500	3,000,000
Less Savings – see Annex 7 **		(711,000)	TBC	TBC
Children's Services draft cash limit	**68,994,660**	**73,189,860**	**76,349,360**	**79,099,360**

*Relates to one off grant / income changes.
**Relates to Customer Access Management, so will be achieved from the realignment of services in year.

3. Economy and Environment Directorate

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

- ***Clean and Green Portfolio***
  Gateways and corridors, pollution control, waste strategy, refuse collection, recycling, street cleaning, parks (maintenance) and the council's vehicle fleet.
- ***Community, Leisure and Culture Portfolio***
  Leisure and culture services including the New Art Gallery, libraries, sports and museums, Cemeteries and crematoria, public protection.
- ***Health and Wellbeing Portfolio***
  Public Health, including Healthy Spaces (Green Spaces Strategy and Development) and member of Health and Wellbeing Board.
- ***Regeneration Portfolio***
  Economic development, physical development, markets, property and asset management, Black Country Consortium, sub regional regeneration issues. Town and district centres, planning policy and local development framework. Strategic housing role. Traffic and transportation, car parks, strategic transport and highways. Business liaison and skills.

	2019/20 £	**2020/21 £**	**2021/22 £**	**2022/23 £**
Opening cash limit	49,567,141	49,567,141	50,718,079	50,385,536
Base budget adjustments including funding changes *		(100,207)	(606,875)	420,000
Investment / Pressures – see Annex 4		2,148,092	274,332	240,000
Less Savings – see Annex 7		(896,947)	TBC	TBC
Economy and Environment draft cash limit	**49,567,141**	**50,718,079**	**50,385,536**	**51,045,536**

*Relates to one off grant / income changes, plus expected ongoing reduction in Public Health grant.

4. Resources and Transformation Directorate

- ***Leader of the Council Portfolio***
  Overall responsibility for Council strategy, the corporate plan, communications and public relations, government relations and liaison with local MPs and West Midlands leaders. Transformation and digital. Finance including payroll and pensions, insurance, risk management, policy led budgeting. Financial Regulations, Audit, Legal and Democratic Services, Performance. Member Development.
- ***Community, Leisure and Culture Portfolio***
  Locality co-ordination, community development, engagement and consultation, community associations, voluntary and community sectors, Community Safety, community cohesion, Safer Walsall Partnership.
- ***Personnel and Business Support Portfolio***
  HR, equalities, procurement, facilities management, complaints, information governance, print and design, catering, cleaning, caretaking and Town Hall events.
- ***Regeneration Portfolio***
  Money Home Job.

	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Opening cash limit	19,490,268	19,490,268	19,478,040	19,268,268
Base budget adjustments including funding changes *		0	(250,000)	250,000
Investment / Pressures – see Annex 4		1,089,016	40,228	
Less Savings – see Annex 7 **		(1,101,244)	TBC	TBC
Resources and Transformation draft cash limit ***	**19,490,268**	**19,478,040**	**19,268,268**	**19,518,268**

*Relates to no local elections in 2021/22.
** Includes the review of administration across the council, so will be achieved from the realignment of services in year.
****Includes internal recharge income of £19.53m for Central Support Services and £1.25m for Office Accommodation which is recharged to cost of services.*

Part 1 Annex 4 : Summary of Growth and Investment 2020/21 – 2022/23 aligned to council priorities

Priority / Directorate		Investment	2020/21 £	2021/22 £	2022/23 £
People	Adult Social Care	Additional Social Care demand / cost pressures	5,193,000	3,785,000	3,825,000
		Better Care Funding iBCF2 grant – including fall out of grant in 2021/22	1,256,000	2,023,652	0
		Impact of Care Act implementation	0	92,140	0
		Social Care sleep in for direct payments	80,000	0	0
		Deprivation of Liberty Safeguards (DOLS)	250,000	0	0
		Head of Customer Transformation - Customer Access Management work stream – Full year effect of 2019/20	53,500	0	0
		Systems and brokerage support	0	313,000	0
		Out of hours emergency call handling	30,000	0	0
		Sub total	***6,862,500***	***6,213,792***	***3,825,000***
Internal Focus	Resources and Transformation	Legal recruitment drive	50,000	0	0
		Cloud / Microsoft licences – *held centrally*	1,200,000	0	0
		Transformation & Digital structure	115,000	0	0.
		Elections	125,000	0	0
		Human Resources – licences due to extension of One Source	56,000	(56,000)	0
		Integrated Facilities Management – maintenance of council buildings	637,000	0	0
	Capital / Central	Capital financing - review of debt portfolio	328,864	5,522,493	1,437,000
		Revenue implications of capital programme	500,000	500,000	500,000
		Leasing of refuse vehicles	300,000	0	0
		Proud Investment Programme	2,185,000	0	2,000,000
		Sub total	***5,496,864***	***5,966,493***	***3,937,000***
Children	Children's Services	Additional Looked after Children demand / cost pressures	2,800,000	2,750,000	2,750,000
		Ongoing staffing resource for Children's Commissioning and Placements function to support Looked After Children controls/savings/placement	27,500	67,500	0.
		Troubled families	1,000,000	0	0
		Social workers market supplement	525,000	0	0
		Home to school transport	1,000,000	250,000	250,000
		Educational psychologists	100,000	(100,000)	0
		Children’s recruitment and retention model	316,000	0	0
		Children’s agency costs	132,000	0	0
		Sub total	***5,900,500***	***2,967,500***	***3,000,000***
Communities	Economy and Environment	U16 burial income shortfall – no longer charging	30,000	0	0
		Burial income shortfall	91,000	0	0
		Economy and Environment contractual inflation	327,698	239,313	240,000
		Fall out of leasing recharge for extended vehicles	81,394	35,019	0
		Dry mixed recycling contract	1,000,000	0	0
		Extension to waste recycling centre hours	450,000	0	0
		Hire of sweepers contract increase	37,000	0	0
		Reduction in bulky waste charges – reduced income	39,000	0	0
		Engineers assistants time	92,000	0	0

Priority / Directorate		Investment	2020/21 £	2021/22 £	2022/23 £
Communities	Resources & Transformation	Reduction in Council Tax administration grant	86,752	39,038	0
		Reduction in Housing Benefit administration grant	19,264	57,190	0
		Sub total	***2,254,108***	***370,560***	***240,000***
		Total MTFO Investment/Cost Pressures	**20,513,972**	**15,518,345**	**11,002,000**

Additionally, there is £5.83m of pay and pension related investment to be allocated to services in 2020/21.

Part 1 Annex 5 : Proud Programme Work Streams and Activity

1. *Commissioning, Procurement and 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. We are implementing two Strategic Sourcing Plans - 1) Efficient Council (printing, energy, post, cleaning, fleet and fuel) and 2) Procurement Control; Contract Oversight Commitee.

2. *Culture and 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.

3. *Customer Assessment and Management*

This will address the mechanisms available to us to manage a single view of the customer, improve their experience and introduce efficiencies in our ways of interacting with them. This work stream is currently developing a blueprint for the new customer operations centre and prioritising phasing of processes to go live within the centre.

4. *Designing the Ways of Working*

This will consider how our ‘hubs’, including ‘communications, marketing and engagement’, ‘Business Intelligence’ and ‘Commissioning, Procurement and Contract Management’, work to support service providers. The detailed design it will produce will change these hubs’ ‘Ways of Working’ to make them more effective. Blueprints have been developed and preparation for transition and implementation has begun.

5. *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.

6. *Income generation and Cost Recovery*

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

7. Outcomes, Service Levels and Delivery Models

Cabinet in September agreed to the ten refreshed corporate outcomes; the cross cutting themes (components) that the Proud Programme will focus on; and the indicative three year timetable for the roll out of the component elements and transformation projects. Service redesign of planning has commenced and the new resilient community model is alos being estalbished.

8. 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 in Adult Social Care. Diagnostics for wave2 have commenced in a number of services and the council is 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.

Part 1 Annex 6 : Proud Programme investment by work stream

Work Stream	Investment
1. Commissioning, Procurement & Contract Mgt – Third Party Spend	Commissioning, procurement and contracts management. Support to delivery of third party spend and contracts review, and support re-procurement of areas that will drive significant savings; support to design and implement new ways of working.
2. Cultures and behaviours	Accelerating ambition, creativity and innovation. Support to establish the 'creativity' function; workforce development/training to embed the innovation mind set; specific suppliers to implement new innovations or projects.
	Cultures and behaviours. Leadership coaching (e.g. Odyssey); leadership training; workforce development and training; cultural and behavioural analysis and custom-design support.
3. Customer Access and Management (CAM)	Customer journey mapping, redesign of end to end processes; functional and technical support for implementing the new customer management model; staff training.
4. Designing the Ways of Working	Enabling support services and corporate functions. Implement new ways of working design; options analysis for back office.
	Corporate Landlord Model - optimising assets based on new ways of working practices. Cleanse and enhance property data and dash boarding; develop and implement estates strategy; options analysis; implement new ways of working design.
	Hubs: business intelligence - Support to implement new insight/strategy/policy model; staff training to embed new ways of working; setup bespoke dashboards/visualisations; communications and marketing support.
5. Enabling Technology	Tech support for possible configuration of online procurement processing; adoption and innovation of emerging technology i.e. Artificial intelligence, drones etc; Support to define the CAM technology architecture, define and procure core platform; Implement the digital first technology platform to support triage and customer query workflow, and single customer record fully integrated with back office systems; configuration of the platform; delivery of an environment that allows for continued service and application build out via capacity building; Support to pilot and deliver robotic processes automation in back office and support services; Hubs - configuration and integration of technology stack to pull data from multiple sources and make accessible dashboarding visualisations; Support to put in place platforms/workflow that supports performance improvement.
6/7.Income Generation & Cost Recovery / Outcomes, Service Levels and Delivery Models	Service levels and delivery models – Redesigning service and delivery models within directorates; income generation and cost recovery option, options analysis etc.
8. Service Productivity and Performance (Perform+)	Performance improvement support; implementing service delivery models to improve quality and reduce failure demand.
Core Team & Design	Ongoing support to help deliver the programme by driving the programme forward, providing oversight and overseeing design authority, maintaining engagement with the organisation and providing advice and innovation.

Part 1 Annex 7 : Benefits Realisation (Savings) for Proud Programme activity by Directorate

Benefit Work Stream / Activity	2020/21 £
Adult Social Care	
Income Generation / Cost Recovery – Fee Collection & Debt Recovery	(998,522)
Total Adult Social Care	**(998,522)**
Children's Services	
Customer Access Management Hub – Contact Centre	(711,000)
Total Children's Services	**(711,000)**
Economy and Environment	
Service redesign - Planning	(476,000)
Income Generation / Cost Recovery – review of existing fees and charges directorate wide (annual planned uplift)	(249,040)
Income Generation – New Fee – Registrars change of name deed	(10,890)
Third Party Spend – Waste treatment and disposal as per separate report to Cabinet	(161,017)
Total Economy and Environment	**(896,947)**
Resources and Transformation	
Enabling Support Services (Administration)	(1,100,000)
Income Generation / Cost Recovery – review of existing fees and charges	(1,244)
Total Resources and Transformation	**(1,101,244)**
Central	
Outcomes, Service Levels and Delivery Models – Service Transformation and linked to Customer Access Management Contact Centre, Rapid Process Improvement and Web work; and Resilient Communities	(1,713,000)
Third Party Spend – Procurement and Contract Control	(3,340,760)
Total Central *	**(5,053,760)**
Total Benefits / Savings	**(8,761,473)**

*Work stream activity shown centrally will be allocated to individual services as activity is prioritised and completed.

Part 1 Annex 8 : Forecast Capital Carry Forwards from 2019/20 to 2020/21 (Council funded schemes only)

Capital project	2019/20 Budget £	Estimated Outturn £	Forecast Variance to carry forward to 2020/21 £
Children's Services			
School estate condition survey	250,000	0	250,000
School temporary classrooms	250,000	0	250,000
Children's Services	**500,000**	**0**	**500,000**
Economy and Environment			
Broadway West Playing Fields	92,000	0	92,000
Replacement cemeteries administration system	75,000	0	75,000
District Town Centre's Public Realm Improvements	2,405,330	1,137,243	1,268,087
Hatherton Road Car Park	255,093	140,000	115,093
Hatherton Road MSCP structural maintenance	200,000	0	200,000
Town Centre Strategic Acquisition for Third Sector Hub & operational accommodation	1,530,480	939,602	590,878
New rail stations – local contribution	1,000,000	0	1,000,000
Challenge Block	881,668	120,023	761,645
Total Economy and Environment	**6,439,571**	**2,336,868**	**4,102,703**
Resources and Transformation			
ICT – Safe and Secure Environment	3,727,557	1,927,557	1,800,000
ICT – Safe and Secure Environment Wyse	1,810,892	810,892	1,000,000
Proud ICT	200,000	70,000	130,000
Council House Smoke & Heat Detection Fire Alarm	333,000	6,080	326,920
Service Channel Management	1,500,000	0	1,500,000
Council House rewiring	983,542	245,885	737,657
Civic Centre heating	1,146,646	286,661	859,985
Council Chamber Refurbishment	200,000	27,000	173,000
Procurement system for (HRMS) and Oracle EBS financials	5,289,374	3,356,495	1,932,879
Total Resources and Transformation	**15,191,011**	**6,730,570**	**8,460,441**
Total draft capital carry forward from 2019/20 to 2020/21 (council funded schemes only)	**22,130,582**	**9,067,438**	**13,063,144**

Part 1 Annex 9 : Capital Programme 2020/21 to 2021/22 by Directorate

Capital project	2020/21 £	2021/22 £	2022/23 £	Source of funding
Children's Services				
Rolling Programme Schemes				
Basic Need - Estimated DfE allocation (grant). Paid to LAs to support the capital requirement for providing new pupil places by expanding existing maintained schools, free schools or academies, and establishing new schools.	1,322,344	1,322,344	1,322,344	External
Devolved Formula Capital - Estimated DfE allocation (grant). Received by the LA then allocated out to individual schools as per allocations defined by the DfE. It is intended to provide schools with capital funding for improvement to buildings and other facilities, including ICT, or capital repairs / refurbishments and minor works.	544,028	544,028	544,028	External
Capital Maintenance - Estimated DfE allocation (grant). Allocated to the LA on an annual basis to improve and maintain the condition of the school estate (buildings and grounds). Investment is prioritised on keeping school buildings safe and in good working order by tackling poor building condition, building compliance, energy efficiency, and health and safety issues.	2,071,685	2,071,685	2,071,685	External
Special Provision Fund – DfE allocation (grant). This fund will enable LAs to invest in improving the quality and range of provision for children and young people with special educational needs and disabilities aged 0-25.	319,229	0	0	External
Prior Year Approvals				
Looked after children – out of borough placements. Year three of a three year programme to increase in borough bed capacity within existing approved Walsall's fostering households to place older children and sibling groups through provisions of funds for extensions and loft/garage conversions.	150,000	0	0	Council
New Bids				
School estate condition surveys including statutory compliance issues across the primary, secondary and special school estate, to inform a rolling maintenance and school expansion programme. £250k in 2019/20 to be carried forward for use 2020/21.	0	250,000	250,000	Council
School classrooms – Ongoing provision for improving / replacing permanent mobile classrooms when they reach a state of disrepair. This has been held corporately to fund emergency costs arising. £250k in 2019/20 to be carried forward for use 2020/21.	0	250,000	250,000	Council

Capital project	2020/21 £	2021/22 £	2022/23 £	Source of funding
Children’s Locality Model - The Children's Services Right 4 Children Transformation Programme is looking to connect services and professionals by integrating staff into the communities using a locality model of working to help develop a stronger approach in helping young children, young people and their families in partnership with the voluntary and community sector. The intention is to move Social workers within Children's Social Care into locality areas across the borough with Early Help Services already based in 4 well established localities. Wherever possible, the aim is to use current operational buildings in order to keep costs to a minimum.	73,000	0	0	Council
Total Children’s Services	***4,480,286***	***4,438,057***	***4,438,057***	
Economy and Environment				
Rolling Programme Schemes				
Memorial Safety in Walsall cemeteries - The continued inspection and making safe of memorials in Walsall cemeteries and to discharge the council’s duty of care.	40,000	20,000	20,000	Council
Highway Maintenance Programme – As Highway Authority the Council has a legal responsibility to maintain the highway network.	2,800,000	2,800,000	2,800,000	Council
LTP Highway Maintenance Programme – This capital funding, known as the maintenance block, is distributed by the Integrated Transport Authority (ITA). As the Highway Authority we have an extremely high profile duty to maintain our highway network. This money is provided by DfT as a capital grant via the ITA with the condition that it should be spent on the classified road network.	1,943,000	1,943,000	1,943,000	External
West Midlands Strategic Transport Plan (STP) ‘Movement for Growth’ – The Government provides each locality with grant funding to help implement the Local Transport Plan in their area. The grant is used for the implementation of small scale capital schemes; development of major capital schemes and to part fund major schemes implementation costs. The programme is designed to address road safety issues, progress the Council's major scheme aspirations; and resource the required 'local contributions' to approved major schemes.	1,276,300	1,276,300	1,276,300	External

Capital project	2020/21 £	2021/22 £	2022/23 £	Source of funding
Prior year Approvals				
Provision of community dropped crossings - these are dropped kerbs at strategic points along footways which permit access for wheelchairs, pushchairs, mobility scooters etc.	20,000	20,000	0	Council
Traffic Signals - The Council has a statutory duty to maintain all its traffic signal infrastructure. This programme of planned pedestrian crossing replacements will ensure the safe and efficient movement of pedestrians across the borough (Traffic Mgt Act 2004). Also supports delivery of councils CO2 reduction targets.	200,000	200,000	200,000	Council
Promotion of Community Health and Safety - To fund road safety schemes, to address local community concerns, which fail to achieve the strategic priorities associated with the Local Transport Plan funding in terms of casualty reduction. In supporting the delivery of these local schemes it is possible to improve local quality of life and safety creating safer communities.	120,000	120,000	0	Council
Open water safety schemes – signage - Health and safety upgrades to Council owned open water sites per the Council's proposed open water policy.	5,000	2,000	0	Council
M6 Junction 10 - Walsall Council is working in partnership with Highways England to improve Junction 10 of the M6 motorway. The scheme will include the widening of the existing bridges over the motorway to improve traffic flow and reduce congestion. In addition improvements will be made to the junction of A454 Wolverhampton Road / Bloxwich Lane/Tempus Drive and the A454 Black Country Route.road improvements in partnership with Highways England (grant).	0	0	650,000	Council
Walsall Arboretum Extension and Country Park – infrastructure improvements - To widen and resurface the main footpath running from the Grange Car Park to the children's play area and historic core of the park, to replace the currently used wheelie bins and to improve access into and around the country park area.	0	190,000	0	Council
New rail stations at Willenhall, Darlaston and Aldridge - promoted by WMCA/TfWM and WMRE at an estimated total package cost of £50m based on the preliminary design. However, a local contribution of 10% is required at the request of WMCA, which currently amounts to circa £4.93m. The Council has made provision for an element of this contribution and is negotiating with other strategic stakeholders to match fund.	0	1,500,000	1,500,000	Council

Capital project	2020/21 £	2021/22 £	2022/23 £	Source of funding
Willenhall Lane Cemetery Extension / Development of land for burials. To fund professional services to develop land to the east of the existing cemetery to provide facilities to continue to inter the deceased.	525,600	0	0	Council
Yorks Bridge replacement scheme – the bridge is currently the subject of a 7.5 tonne weight limit. Funded using a combination of WMBC capital funding and the Department for Transport Maintenance Block.	0	750,000	750,000	Council
Strategic Acquisition for Third Sector Hub and operational accommodation - accommodation in Walsall Town Centre to support the formation of a third sector co-located hub and provide additional office accommodation for the Council to support its ongoing rationalisation of its operational estate. As approved by Cabinet March 2019.	1,845,550	219,373	0	Council
Regional Materials Recycling Facility - Cabinet on 4 September 2019 approved for the council to enter into a Joint Working Arrangement with 5 partner councils in order to facilitate the delivery stage of a local authority owned Materials Recycling Facility.	2,429,000	4,758,000	2,722,000	Council
DfT Highways Challenge Fund - In July 2019, the Government announced that £198 million is being made available between 2019/20 and 2020/21 for local highway authorities to bid for funding to improve the quality of roads. A report will be presented to Cabinet on the outcome of the current bid process.	260,000	260,000	0	Council
Enterprise Zones - Required for the Council to cash-flow borrowing costs associated with capital investment into the Enterprise Zone. Financial modelling forecasts that these costs are expected to be recovered from future business rates generated from within the zone, although the Black Country LEP are the decision making body in relation to where business rates within the zone are invested. Therefore on the basis that the BCLEP approve that costs on Walsall sites can be recovered through the business rates mechanism, then the Council will be required to cash-flow these costs.	451,000	908,000	1,378,000	Council

Capital project	2020/21 £	2021/22 £	2022/23 £	Source of funding
Growth Deal - The Black Country Growth Deal, 'Made in the Black Country, Sold around the World', was agreed with Government in July 2014. The Growth Deal will create the skills, connections and locations for further high value manufacturing success and support growth in the Black Country's automotive, aerospace and construction sectors. To date the programme has committed c£148m and received claims c£77m. It has contracted 3,532 jobs excluding apprenticeships and over 6,000 including them (Dep't of Communities & Local Gov). In January 2019 the Black Country Joint Committee appointed Walsall Council as its Single Accountable Body, as a result the balance of the Growing Places Fund (£5.4m) was transferred from Sandwell Council, with the funds to be used to over-programme Growth Deal.	32,948,081	0	5,439,498	External
DfT Highways Maintenance Incentive Fund - In December 2014, the Government announced that £6 billion was being made available between 2015/16 and 2020/21 for local highways maintenance capital funding via the DFT. From that funding, £578 million has been set aside for an Incentive Fund scheme, to reward councils who demonstrate they are delivering value for money in carrying out cost effective improvements.	405,000	0	0	External
DfT Pothole Action Fund - announced in the Budget 2015 and totals £296 million, enough to repair on average over 5 million potholes or to stop them forming in the first place. This funding is allocated by formula shared by local highway authorities in England, outside London, between 2016/17 and 2021.	154,600	0	0	External
Land and Property Investment Fund - In January 2019 the Black Country Joint Committee appointed Walsall Council as its Single Accountable Body, as a result the Land and Property Investment Fund transferred from Wolverhampton Council. This is a grant which is part of the Investment Programme of the West Midlands Combined Authority for Black Country brownfield sites, and is drawn down in arrears. The Black Country LEP has agreed to deliver 1,860 new jobs, 1,600 new houses and 126,000 sqm of commercial floorspace through deployment of the first tranche (£53m) of the total fund allocated to the Black Country LEP (£150m in total).	22,348,000	8,548,000	0	External
New Bids				
Darlaston Pool – Health & Safety fall arrest system – to provide safe access to roof.	11,000	0	0	Council
Total Economy and Environment	***67,782,131***	***23,514,673***	***18,678,798***	

Capital project	2020/21 £	2021/22 £	2022/23 £	Source of funding
Resources and Transformation				
Rolling Programme Schemes				
Disabled Facilities Grant – this project directly supports the council's statutory requirement to provide disabled facility grants (DFGs). The project has a direct positive impact on the number and subsequent varied costs to the council from the increasing level of demand for home adaptations (grant).	2,894,013	2,894,013	2,894,013	External
Integrated Community Equipment Store – Supplies equipment to people with both a social care and a health need on an assessed needs basis. This is a pooled budget between the CCG and the Council, this capital funding will be used to purchase equipment which will enable people to return home or continue to remain at home. This now forms part of the Better Care Fund (BCF) for which the Council is host (grant).	810,000	810,000	810,000	External
Aids and Adaptations, Preventative Adaptations and Supporting Independence – Assists households to maintain greater independence and live in their homes for longer through providing low cost adaptations, and assistance with community projects to enable residents to access local services. Supports the statutory requirement to provide disabled facility grants (lifts, hoists)	400,000	400,000	400,000	Council
Health through warmth – to help provide a safety net for those who cannot access other funding sources, available as a loan charged on the property that is repaid upon sale or relevant transfer of their home.	75,000	75,000	75,000	Council
Prior Year Approvals				
Willenhall Lane Travellers site pumping station pump replacement	44,400	0	0	Council
Telephony cloud based system – Replacement of elements of Cisco phone system before they become end of life in December 2020, transfer all of our incoming phone lines to new technology, potentially replace desk phones with headsets and implement microsoft telephony.	500,000	0	0	Council
Council House window replacement – improving energy efficiency	0	1,307,025	0	Council
Civic Centre plumbing – non heating related – essential works to aged existing supply	0	66,600	0	Council
Council House general heating – upgrade to heating system	1,085,000	1,085,000	0	Council
Council House internal decoration	55,500	0	0	Council

Capital project	2020/21 £	2021/22 £	2022/23 £	Source of funding
New Bids				
Upgrade of CCTV cameras in Bloxwich, Leamore, Willenhall, Darlaston, Palfrey, and Caldmore. 10 x New Redeployable Cameras plus costs for 5 years.	432,000	200,000	0	Council
Rolling capital maintenance - to fund essential maintenance to council owned buildings. Maintenance costs are increasing as the council's estate is ageing.	250,000	0	0	Council
Council House roof repairs.	0	750,000	750,000	Council
Replacement of ‘tablet’ technology - a 'tablet rollout' programme was completed during 2019 enabling agile working and adoption of Office 365, with replacement from 2022.	0	0	2,250,000	Council
Maintaining a safe and secure environment - Hardware & software upgrades to maintain compliance for current standards e.g. BACS software & open banking compliance	100,000	100,000	200,000	Council
Proud card payments, digital website etc - to ensure council remains PCI compliant and allows for citizens to pay for services on line	500,000	500,000	0	Council
Smartphones - Current mobile phone devices will require replacement beginning in 2021/22.	0	200,000	200,000	Council
A revised council payments system linked to the Enabling Technology work stream of the Proud Programme.	265,000	0	0	Council
Total Resources and Transformation	***7,410,913***	***8,387,638***	***7,579,013***	
Centrally Held budgets				
Rolling Programme Schemes				
Funding to support essential works including health and safety, and other projects that cannot be programmed at start of year e.g. Asbestos removal, statutory testing, legionella, fire risk, statutory testing of buildings, demolition of redundant buildings, general repair and maintenance.	750,000	750,000	750,000	Council
Prior Year Approvals				
Walsall Proud Programme - This allocation is for Enabling Technology to support delivery of the benefits.	10,200,000	0	0	Council

Capital project	2020/21 £	2021/22 £	2022/23 £	Source of funding
New Bids				
Flexible use of capital receipts strategy for support to the Walsall Proud Programme – in line with the Flexible Use of Capital Receipts Strategy at Annex 11.	4,000,000	0	0	Council
Total Centrally Held budgets	***14,950,000***	***750,000***	***750,000***	
Total Capital Programme	**94,623,330**	**37,090,368**	**31,445,868**	

Capital Programme Reserve List 2020/21 (Council Funded)	
Capital project	**2020/21 £**
Further provision for Preventative / Aids and Adaptations and Supporting Independence	250,000
Further provision for Health Through Warmth – tackling fuel poverty	75,000
Darlaston Leisure replacement boilers	250,000
North Walsall Cemetery – drainage improvements to solve long standing localised flooding on site	252,000
Bloxwich Leisure landing remodel – invest to save	150,000
Oak Park poolside seating – invest to save	26,000
Darlaston Leisure steam room generator replacement	4,000
CCTV replacement for Darlaston Leisure	4,000
CCTV replacement system for Gala Baths and Oak Park overflow car park	12,000
Walsall Arena and Arts Centre – creation of new theatre bar and associated facilities – invest to save	15,000
Cemetery and Crematorium – replacement roads, pathways, pothole repairs	100,000
Registry Office phase 2 – redesign to reception and ceremony areas	10,000
Air Quality Monitoring stations – replacement units	70,000
Cloud 2 – ICT transformation as part of Walsall Proud Programme	500,000
Replacement guillotine in print room	35,000
Purchase of UV printer for promotional materials in print room	25,518
Total	**1,793,518**

Part 1 Annex 10 – Capital Strategy

1. INTRODUCTION & BACKGROUND

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

1.2 The Code sets out that:

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

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

2. CAPITAL EXPENDITURE

2.1 Setting the Capital Programme

2.1.1 The Council's capital programme covering the period 2020/21 to 2022/23 is set out within Annex 9 of this Corporate Budget Plan.

2.1.2 The basis of the capital programme is driven by the budget and service planning process. This process is an annual cycle, however sets a rolling medium term approach. The size of the capital programme is determined by:

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

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

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

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

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

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

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

- Level One Priority – relates to schemes that are unavoidable to meet statutory and legislative requirements in the provision of services. It includes items such as health and safety, new legislation etc. By their nature, these schemes are a first call on available resources. It also includes supported borrowing allocations which are ring fenced to a specific programme of activity.
- Level Two Priority – relates to schemes that unlock external investment in the borough; drives out long-term revenue savings; support the strengthening of the borough's economy; delivers an efficient and effective operational estate linked to the Asset Management programme; and invests in assets to grow future income streams for the council.

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

2.2 Managing the Capital Programme

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

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

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

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

2.3 Restriction on Borrowing and Use of Capital Receipts

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

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

2.3.3 An annual allocation of £1.5m capital receipts is included in the funding of the Capital Programme. Any additional receipts received in year (excluding those earmarked for specific schemes) will be considered to fund projects identified on the reserve list of schemes.

2.4 Asset Management Planning

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

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

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

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

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

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

2.5 School Estate Planning

2.5.1 The Council has a duty to ensure there are sufficient school places for resident children who require a school place. Basic Need Capital funding is therefore allocated by the Department for Education to local authorities, based on pupil place number forecasts, to deliver the additional places in schools to meet expected demand. Over the last few years, the Authority has identified a significant increase in demand and has, inclusive of Basic Need carry forwards and confirmed allocations until 2021/22, a funding envelope of circa £42m in order to deliver the required anticipated places. Further allocations will be announced on a rolling annual bases via the ESFA.

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

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

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

2.6 Investment in Regeneration

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

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

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

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

- 120 hectares of land remediated/ redeveloped
- 5,800 new jobs,
- 2,400 new homes
- 290,000 square meters of employment / commercial floors space

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

2.6.6 The Council has a strong track record of working in partnership to secure investment; in recent years the Council has supported £350m of investment into the Borough and further interventions are planned.

2.6.7 The Council is currently working with the West Midlands Combined Authority, Black Country Local Enterprise Partnership, and private sector investors to prepare funding propositions for the delivery of development and infrastructure projects. The Council has recently completed the Walsall Town Centre Masterplan to build upon the Walsall Town Centre Area Action Plan to understand the interventions that may need to be undertaken to 're-think' the Town Centre and unlock development opportunities; such opportunities have identified the need for public funding in the region of £116m with some of this achieved through investment propositions and co-funding mechanism.

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

2.6.9 The delivery of the BCEZ will continue to be predicated by the assumption that Public Works Loan Board funding will be required for upfront enabling works and that this will be repaid through future business rate uplift. And in relation to the delivery of new homes in the W2W Corridor, whilst assisted by the West Midlands Land Fund, other sources of financing will also be required to unlock the 8500 new homes envisaged across Walsall and Wolverhampton.

3. DEBT AND BORROWING AND TREASURY MANAGEMENT

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

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

Risk Appetite Statement

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

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

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

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

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

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

Relationship to Other Aspects of Risk Management

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

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

3.10 The risk appetite is also supported by the following:

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

Treasury Management Risk Appetite

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

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

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

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

4. COMMERCIAL ACTIVITY

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

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

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

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

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

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

5. OTHER LONG TERM LIABILITIES

Pension Guarantees

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

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

Public Finance Initiative (PFI) & Other Long Term Liabilities

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

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

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

6. KNOWLEDGE AND SKILLS

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

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

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

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

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

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

Part 1 Annex 11 – Flexible Use of Capital Receipts Strategy

Background

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

Councils can only use sale proceeds realised over that period (1 April 2016 to 31 March 2022), but not existing receipts. Local authorities are required to publish their plans for the flexible use of capital receipts in a Strategy which must be approved by Full Council.

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

Qualifying Expenditure

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

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

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

Summary of planned receipts

Capital receipts performance across the qualifying period has now been reviewed. This has confirmed that up to £4m of Capital receipts which have been realised during this period have not yet been utilised within the capital programme undertaken over that time and are therefore currently available.

The Council's Capital programme for 2020/21 anticipates that new capital receipts of £1.5m will be generated to support the capital programme. This therefore means that the £4m of existing capital receipts that have been realised during the qualifying period are available to fund qualifying expenditure as detailed in the Flexible Use of Capital Receipts Strategy, without any increase to existing assumptions regarding borrowing required to support the capital programme.

Summary of Planned Use

The Strategy is required to list each project that plans to make use of the capital receipts flexibility.

It is intended that the available capital receipts balance of up to £4m will be utilised to fund investment in the Proud transformation programme (including the Enabling Technology work stream where the capital programme highlights that this expenditure will be funded through a mixture of borrowing and/or capital receipts), and that authority is delegated to the Section 151 Officer, in consultation with the Leader, to allocate capital receipts of up to £4m to support the revenue costs of these transformation projects.

This utilisation will release revenue costs set aside to fund these projects. Additionally the Proud programme is expected to deliver a benefit ratio of 1:3 (for every one off £1 invested, this will deliver at least £3 recurring benefit which can be used to support the council's financial position or be reinvested into services).

Impact on Prudential Indicators

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

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

No other prudential indicators are impacted, as these capital receipts were not already assumed to support schemes within the existing capital programme that would now need to be financed through an increase in borrowing.

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

Monitoring

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

Part 1 Annex 12 – Chief Finance Officer (S151 Officer) Report on the Adequacy of Proposed Reserves and Robustness of the Budget Estimates

Context

In accordance with Section 25 of the Local Government Act 2003 (“the Act”) and to comply with CIPFA guidance on local authority reserves and balances, the Chief Finance Officer is required to formally report to members on the robustness of the estimates used for the purpose of calculating the budget and the adequacy of proposed reserves needed for meeting future expenditure requirements. The Chief Finance Officer (Under S151 of the Local government Act 1972) is appropriately qualified under the terms of Section 113 of the Local Government Finance Act 1988. In signing off this overall revenue budget report, the signature of the Head of Finance who holds the Interim role of Chief Finance Officer/S151 Officer constitutes the formal declaration required under the Act that these conditions are met (based on the available information at the time of signing).

Reserves

It is prudent for councils to maintain an adequate level of general reserves (or working balance). They provide a buffer and mitigate against risks, such as unavoidable and unknown demand and other service cost pressures which may arise in the year; cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing; and support the management of the impact of any unexpected events or emergencies. Earmarked reserves are also set to meet known or predicted requirements, for example, self-insured liabilities, grant reserves, contingent and potential liabilities. Reserves allow the council to manage the impact of these and to manage change without the need for immediate reductions in services.

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

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

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

Adequacy of reserves

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

- Being significantly involved in the budget setting process, the annual financial cycle, and engaged in the strategic leadership of the organisation (through regular meetings with the Chief Executive and corporate management team);
- The annual refresh of the medium term financial strategy (MTFS) and outlook;
- Challenging the budget at various stages of construction, including the reasonableness of the key budget assumptions, such as estimates of financial pressures, realism of income targets, robustness of plans to deliver savings, and the extent to which known trends and liabilities are provided for;
- Review of financial risk assessments;
- Review of the movements, trends and availability of contingency, provisions and earmarked reserves to meet unforeseen cost pressures in the context of future pressures and issues;
- The use of professional experience and best professional judgement;
- The use of appropriate professional, technical guidance and local frameworks (CIPFA guidance, LAAP99, Local Government Act 73, Localism Act 2011);
- Knowledge of colleagues involved in the process, particularly finance professionals, including their degree of experience and qualifications;
- Review of the strength of financial management and reporting arrangements, including internal control and governance arrangements;
- Review of the current year's financial performance in services, actions to address areas of pressure, known future service delivery changes, the level of schools reserves and the financial performance of schools;
- Review of national and local economic, market, legislative and financial conditions.

A risk assessed approach is used to determine the required level of reserves and contingencies. This includes external risks; including national policy changes, legislation, national funding arrangements and levels of support available, changes in market and economic conditions, service user behaviours (e.g. impact on income projections); and internal risks such as the ability to deliver planned savings. The MTFS is annually updated and approved by Cabinet to reflect the changing environment in which we work – the latest being approved by Cabinet in July 2019. Reserves and contingencies are addressed within the Strategy.

In the current climate, there continues to be uncertainties around funding, particularly in light of proposed changes to central funding (Fair Funding), including in relation to business rates retention, treatment of public health budget, and funding of adults and children's social care. This is increased given Brexit and uncertainties around its impact.

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

As stated above, the MTFS requires an opening general reserve balance @ 1 April 2020 of between 1% and 2.5% of gross expenditure, equivalent to between c£6.4m and c£16m.

The level of opening balances for 2020/21 is partially dependent on the level of closing balances for 2019/20. The following details general reserves as at 31 March 2019, together with proposed use of and transfer to reserves, and the resulting balance as at 1 April 2020, to secure the opening level of reserves recommended by the Chief Finance Officer.

Opening General Reserves	£m
Balance as at 1 April 2019	(15.669)
Trial extended opening of recycling centres	0.110
Falls prevention	0.139
Home to school transport	0.560
Waste recycling contract	0.773
Use in year to fund forecast overspend (as at December 2019)	2.780
Replenishment of reserves	(2.247)
Estimated closing balance as at 31 March 2020	**(13.554)**

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

- Uncertainty over the level of funding going forward, particularly in light of the fundamental changes being undertaken in relation to central funding and business rate retention.
- Operational, strategic and financial risks facing the authority, as set out in this statement.
- The council is not permitted to budget for a level of general reserves below that determined by the MTFS and the S151 officer.
- Balances are predicated on total savings of c£9m being achieved in 2020/21. Whilst an assessment of plans has been undertaken, it is prudent to hold a contingency to manage any delay in delivery of savings.
- Uncertainty around future demand led services, specifically within Adult and Children's Services.

The CFO has assessed the current year's financial performance and actions taken to address underlying pressures. In considering this, alongside the financial risk assessment, the previous financial year's financial performance, and the potential risks and pressures facing the organisation, the CFO recommends that opening reserves are set at a minimum of £13.55m.

Earmarked Reserves

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

- Council liabilities - These reserves cover expenditure where the council has a legal obligation to pay costs, however the timing of which is not yet known, such as redundancies, legal costs, business rate appeals, insurance claims, pension costs. Once the timing and liability is known, the liability becomes a provision within the financial statements;

- Grants received in advance (where the council has received money in advance of the next accounting period or money that covers more than one accounting period), which will be spent in line with the grant conditions;
- Treasury reserves - These reserves are to minimise the impact of interest rate changes and finance early redemption of loans to reduce the council's future exposure to interest rates;
- Demand - These reserves are primarily to provide short term additional funding for Children's and Adult Social Care where a spike in demand may create overspends, but the likelihood is still uncertain. Additionally, an amount is provided for Housing Benefits;
- Projects - These reserves are to finance service transformation, major capital projects, and regeneration of the borough;
- Schools reserves held by but not controlled by the council.

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

The expected level of earmarked reserves as at 1 April 2020 is as follows and is considered reasonable and prudent.

Earmarked Reserves	£m
Balance as at 1 April 2019	(141.498)
Created in year	(3.349)
Used in year	34.601
Replenishment in year	(5.309)
Estimated closing balance as at 31 March 2020	**(115.555)**

Central Contingency

As well as general and earmarked reserves, the council holds a small revenue contingency to manage unforeseen but recurring expenditure. The contingency is held centrally and is calculated between 0.1% and 0.15% of the year's gross revenue budget. For 2020/21 this is to be set at £764k.

A prudent central capital contingency is also held, not exceeding 10% of the annual council funded element of the capital programme requirement, to accommodate unforeseen / unbudgeted expenditure (i.e. where, due to the level of uncertainty, the financial impact is not certain at the time of setting the programme). The exact level is set by the CFO. The contingency will be funded either from drawing down the earmarked capital reserve or from an annual revenue contribution to capital outlay from the project reserve (subject to there being sufficient funds to replenish this at year end). For 2020/21 this is to be set at £500k, which is considered adequate based on past requirements.

Schools Reserves

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

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

The adequacy of balances is reviewed annually by the CFO. For the current financial year, 2 schools are operating licenced deficits. However, the first of these schools has requested a licenced deficit for 2019/20 only and has already implemented actions required to return to a surplus from 2020/21. The remaining school is being provided with support by the authority to help it manage its financial pressures and return to surplus within the timescales required within the scheme for financing schools.

The overall levels of schools reserves is kept under regular review, along with any exceptional balances, and based on school budget plans for 2019/20 the level of schools reserves are forecast to move from an opening balance of £9.2m to a closing balance of £4.7m, a planned reduction of £4.5m which is mainly linked to the two schools with licenced deficits detailed above along with investment plans within individual schools. The council and Schools Forum has identified that the implementation of a new National Fair Funding Formula continues to pose a financial risk to individual schools, and options to manage this risk continue to be identified as part of the process to set the local schools funding formula each year.

Overall Assessment of Reserves

An opening level of general reserves of £13.55m is considered to be sufficient for most possible events, over the short-term i.e. for 2020/21. The council will continue to face real and present financial challenges beyond this. In the context of this funding environment, wherever possible reserves will be at least maintained during 2020/21 and beyond.

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

In this context, it is considered that a level of reserves set at £13.55m presents an optimum balance between risk management and opportunity cost. The CFO is satisfied that the benefits accrued in maintaining these at the recommended level outweigh the potential lost opportunity from investing these reserves in other ways. This maintains a suitable and sustainable level of reserves, which include ensuring sound governance and financial stability in the short and longer term.

The above assessment concludes that general reserves, if set at £13.55m, will be at an appropriate level; as determined in accordance with the MTFS and the CFO's Officer's professional advice. This is on the assumption that savings plans deliver the required £9m of cashable benefit.

Robustness of the Estimates included within the Budget

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

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

Key assumptions

The cost assumptions and prices used in the budget are derived from current intelligence and are considered appropriate. Demand changes have been identified and are reflected in budget increases identified in the appendices where appropriate, on a risk assessed basis. Areas of pressure within 2019/20 are planned to be covered by a combination of base budget alignments to recognise the agreed ongoing management of corrective action undertaken during 2019/20 or base budget adjustments, where growth/investment is included within the 2020/21 budget to cover the cost pressure (or income/grant shortfall). Fees and charges have been reviewed and changes are reflected in the overall budget.

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

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

Savings

The Proud Programme has been created to make sure we are changing how we do things, as well as what we do, to achieve financial benefits in a more considered and sustainable way - moving away from the traditional approach to budget setting. The programme is organised as work streams and benefits are aligned to these – for example, Commissioning (third party spend), income generation and cost recovery, etc rather than on a more traditional (Directorate/Service) basis. Given this and the size and scale of the programme, this inevitably creates uncertainty. Work, however, is well underway to translate the work stream benefits into services (and components) to enable savings to be incorporated into cash limits.

Finance, the joint programme management team and Proud work stream leads have reviewed the Proud work stream plans, benefits realisation and the anticipated level of cashable savings in relation to 2020/21. Actions to address gaps between planned activity and realisation of benefit have been discussed and agreed as appropriate with CMT. These include;

- External and internal resource requirements being identified and funding aligned (within the overall funding envelope approved by Cabinet), including; organisational (i.e. work stream and implementation leads) and specialist capacity and capability (i.e. IT, commercial, support services) to deliver the change required to realise the benefits;
- Funding for the Enabling Technology work stream is included within the capital programme 2019/20 and 2020/21, which is required to deliver the technological change for the council required;
- Dependencies between work streams to deliver benefits identified and actions identified to support delivery.

A benefits based change approach has been agreed, such that benefits milestones will be fixed in time; planned changes must adapt to meet the benefits not the other way around and benefits will be realised by being taken from budgets (or agreed by Cabinet for reinvestment. Provided all actions are taken within the agreed timescales then cashable savings of c£9m for 2020/21 as required by the MTFO are deemed achievable.

Responsibility and accountability for delivery rests with the relevant CMT sponsor and work stream implementation leads and progress will be monitored and reported throughout the forthcoming year.

Activity in relation to the overall plan for the full life of the programme is currently being developed, and a regular assessment of the plan of activity will be undertaken and reported throughout 2020/21 to ensure assurance can be provided in relation to benefits realisation and that delivery of savings over the MTFO period is in line with that required.

Risks, including Strategic, Operational and Financial

In the budget, due regard is made to the strategic and operational risks facing the council. Some of these relate to the current economic condition, others to potential regulatory or national issues, which may have a local impact. Estimates and forecasts include all known significant financial risks over the next year and medium term to inform spending decisions. The council continues to use an embedded good practice risk assessment approach both when setting the budget and in validating estimated outturns. This continues for the 2019/20 outturn and 2020/21 budget.

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

- Potential economic impact of Brexit, now we are in transition.
- Demand – the risk of further demand, specifically in children's' and adult social care, above the levels incorporated into the budget.
- New Burdens / national policy implications on local budgets – the risk that Government changes in policy will lead to a transfer of responsibility / new burdens, without the transfer of funding to support those activities; or potential costs arising from inspections arising after the budget was set.
- Fair Funding and uncertainty around central funding of local authority services beyond 2020/21.
- Grant reductions not published or known about at the time the budget is set.
- Unbudgeted further income shortfalls during the financial year.

- Unknown liabilities that may arise after the budget is set, for example from changes in legislation or statutory guidance.
- Cost pressures – i.e. inflationary pressures, pressures arising from a severe winter (i.e. gritting, road maintenance, gulley cleaning), pressures from economic changes.
- Delays in delivery of Proud savings, for example, arising from implementing organisational change, renegotiating or tendering for third party contracts, etc.

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

The Budget in Context

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

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

Summary

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

In summary, I can confirm that, taking into account the information known at this time;

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

(b) the financial reserves available to the Council as a result of agreeing the proposals contained within the Budget report are adequate to enable the setting of a lawful budget for 2020/21.

V Buckley

Vicky Buckley
Head of Finance, DMS, IPFA, MBA
Chief Finance Officer

Section A - Part 2A – Treasury Management

A : Treasury Management and Investment Strategy for 2020/21 Onwards

1 INTRODUCTION

1.1 Background

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

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

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

Reporting requirements

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

Prudential and treasury indicators and treasury strategy - This covers:

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

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

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

A Capital Strategy report – This is intended to provide the following: -

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

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

Scrutiny

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

1.2 Treasury Management Strategy for 2020/21

The strategy for 2020/21 covers two main areas:

Capital issues

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

Treasury management issues

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

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

1.3 Training

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

1.4 Treasury management consultants

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

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

1.5 Treasury management Monitoring

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2020/21 – 2022/23

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

2.1 Capital Expenditure - Prudential Indicator 1

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

Table 1 : Current Capital Programme

	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Estimated £m	2021/22 Estimated £m	2022/23 Estimated £m
Total Capital Expenditure	**57.074**	**73.480**	**94.625**	**37.090**	**31.440**
Resourced by:					
Capital receipts	1.977	1.500	5.650	1.500	1.500
Capital grants	33.507	62.383	67.040	19.410	16.300
Capital reserves	0.000	0.000	0.000	0.000	0.000
Use of business rate - Enterprise Zone	0.000	0.000	0.450	0.910	1.380
Revenue	2.249	0.185	0.040	0.020	0.020
Borrowing	19.341	22.672	21.445	15.250	12.240
Total resources available	**57.074**	**86.740**	**94.625**	**37.090**	**31.440**

2.2 Affordability Indicators

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

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

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

Table 2 : Former Prudential Indicator 2

	2018/19 Actual	2019/20 Forecast	2020/21 Estimated	2021/22 Estimated	2022/23 Estimated
Ratio	4.46%	4.30%	3.65%	4.80%	5.39%

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

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

For clarity the Council does not then add these values to council tax bills to pay for the estimated cost of this borrowing, the indicator purely provides an indication of the impact on council tax bills if the costs of this borrowing were fully funded through Council tax. However the revenue costs of this borrowing (the associated interest and minimum revenue provision costs) are included within the councils total revenue budget with funding for them identified as part of the overall budget process.

Table 3 : Former Prudential Indicator 3

	2018/19 Actual	2019/20 Forecast	2020/21 Estimated	2021/22 Estimated	2022/23 Estimated
Council tax - Band D	£ 24.14	£ 15.36	£ 23.84	£ 17.56	£ 14.58

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

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

(MRP) is a statutory annual revenue charge, which broadly reduces the borrowing need in line with each assets estimated life.

The CFR does include other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the council's borrowing requirement, these types of schemes include a borrowing facility within them and so the council is not required to separately borrow for these schemes. The council currently has £5.847m of such schemes within the CFR. Council is asked to approve the CFR projections in Table 4 which shows that the council's net borrowing need for the period 2019/20 to 2022/22 is estimated to see an increase of £16.203m. The council's borrowing strategy is set out in section 4.

Table 4 : Analysis of CFR				
	2019/20 Forecast £m	**2020/21 Estimated £m**	**2021/22 Estimated £m**	**2022/23 Estimated £m**
Opening Capital Financing Requirement	**357.672**	**360.891**	**376.701**	**377.142**
Net financing need for the year				
Less MRP and other financing movements	-12.850	-13.635	-14.809	-15.507
Additional borrowing	16.069	29.445	15.250	12.240
Movement in CFR	**3.219**	**15.810**	**0.441**	**-3.267**
Closing Capital Financing Requirement	**360.891**	**376.701**	**377.142**	**373.875**

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

3. MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

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

3.1 Background to Annual MRP policy Review

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

3.2 MRP Policy Objectives

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

3.3 MRP Policy Review 2020/21

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

The policy statement for 2020/21 is detailed in **Annex 2** and there are no changes proposed from 2019/20.

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

4 BORROWING

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

4.1 Current portfolio position

The council is expected to end 2019/20 with borrowing of over 1 year length of approximately £353m against an asset base of approximately £530m, and short term investments of approximately £160m. These will be proactively managed to minimise borrowing costs and maximise investment returns within a robust risk management environment. In 2020/21 estimated annual interest payments are £11.479m (£11.461m budget for 2019/20), with the increase due to planned borrowing included within the budget to take account of capital expenditure. Net investment interest income for 2020/21 is estimated to be £2.737m (£2.411m budget for 2019/20), with the increase partly due to further investment income as a result of improved interest rates on long term investments and a further investment in Property Funds. The net budget for capital financing in 2020/21 is £17.704m (£18.923m in 2019/20). By having a proactive approach to managing cash flows and investments it is estimated that investment income of £1.523m above the bank base rate will be generated.

The council's treasury portfolio position at 30th November 2019 is shown in Table 5; year end forward projections are summarised in Table 6. This shows that the actual external borrowing (the treasury management operations), against the capital borrowing need and operational debt, and highlights any over or under borrowing. It shows that the council's underborrowing position is expected to continue for the medium term.

Table 5 : Borrowing and Investments			
	Borrowing £m	Investments £m	Net Borrowing £m
31 March 2019	(302.753)	161.860	(140.893)
30 November 2019	(292.751)	209.905	(82.846)
Change in year	10.002	48.045	58.047

Table 6 : Borrowing Forward Projections			
Borrowing profile	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Under 12 Months	18.429	42.925	31.742
12 Months to within 24 Months	42.925	31.742	4.755
24 Months to within 5 Years	42.606	10.863	8.001
5 Years to within 10 Years	7.743	10.743	9.309
10 Years and Above	259.947	278.392	293.184
Total Borrowing	**371.650**	**374.665**	**346.991**
Operational Debt - Prudential Indicator 6	**425.063**	**413.558**	**394.245**
(Under) / Over Borrowed	**(53.413)**	**(38.893)**	**(47.254)**

Within the prudential indicators, there are a number of key indicators to ensure that the council operates its activities within defined limits. **Prudential Indicator 7** relates to the councils need to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The S151 Officer reports that the council complied with **Prudential Indicator 7** in the current year and does not envisage this indicator being breached in the future. This view takes into account current commitments, existing plans, and the proposals in this budget report. In accordance with **Prudential Indicator 8,** the council has adopted and complies with the CIPFA Code of Practice for Treasury Management.

4.2 Treasury Indicators: Limits to Borrowing Activity

The Authorised Limit for External Debt - Prudential Indicator 5

This prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt, which, whilst not desired, could be afforded in the short term, but is not sustainable in the longer term. This is based on the requirement to set a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Council is asked to approve the following authorised limit:

Table 7 : Authorised Limit £m - Prudential Indicator 5				
	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Total	458.391	467.569	454.914	433.670

The Operational Boundary - Prudential Indicator 6

This is the limit beyond which external debt is not normally expected to exceed. It has been calculated by deducting other long term liabilities and the Birmingham Airport investment (which together total £12.562m in 2019/20) from the capital financing requirement (CFR) and then adding any expected in year cash-flow borrowing requirements.

Table 8 : Operational Boundary £m - Prudential Indicator 6				
	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Total	416.719	425.063	413.558	394.245

4.3 Prospects for interest rates

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

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

During the first half of 2019/20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. H.M. Treasury on 9 October 2019 increased the margin over gilt yields by 100 basis points to 180 basis points on loans lent to local authorities by the PWLB.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by H.M. Treasury to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 09/10/19.

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

Investment and borrowing rates

- Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.

- Borrowing interest rates were on a major falling trend during the first half of 2019/20 but then jumped up by 100 bps on 09/10/19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. Now that the gap between longer term borrowing rates and investment rates has materially widened, and in the long term Bank Rate is not expected to rise above

2.5%, it is unlikely that this authority will do any further longer term borrowing via PWLB until such time as the extra 100 bps margin is removed.

- While this authority will not be able to avoid borrowing to finance new capital expenditure, and to avoid the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

4.4 Borrowing Strategy

Our borrowing objectives are:

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

Specific Borrowing Objectives

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

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

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

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

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

L5. Average interest rate for internally managed debt will reduce to **3.35%** - **Changed from 3.69% in view of planned borrowing**.

L6. Average interest rate for total debt (including other local authority debt) will be equal to or less than **3.53% - Changed from 3.93% in view of planned Borrowing re-profiling**.

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

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Deputy Head of Finance - Corporate responsible for Treasury Management will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. For example:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

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

4.5 Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. These limits have been reviewed. The indicators the Council is asked to approve are in Table 10 below (please note there are no changes proposed to the targets approved for 2019/20):

Table 10: Borrowing Limits	2020/21	2021/22	2022/23
Prudential Code Indicator 10 Upper limits on fixed interest rate exposures.	95%	95%	95%
Lower limits on fixed interest rate exposures	40%	40%	40%
Prudential Code Indicator 11 Upper limits on variable interest rate exposures	45%	45%	45%
Lower limits on variable interest rate exposures	0%	0%	0%
Prudential Code Indicator 12 Lower limits for the maturity structure of borrowings:			
Under 12 Months	0%	0%	0%
12 months and within 24 months	0%	0%	0%
24 months and within 5 years	0%	0%	0%
5 years and within 10 years	5%	5%	5%
10 years and above	30%	30%	30%
Table 10 continued: Borrowing Limits	**2020/21**	**2021/22**	**2022/23**
Upper limits for the maturity structure of borrowings*:*			
Under 12 Months	25%	25%	25%
12 months and within 24 months	25%	25%	25%
24 months and within 5 years	40%	40%	40%
5 years and within 10 years	50%	50%	50%
10 years and above	85%	85%	85%

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

4.6 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). The reasons for any rescheduling include:

- the generation of cash savings and / or discounted cash flow savings.
- helping to fulfil the treasury strategy.
- enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All potential rescheduling would require the approval of the treasury management panel.

5. ANNUAL INVESTMENT STRATEGY

5.1 Investment Policy

The council's Investment Policy has regard to the Ministry for Housing, Communities and Local Government's Guidance on Local Government Investments ("the Guidance"), last updated in February 2018, and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the MHCLG and CIPFA and in order to minimise the risk to investments, the council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. Counterparty limits are set through the council's treasury management practices – schedules. This year the TM policies have been reviewed to ensure that any Banking Regulation changes are appropriately reflected to make certain that the security of the council's deposits remain the highest priority whilst the council seeks a fair return for its investment. See TMP 1 section on Credit and Counterparty Risk Management paragraph h. TMP 1 also allows the undertaking of non-specified investments on the approval of the S151 Officer e.g. loans to housing associations, property funds and bond issues by other public sector projects etc. The use of property funds can be deemed to be capital expenditure, and as such in some instances will be an application (spending) of capital resources. This Authority will undertake due diligence and appropriate checks, and if required seek guidance, on the status of any fund it may consider using.

5.2 Creditworthiness Policy

Approved Organisations for Investments

Only organisations that are eligible to receive investments from local authorities may be used. The council's credit worthiness policy forms part of this document for review and approval.

5.3 The Monitoring of Investment Counterparties

The credit rating and financial resilience of counter parties are monitored regularly. The council receives credit rating information from Link Asset Services as and when ratings change and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list by the Deputy Head of Finance - Corporate and / or Finance Manager – Technical Accounting and Treasury management, and if required new counterparties which meet the criteria will be added to the list.

5.4 Investment strategy

The general policy objective for this council is for the prudent investment of its treasury balances. The council's investment priorities are:

- The security of capital
- Liquidity of its investments
- All investments will be in sterling
- The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for interest rates.

Investment returns expectations. Investment returns expectations.

On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

5.5 Specific Investment Objectives

Specific investment objectives are set out below.

L8. Difference between average interest rate received on short-term interest (STI) versus at call interest rate on main bank account – comparing investment performance of proactively managing cash balances against doing nothing – 50% - **a new indicator for 2020/21**

L9. Average interest rate received on:

At call investments – 0.60% - **no change**
Short-term investments – 1.10% - **no change**
Long-term investments – 1.65% - **a change from 1.40%**
Property Funds – 3.90% - **a new indicator from 2020/21**

L10 Average rate on at call and short-term investments will be equal to or greater than 1.04% - **no change**

L11 Average interest rate received on all investments:

Including Property Funds – 1.59% - **a new indicator from 2020/21**
Excluding Property Funds – 1.11% - **a change from 1.08%**

L12 % daily bank balances within a target range of 99% - **no change**.

Should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end.

The Council is asked to approve Prudential Indicator 13. Treasury indicator and limit:

Prudential Indicator 13 Maximum principal sums invested > 365 days			
£m	**2020/21**	**2021/22**	**2022/23**
Principal sums invested > 365 days	£55m	£55m	£55m

5.6 Additional disclosures required within the statutory guidance on local government investments

The updated statutory guidance on local government investments, which was issued in February 2018, identifies specific disclosures that the authority should identify within its Investment Strategy for all investments that it holds. The required disclosures for investments held by the authority are set out at Annex 3.

5.7 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Annex 1

IN YEAR TREASURY MANAGEMENT INDICATORS TO BE MONITORED

No.	Indicator	2019/20 Forecast	2020/21 Estimated	2021/22 Estimated
PRL 1	a. Capital expenditure - Council Resources - £m	28.74	27.59	17.68
	b. Capital expenditure - External Resources - £m	67.32	67.04	19.41
Former PRL 2	Estimates of the ratio of financing costs to the net revenue stream	4.14%	3.65%	4.80%
Former PRL 3	Incremental impact of capital investment decisions on council tax	£15.36	£23.84	£17.56
L. 3	a. Financing costs as % of Council Tax Requirement	20%	20%	20%
	b. Financing costs as % of Tax Revenues	12.50%	12.50%	12.50%
L. 4	Actual debt v operational debt within the following range	65%-85%	65%-85%	65%-85%
L. 5	Average interest rate of debt excluding other local authority debt	3.79%	3.35%	3.52%
L. 6	Average interest rate of debt including other local authority debt	3.93%	3.53%	3.67%
L. 9	Average interest rate received on:			
	a. At Call Investments	0.66%	0.60%	0.60%
	b. Short Term Investments	1.28%	1.10%	1.35%
	c. Long Term Investments	1.64%	1.65%	1.65%
	d. Property Fund	4.02%	3.90%	3.90%
L. 10	Average interest rate on all ST investments (ST and At Call)	1.16%	1.04%	1.26%
L. 11	a. Average interest rate on all investments (excluding property fund)	1.23%	1.11%	1.30%
	b. Average interest rate on all investments (including property fund)	1.51%	1.59%	1.75%
L. 12	% daily bank balances within target range	100%	99%	99%

There is no change proposed

MINIMUM REVENUE PROVISION 2020/21 ONWARDS

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

For the financial years **2008/09** onwards the authority will be adopting the following policies in determining the MRP:

1. For any capital expenditure carried out prior to 31 March 2008 or financed by supported borrowing capital expenditure, the authority will be charging MRP at 2% of the balance at 31 March 2013 (which has been adjusted as per the 2003 regulations, i.e. net of Adjustment A), fixed at the same cash value so that the whole debt is repaid after 50 years.

2. For any capital expenditure carried out after 1 April 2008 being financed by borrowing the authority will be adopting the asset life method (option 3). This is where MRP will be based on the capital expenditure divided by a determined asset life or profile of benefits to give annual instalments. The annual instalment may be calculated by the equal instalment method, annuity method or other methods as justified by the circumstances of the case at the discretion of the S151 Officer.

3. The authority will treat the asset life as commencing in the year in which the asset first becomes operationally available. Noting that in accordance with the regulations the authority may postpone the beginning of the associated MRP until the financial year following the one in which the asset becomes operational, there will be an annual adjustment for Assets Under Construction.

4. In all years, the CFR for the purposes of the MRP calculation will be adjusted for other local authority transferred debt.

5. The Section 151 officer shall on an annual basis review the level of MRP to be charged, as calculated as per paragraphs 1, 2 and 3 above to determine if this is at a level, which is considered prudent. Dependant on this review the Section 151 officer shall be able to adjust the MRP charge (the total cumulative adjustment will never exceed the calculated CFR variance of £24.6m identified when reviewing the current MRP policy during 2015/16). The amount of MRP charged shall not be less than zero in any financial year.

Annex 3

ADDITIONAL DISCLOSURES REQUIRED WITHIN STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

The updated statutory guidance on local government investments, which was issued in February 2018, identifies specific disclosures that the authority should identify within its Investment Strategy for all investments that it holds.

The required disclosures for investments held by the authority are set out below.

1. Types of Investment

1.1 Investments made by local authorities can be classified into one of two main categories:

- Investments held for treasury management purposes
- Other investments

2. Contribution of investments toward the service delivery objectives and / or the place making role of the local authority

2.1 For each type of investment the disclosure guidelines require the authority to identify the contribution that the investments make. For Walsall's investments details of this contribution are set out below.

Investments held for treasury management purposes
The contribution that these investments make to the objectives of the local authority is to support effective treasury management activities, with the requirement to prioritise Security, Liquidity and Yield in that order of importance.

Other Investments
Details of all Other Investments that the authority holds, and the contribution that each makes to the service delivery objectives and / or the place making role of the local authority is set out below:

Investment Properties

The acquisition of the Saddlers Shopping Centre provided the Council with an opportunity to add to an existing but small investment portfolio. It is intended that further investment opportunities will be considered in the future following the completion of the review of the investment portfolio as part of the asset management improvement plan (asset management planning). The acquisition of revenue generating property is an activity that many public bodies are undertaking as they recognise the opportunity to borrow funds under the current interest rates of the Public Works Loan Board provide an attractive net return when set against repayment terms and investment yields. The Council under the MTFO has already made some assumptions regarding the benefits of further acquisitions to its investment portfolio and will be developing a strategy that has regard for the need to achieve a balanced use portfolio that is reflective of current market conditions.

However the acquisition of the Saddlers Centre was not only undertaken for the purposes of supporting the Council's revenue position, the opportunity for the Council to have purchase a significant land interest in the middle of Walsall Town Centre and adjacent to Walsall Rail Station was of similar importance as the Council recognises that regeneration activity in the Town Centre and beyond may well have to be public sector led.

Likewise the redevelopment of the Old Square Shopping Centre represented significant movement towards the delivery of the Council's aspirations for the regeneration of St Matthew's Quarter. In particularly difficult market conditions for the retail sector, the redevelopment of the shopping centre improved Walsall's retail offer and helped to cement the town centre's position as an important sub-regional centre. The new retail floorspace delivered through the first phase of the scheme provided over 4,100 sq metres/44,000 sq ft of floorspace for a new Primark store and over 900 sq metres/9,800 sq ft of floorspace for a new Co-op food store. These two new stores provided around 150 new jobs in the town centre, resulted annual business rate and rental income, and increased footfall and expenditure in the town centre, making it a more attractive destination for shoppers, retailers and other investors.

3. Use of Indicators

3.1 The disclosure guidelines require the authority to produce relevant indicators for investments to support the ability of the public to assess the level of risk exposure. These are provided below for Walsall's investments.

Investments held for treasury management purposes
These investments are funded through the council's cash balances. The authorities published Treasury Management and Investment Strategy already includes a range of Prudential and Local indicators that support the assessment of performance management and risk exposure in this area.

Additionally the disclosure guidelines recommend that the authority to also publish the following two indicators.

Indicator	Description	Ratio (2018/19 Forecast)	Ratio (2019/20 Estimate)	Narrative
Debt to Net Service Expenditure (NSE) Ratio	Gross debt as a percentage of net service expenditure (where net service expenditure is a proxy for the size and financial strength of a local authority).	1.75:1	1.80:1	As this is the first year where there is a requirement for these disclosures, no comparator information is available. This will be added going forwards following a review of published disclosures.
Commercial income to NSE Ratio	A measure of the authorities dependence on non-fees and charges income to deliver core services (where fees and charges are netted off gross expenditure to calculate NSE).	0.005:1	0.005:1	

Other Investments
For Other Investments, the disclosure guidelines also require the authority to provide relevant indicators only where these investments are funded by borrowing – again to allow for assessment against the associated additional debt servicing costs taken on. As such, for any 'Other Investments' held by Walsall that are funded in this way, relevant indicators are provided below.

Investment Property – Saddlers Centre

Indicator	Description	Ratio (2018/19 Actual)	Ratio (2019/20 Forecast)
Operating costs	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.	£1.286m	£1.399m
Vacancy levels and Tenant exposures for non-financial investments	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.	TBC	10 Units

4. Security, Liquidity and Yield

4.1 Prudent investments will consider security, liquidity and yield in that order with the underlying objectives being:

- **Security** – protecting the capital sum invested from loss
- **Liquidity** – ensuring the funds invested are available when needed
- **Yield** – once security and liquidity are determined it is then reasonable to consider what yield can be obtained

4.2 When entering into **'Investments held for treasury management purposes'** local authorities always consider security, liquidity and yield (in that order) and the authorities Treasury Management Policies clearly set out and support this requirement.

4.3 When entering into **'Other Investments'** local authorities should consider the balance between security, liquidity and yield based on their risk appetite and the contribution that the investment will make toward service delivery objectives and / or the place making role of the local authority.

4.4 **Security**

Investments held for treasury management purposes
All investments that the authority currently holds for treasury management purposes are defined as financial investments, and the authorities Treasury Management policies clearly define how credit worthiness and high credit quality will be determined. The policies also set out procedures for determining which categories of investment may be used, those which have already been defined as suitable for use, and the upper limits for investment with each counterparty / investment area.

Other Investments
All 'Other Investments' that the authority currently holds are defined as non-financial investments, which are non-financial assets that the authority holds primarily or partially to generate a profit.

Where a local authority holds a non-financial investment, it will normally have a physical asset that can be realised to recoup the capital invested. As such the disclosure guidelines require authorities to consider whether the asset retains sufficient value to provide security of investment.

Therefore details for each of the 'Other Investments' held by the authority are set out below:

i. Investment Property – Saddlers Centre
A fair value assessment has been obtained within the past twelve months. Whilst this shows a reduction in valuation the authorities original investment decision anticipated a minimum investment period of 5 years, therefore the valuation will continue to be reviewed over the remainder of this period to inform a decision regarding any need for elongation of the investment period.

ii. Investment Property – Primark / Co-Op Shopping Units Development

A fair value assessment has been obtained within the past twelve months. This shows that the underlying assets provide security for capital investment.

Risk Assessment of Investments

Investments held for treasury management purposes
The authorities Treasury Management policies clearly define how risk for these types of investment will be assessed, including details of external advisors that may be used, the use of credit ratings and how often these are reviewed and additional sources of information that will support the underlying assessment of risk that may be attributable to the investment.

Other Investments
Normally where the Council enters into Other Investments it is using capital to invest in an asset to primarily or partially to generate a return / profit. This is normally in the form of an investment in an Investment Property that has a tenant / tenants who pay rents to the authority as owner of the property (the landlord).

As such the risk assessment for investments of this type need to ensure that the tenant is of good financial standing and the property and lease meet certain standards such as being in a commercially popular location and having a number of years remaining on the lease providing a certain and contractually secure rental income into the future.

Where the Council funds the purchase of the property by borrowing money – potentially from the Public Works Loans Board (itself funded by the Government), to deliver a profit the rental income paid by the tenant must exceed the cost of repaying the borrowed money each year.

The annual surplus then supports the Council's budget position, and enables the Council to continue to provide services for local people.

Historically, property has proved to be one of, if not the best, investment in terms of capital growth over the last 50 years. If the Council retains the ownership of the property for long term (20 years plus), and the property is managed and maintained appropriately, it would normally expect to see an increase in the value of the property as well as a net annual surplus of revenue.

Acquisition of investment properties to generate an income stream can also support the Council in delivering its other priorities, such as in its place making role or in the support of regeneration activities.

The reasons for buying and owning property investments are therefore primarily (and in this order):

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

Operating in the Property Investment Market

Investment property will usually have a commercial occupier, paying a rent to the landlord. The better the covenant of the occupier, the more secure the rental income, the better the investment value and the yield obtainable in the open market. A tenant with a strong covenant and a long lease (10 years plus) with no break clause and with responsibility for repairing and maintaining the property, is the best type of investment.

The UK commercial property investment market is very well established, attracts global investors and is defined as a 'mature asset class'. It has a wide range of new and established investors including institutions, pension funds, specialist property companies, charities, family trusts and individuals.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as "…used solely to earn rentals or for capital appreciation or both…". Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

Property prices and returns are a function of the property type, condition, use and location, together with the lease structure and covenant strength of the tenant (in the case of a let property). Lease contracts will reflect all liability and outgoings being the responsibility of the tenant.

What should be sought by the Council are property investments which produce the best returns possible, whilst carrying an acceptable level of risk. The main mitigation measure in managing risk is to target investments which are let to 'blue chip' tenants, on relatively long leases with little or no landlord management involvement – typically the tenant is responsible for all property costs such as repair, maintenance and outgoings. In this way, the Council will be primarily buying a secure income stream and the buildings themselves become almost secondary considerations.

Any property asset coming onto the market could be for a number of reasons. Investors seek to buy and sell in many different circumstances - rebalancing their portfolio, seeking cash to influence balance sheet or share price, requirement for a more "liquid" asset, short term investment taking advantage of small capital growth, moving into different property classes, etc.

Priorities and Risk Assessment in Property Investment

The Priorities for the Council when acquiring property interests for investment purposes are (in order of importance):

- **Covenant Strength** - in the case of a let property, the quality of the tenant and, more importantly, their ability to pay the rent on time and in full. The Council's primary reason and objective for this strategy is financial gain.

- **Lease length** - in the case of a let property, the unexpired length of the term of the lease or a tenant's break clause is of key importance in ensuring that the landlord's revenue stream is uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels. Generally occupiers are moving away from 25 year leases which were more common back in the late twentieth century with 10 to 15 years now becoming more acceptable unless some form of lease break provisions are included in favour of the tenant.

- **Rate of return** - the rate of return from the property (for example through annual rental incomes) will normally need to be equivalent or better to the returns that could be earned from alternate investments, such as placing monies on deposit, following adjustment for risks and potential growth. The property will also normally need to produce an annual return in excess of the cost of PWLB borrowing (interest only).

- **Risk** – rate of return is one side of the coin; risk is the other. In general, the higher the sought level of return from an investment, the higher level of risk that it carries. For example, if a property is let at an attractive rent which would create a good return, it could still be risky if the tenant does not possess good covenant strength and could default at any time.

- **Lease Terms** – The terms of leases vary and even those held on an "Institutionally acceptable basis" can be very different in nature particularly as such leases have developed over time. The Council is seeking to invest in modern leases with full repairing and insuring obligations on the Tenant and a full Service Charge recovery to include any management fees where applicable. This will ensure a certain income / return to the Council.

- **Growth** - property has the potential for both revenue and capital growth. The Council will consider that potential when assessing the strength of the investment opportunity. Property values can fall as well as rise and mechanisms to minimise revenue reductions should be identified. Generally the nature of standard, institutional leases is that rent review clauses are upward only which protects landlords from any downward pressure on rental income giving some security as to the level of income.

- **Location** - should a tenant default or vacate, the location of the property is the key factor in influencing the ability to re-let and find another tenant. Location is also important when considering future redevelopment or regeneration opportunities. Ideally the Council will be able to undertake inspections and to deal with any management issues without the need to employ specialists or agents. Preference should be given to properties located within Walsall, then to the wider west midlands geographic location. This does not prevent investment outside of Walsall, subject to the appropriate justification and business case and correct governance procedure.

- **Sector** - information as to the sector of use of the property (e.g. office, retail, industrial, leisure) will assist in deciding on the risks associated with specific properties and the mix of sectors within the portfolio. Additionally the Council, as a public body, may take the view that it does not wish to invest in properties where the occupiers are generally seen to be undertaking a business which is contrary to its corporate values.

- **Building Age and Specification** - in the case of a let property, whilst the Council, as an investor, may be principally concerned with the characteristics of the tenant and lease, the age and specification of the property will also affect the ability of the Council to let or sell the property in the future. It must also be taken into consideration in respect of the cost of protecting the investment. An example of this would be the undertaking of repairs and refurbishment if the cost cannot be fully recovered from the tenant.

- **Use of external advisors** – where required the Council will utilise appropriately qualified and experienced external advisors to support decisions regarding property investments.

In summary, the strategy for acquiring investment property assets is therefore to:

- Seek property let to tenants who are of strong covenant strength and sound financial standing with at least more than five years remaining on an FRI lease.
- Minimise risk.
- Maximise rental income and minimise management costs to ensure the best return is generated.
- Identify opportunities for future growth, redevelopment or regeneration via property in commercially popular or development areas.
- Prioritise Walsall and then the wider west midlands geographic location.
- Pursue opportunities to increase returns and improve the investment value of commercial assets.

4.5 **Liquidity**

Investments held for treasury management purposes
For the Treasury Management investments held by the authority, the Treasury Management policies set out how the authority will determine the periods for which funds may be prudently committed and the maximum periods that will be utilised.

Other Investments
For the Other Investments held by the authority, these are all currently Investment Properties. The Council recognises that if it requires access to its investment these assets can take a considerable period to sell in certain market conditions. Therefore these investments are all considered to be medium to long term, with a fair value assessment undertaken on an annual basis which is used to inform the point at which it may be prudent for the authority to consider selling assets and repaying any associated borrowing.

5. Proportionality

5.1 The scale of the 'Other Investments' currently, or planned to be, held by the authority, and any assumed associated profit to be generated by these investments does not place the authority in a position where it is dependent on this activity to achieve a balanced revenue budget.

6. Borrowing In Advance of Need

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

7. Capacity, Skills and Culture

Knowledge & Skills

7.1 The authorities Treasury Management activity is managed by a team of professionally qualified accountants, who actively undertake Continuous Professional Development (CPD) on an ongoing basis to keep abreast of new developments and develop additional skills. They also have extensive Local Government finance experience between them.

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

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

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

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

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

Commercial Activity and Governance

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

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

7.9 Ongoing performance monitoring for all commercial schemes is also undertaken and reported to relevant members and senior officers on a regular basis.

7.10 The Council also seeks to ensure that all commercial schemes are fully aligned with priority outcomes set out within the Corporate Plan.

7.11 Any decisions taken on commercial investments are supported by the approach to non-financial investments and risk assessment process set out within this Treasury Management and Investment Strategy, with any individuals involved in negotiation of commercials deals being made aware of these principles and the prudential and regulatory regime within which local authorities operate.

Other Useful Information

8. Links to other documents that provide useful information in relation to the disclosures set out within this annex are set out below:

Walsall Council 2018/19 Statement of Accounts

Walsall Council 2020/21 Capital Strategy – see Part 1 Annex 10

Annex 4

ECONOMIC BACKGROUND

This Economic Commentary is based upon information provided by our Treasury Management Advisors – Link Asset Services. Key topics are denoted in bold.

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the general election on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

While the Bank of England went through the routine of producing another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The MPC meeting of 19 December repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, expected in March 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for inflation itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the labour market, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. Growth in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to start buying Treasuries again, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt for an unlimited period. At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by ‘growth friendly’ fiscal policy.

On the political front, Austria, Spain and Italy have been in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to financial markets due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

GLOSSARY OF TERMS

TERM	DEFINITION
Authorised Limit	Level of debt set by the council that must not be exceeded.
Bond	A government or public company's document undertaking to repay borrowed money usually with a fixed rate of interest.
Borrowing	Obtaining money for temporary use that has to be repaid.
Capital expenditure	Expenditure on major items e.g. land and buildings, which adds to and not merely maintains the value of existing fixed assets.
Capital grants	Specific targeted grants to cover capital expenditure.
Capital receipts	The proceeds from the disposal of land or other assets. Capital receipts can be used to fund new capital expenditure but cannot be used to finance revenue expenditure
Cash flow Management	The management of the authority's receipts and payments to ensure the authority can meet its financial obligations.
CIPFA	The chartered institute of public finance and accountancy
Counter party limits	Maximum amount that the council may lend to other institutions will vary according to size and credit rating of other intuitions.
Dividends	Sum to be payable as interest on loan.
ECB	European Central Bank
EU	European Union
GDP	Gross Domestic Product – the total market value of all final goods and services produced in a country in a given year, equal to total consumer investment and government spending, plus the value of exports minus the value of imports.
Investments	The employment of money with the aim of receiving a return.
Libid rate	London Interbank Bid Rate (the rate that banks are willing to borrow from each other)
Liquidity	How easily an asset including investments may be converted to cash.
Long Term Borrowing	Borrowing of money for a term greater than one year.
Long Term Liabilities	Amounts owed by the council greater than 12 months old.
Market convention	The rules and regulations by which all brokers and dealers should abide by. It includes standards of practice and calculation conventions for interest. They are defined in the London Code of Conduct ("The London Code") published by the Bank of England.

TERM	DEFINITION
MHCLG	The Ministry for Housing, Communities and Local Government
MPC	Monetary Policy Committee – group that sets the bank base rate for the Bank of England
OLA	Other Local Authorities
STI	Short term investments
Temporary borrowing	Borrowing of money for a term of up to 365 days.
Treasury management	The management of the local authority's cash flows, its borrowings and its investments, the management of associated risks, and the pursuit of the optimum performance or return consistent with those risks.
Treasury Policy Statement	A statement of key policies that an organisation follows in pursuit of effective treasury management, including borrowing limits and strategy.
Variable debt	This is money that has been borrowed at a variable interest rate, and as such is subject to interest rate changes.
Unsupported borrowing	Borrowing taken through the remit of the Prudential Code for which the council will not receive any government funding and will fund from own resources.

Section A - Part 2B – Treasury Management

B : Treasury Management Policy Statement

The CIPFA Code recommends that authorities should:

i. Put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

ii. Policies and practices should make clear that the effective management of risk, having regard to return, is a prime objective of the treasury management activities.

iii. Acknowledge that the pursuit of best value in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, the treasury management policies and practices should reflect this.

In order to do this, the Council should once again adopt a treasury management policy statement as shown below and create and adopt treasury management practices (TMPs):

- A treasury management policy statement, stating policies and objectives of its treasury management activities.
- Suitable TMPs, setting out the manner in which the council will seek to achieve those policies and objectives, prescribing how the council will manage and control those activities.
- The contents of the policy statement and TMPs will follow the recommendations contained in section 6 and 7 of the Code, subject only to amendment where necessary to reflect this council's particular circumstances.

There are amendments to the responsible posts under delegated powers which reflect changes to the staffing structure of the finance service.

THE TREASURY MANAGEMENT PRACTICES 2019/20 & 2020/21 ONWARDS

Treasury Management Policy

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

Walsall Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

Walsall Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principle of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

TREASURY MANAGEMENT FUNCTION

The approved activities of the treasury management function are as follows:

Activities:
- Borrowing
- Investment of temporary surplus funds and other balances
- Setting and reviewing the treasury management strategy
- Cash flow management
- Management of school investments
- Management of debt and investments, including rescheduling, management of interest rate exposure and maturity profile management.

High Level Policies for Borrowing and Investment

The Treasury Management Strategy sets out the detailed policies that the organisation will follow in operating its treasury management function. The high level policies set out within the strategy that relate to borrowing (section 4.4 of the strategy) and investments (section 5.5 of the strategy) are as follows:

Borrowing Strategy

Walsall Councils borrowing objectives are:

- To minimise the revenue costs of debt whilst maintaining a balanced loan portfolio
- To manage the council's debt maturity profile, ensuring no single future year has a disproportionate level of repayments

- To maintain a view on current and possible future interest rate movements and borrow accordingly

- To monitor and review the balance between fixed and variable rate loans against the background of interest rate levels and prudential indicators.

Investment strategy

The underlying policy objective for Walsall Council is for the prudent investment of its treasury balances. The council's investment priorities are:

- The security of capital
- Liquidity of its investments
- All investments will be in sterling
- The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

Treasury Management Practices

TMP 1 – TREASURY RISK MANAGEMENT

The S151 Officer shall:

- Ensure that appropriate arrangements are in place for the design; implementation and monitoring of all arrangements related to the identification, management and control of treasury management risk.
- Report at least annually on the adequacy/suitability thereof, and report as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the council's objectives in this respect.
- In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives will be set out in schedules.

Liquidity

Objective: Adequate but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable the council at all times to have the level of funds available which are necessary for the achievement of its service objectives.

Interest Rates

Objective: Management of the council's exposure to fluctuations in interest rates with a view to containment of its net interest costs.

Exchange Rates

Objective: Management of the council's exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Inflation

Objective: Control of exposure to the effects of inflation, in so far as they can be identified as impacting on treasury management activities.

Credit and Counterparties

Objective: To secure the principal sums invested over the period of the investment. A counterparty list will be maintained and the named organisations and limits will reflect a prudent attitude towards organisations with whom funds may be deposited.

Rescheduling and Refinancing of Debt
Objective: All borrowing, private financing and partnership arrangements will be negotiated, structured and documented. The maturity profile of debt will be managed with a view to obtaining terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

Relationships with counterparties in these transactions will be managed in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

Legal and Regulatory
Objective: Compliance with statutory powers and regulatory requirements for all treasury management activities. The council will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

In framing its credit and counterparty policy under TMP1 - *Credit and Counterparty risk management,* the council will ensure that there is evidence of counterparties powers, authority and compliance in respect of the transactions they may affect with the organisation, particularly with regard to duty of care and fees charged.

The council will seek to minimise the impact of future legislative or regulatory changes on its treasury management activities so far as it is reasonably able to do so.

Fraud, Error and Corruption, and Contingency Management
Objective: Identification of circumstances which may expose the council to the risk of loss through fraud, corruption or other eventualities in its treasury management dealings. Employ suitable systems and procedures and maintain effective contingency management arrangements.

Market Risk
Objective: Protection from adverse market fluctuations in the value of the principal sums invested over the period of the investment.

Additional Level Risk / Reward
Objective: - to ensure that the risk/ reward balance is appropriate and consistent with the risk appetite of the council the following aims are managed:-

- to have a large proportion of debt on fixed rates to provide stability.
- to have investments over a range of period lengths
- to use UK highly rated banks or strong building societies
- to obtain a fair return without any undue risk.

Credit and Counterparty Risk Management

The Deputy Head of Finance - Corporate will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 - Reporting Requirements and Management Information Arrangements.

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests over the period of the investment. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 - Approved Instruments Methods And Techniques. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Policy on the use of credit risk analysis techniques.

a. The council will use credit criteria in order to select creditworthy counterparties for placing investments with.

b. Credit ratings will be used as supplied from rating agencies – Fitch, Moody's and S&P.

c. Treasury management advisors will provide regular updates of changes to all ratings relevant to the council.

d. The Deputy Head of Finance - Corporate and Finance manager – Technical Accounting and Treasury Management, as responsible officers, will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

   The primary credit rating agencies Primary Credit Rating Scales, which are used, are shown below.

<table>
<tr><th colspan="15">Primary Credit Rating Agencies Credit Rating Scales</th></tr>
<tr><th></th><th colspan="4">Moody’s</th><th colspan="5">S&P</th><th colspan="5">Fitch</th></tr>
<tr><th></th><th>Long Term</th><th colspan="3">Short Term</th><th>Long Term</th><th colspan="4">Short Term</th><th>Long Term</th><th colspan="4">Short Term</th></tr>
<tr><td rowspan="10">Investment Grade</td><td>Aaa</td><td rowspan="7">P1</td><td></td><td></td><td>AAA</td><td rowspan="5">A-1+</td><td></td><td></td><td></td><td>AAA</td><td rowspan="5">F1+</td><td></td><td></td><td></td></tr>
<tr><td>Aa1</td><td></td><td></td><td>AA+</td><td></td><td></td><td></td><td>AA+</td><td></td><td></td><td></td></tr>
<tr><td>Aa2</td><td></td><td></td><td>AA</td><td></td><td></td><td></td><td>AA</td><td></td><td></td><td></td></tr>
<tr><td>Aa3</td><td></td><td></td><td>AA-</td><td></td><td></td><td></td><td>AA-</td><td></td><td></td><td></td></tr>
<tr><td>A1</td><td></td><td></td><td>A+</td><td rowspan="3">A-1</td><td></td><td></td><td>A+</td><td rowspan="3">F1</td><td></td><td></td></tr>
<tr><td>A2</td><td rowspan="4">P2</td><td></td><td>A</td><td></td><td></td><td></td><td>A</td><td></td><td></td><td></td></tr>
<tr><td>A3</td><td></td><td>A-</td><td></td><td rowspan="3">A-2</td><td></td><td>A-</td><td></td><td rowspan="4">F2</td><td></td></tr>
<tr><td>Baa1</td><td></td><td></td><td>BBB+</td><td></td><td></td><td></td><td>BBB+</td><td></td><td></td><td></td></tr>
<tr><td>Baa2</td><td></td><td rowspan="2">P3</td><td>BBB</td><td></td><td></td><td rowspan="2">A-3</td><td>BBB</td><td></td><td></td><td rowspan="2">F3</td></tr>
<tr><td>Baa3</td><td></td><td></td><td>BBB-</td><td></td><td></td><td></td><td>BBB-</td><td></td><td></td></tr>
<tr><td colspan="15"></td></tr>
<tr><td rowspan="10">Non-Investment Grade</td><td>Ba1</td><td colspan="3" rowspan="9">Not Prime</td><td>BB+</td><td colspan="4" rowspan="3">B</td><td>BB+</td><td colspan="4" rowspan="6">B</td></tr>
<tr><td>Ba2</td><td>BB</td><td>BB</td></tr>
<tr><td>Ba3</td><td>BB-</td><td>BB-</td></tr>
<tr><td>B1</td><td>B+</td><td colspan="4" rowspan="6">C</td><td>B+</td></tr>
<tr><td>B2</td><td>B</td><td>B</td></tr>
<tr><td>B3</td><td>B-</td><td>B-</td></tr>
<tr><td>Caa</td><td>CCC</td><td>CCC</td><td colspan="4" rowspan="3">C</td></tr>
<tr><td>Ca</td><td>CC</td><td>CC</td></tr>
<tr><td>C</td><td>C</td><td>C</td></tr>
<tr><td></td><td></td><td></td><td></td><td>D</td><td colspan="4">D</td><td>D</td><td colspan="4">D</td></tr>
</table>

The minimum credit ratings within these scales that the authority would expect for individual counterparties are set out below.

Minimum ratings	Moody's	S&P	Fitch
Short term	P3	A-3	F2
Long term	A3	A-	A-

Credit ratings for individual counterparties can change at any time. The Deputy Head of Finance - Corporate and the Finance manager – Technical Accounting and Treasury Management are responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on the criteria for selection of counterparties, and with the approval of either the Deputy Head of Finance - Corporate or Finance Manager – Technical Accounting and Treasury Management .

e. This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -

- The quality financial press
- Market data
- Information on government support for banks and the credit ratings of that government support
- The maximum maturity periods and investment amounts relating to Approved Investment Counterparties are set out below:

Organisation	Criteria	Max Amount	Max Period
Banks and Nationwide Building Society	Minimum Ratings as defined above in paragraph d above.	£25m in total with fixed term not exceeding £15m	3 years
Building Societies	Must be in Peer Group 1 of KPMG Building society Dashboard (based on total assets) and have a minimum Free Capital Ratio no lower than that set out by Common Equity Tier 1 (CET1).	£10m	3 years
	Other Building Societies must be in Peer Group 2 of KPMG Building Society Dashboard (based on total assets) and have a minimum Free Capital Ratio no lower than that set out by Common Equity Tier 1 (CET1).	£7m	3 years

Organisation	Criteria	Max Amount	Max Period
Challenger Banks	Following an assessment must have a minimum Free Capital Ratio no lower than that set out by Common Equity Tier 1 (CET1), and must be a retail bank.	£15m	3 years
Money Market Funds	AAA long-term rating backed	£15m	3 years
Property Funds	Subject to individual financial assessment of each fund to identify the underlying financial strength	£30m	Review every 5 years
Multi-Asset Investment Funds	Subject to individual financial assessment of each fund to identify the underlying financial strength	£20m	5 years
Non UK Banks	Minimum Ratings as defined above in paragraph d.	£10m	1 year

g. In defining the level and term of deposits significant regard is given to the proportion of the institution in government ownership.
h. Following the changes to the Banking Regulation the council will consider when assessing the financial resilience of an institution key ratios e.g. common equity tier 1, leverage capital / exposure, liquidity coverage, net stable funding.

Notes:

- The definition of 'high credit quality' is also used to determine what are specified investments as opposed to non specified investments. Specified investments are those that require minimum procedural formalities in terms of the placing of the investment by the treasury management team. Minimal procedural formalities means that the team is well experienced and knowledgeable in using these types of instruments and they pose minimal risk in their use.
- Non-specified investments may be undertaken on the approval of the S151 Officer e.g. loans to housing associations and bond issues by other public sector projects. These may be for a duration longer than 3 years.
- For a credit rated bank to be on the council's counter party list the criteria must be passed for at least 2 of the credit ratings agencies.
- Full Individual Listings of Counterparties and Counterparty Limits are available on request and reported regularly to the Treasury Management Panel.

Local Authority Mortgage Scheme (LAMS)

Cabinet agreed to adopt the LAMS scheme on 24th October 2012. It involved the Council placing a matching five year deposit to the life of the indemnity. As of 31st July 2016 the LAMS scheme was closed to new applications following a slowdown in national activity, partly due to the introduction of the Help to Buy Guarantee scheme.

The LAMS deposit was repaid in February 2018, however there remains a residual risk of liability for the authority for a period of up to 5 years from the point of the last mortgage being taken out.

Authorisation of Payments
In order to support and maintain strong controls for the release of payments. A payment releasers register is maintained. It includes the names and post titles of officers authorised to sign financial documents releasing payments including cheques requiring manual signature and bank mandates. The payments releasers register is reviewed regularly and is approved by the S151 Officer or Head of Finance.

The Invoice / Payments Authorisation process is regulated by the financial and contract rules. Limits and authorised officers are maintained in the authorised signatory's data base.

TMP 2 – BEST VALUE AND PERFORMANCE MEASUREMENT

The council actively works to promote value for money and best value in its treasury management activities. The treasury management function will be the subject of regular reviews to identify scope for improvement. In addition annual benchmarking is undertaken to measure performance and to ensure that relative to other councils the council is achieving a fair investment return without any undue risk.

TMP 3 – DECISION- MAKING AND ANALYSIS

Full records will be maintained of treasury management decisions, and of the processes and practices applied in reaching those decisions, to demonstrate that reasonable steps have been taken to ensure that all issues relevant to those decisions were taken into account.

TMP 4 – APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Only approved instruments, methods and techniques will be used, within the limits defined in TMP1 - Risk Management.

Sources of Borrowing
There shall be no restriction in principle on sources or methods of borrowing other than those imposed by law. The sources or methods of borrowing at any time will be determined by the current approved treasury management strategy.

Other Sources of Finance
The S151 Officer shall arrange operating leases and similar arrangements for items of equipment, vehicles, etc. where the acquisition or use of such items has been approved in line with the council's contract and rules.

Approved Organisations for Investments
The S151 Officer shall approve and revise from time to time, a list of organisations within the statutory definitions of approved investments, which would be eligible to receive investments from the council. Apart from the Government, and, in any emergency, the council's own bank, the maximum limit for investment with any single organisation shall be £25 million and the maximum period for investment shall be 3 years in accordance with each individual institution's credibility. The only exceptions to this are the approved investment in the LAMS scheme where the planned period of the investment was 7 years, and any investment in a Property Fund maximum limit shall be £30 million and will be reviewed on 5 year intervals. This should be reviewed at least monthly and incorporate any changes in ratings of counter parties.

Interest Rate Exposure
The limits on temporary borrowing and the proportion of interest at variable rates are set by Council, in accordance with Section 45 of the Local Government & Housing Act 1989.

TMP 5 – ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

Treasury management activities will be properly structured in a clear and open fashion and a rigorous discipline of segregation of duties will be enforced to ensure effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions and audit of the treasury management function.

If and when the council intends, due to a lack of resources or other circumstance, to depart from these principles, the S151 Officer will ensure that the reasons are properly reported in accordance with **TMP6** - Reporting Requirements and Management Information Arrangements and the implications properly considered and evaluated.

- The S151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover.
- The S151 Officer will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The delegations to the S151 Officer in respect of treasury management are set out in the Constitution. The S151 Officer will fulfil all such responsibilities in accordance with the Policy Statement and TMP's and the Standard of Professional Practice on Treasury Management. This includes, but not exclusively, the following activity.

Activity	Prepared By	Delegation / Accountability
Approval of Treasury Management and Investment Strategy.	Head of Finance / S151 Officer	Cabinet Council
Approval of Treasury Management Policies	Head of Finance / S151 Officer	Cabinet Council
Amendments to authorised officers and officer limits set out within the treasury management practices	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting and Treasury Management	S151 Officer
Review the debt portfolio and reschedule loans when considered appropriate	Finance Manager – Technical Accounting and Treasury Management	S151 Officer
Updates to TM Practices	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting and Treasury Management	S151 Officer

Activity	Prepared By	Delegation / Accountability
Undertake budget monitoring and initiate actions when necessary	Finance Manager – Technical Accounting and Treasury Management	Head of Finance
Authorisation of loan interest payments	Treasury Management Accountancy Assistant	Senior Accountancy Officer - Treasury
Approval of overnight investments	Treasury Management Accountancy Assistant	Senior Accountancy Officer - Treasury
Preparation of borrowings documentation	Treasury Management Accountancy Assistant	Senior Accountancy Officer - Treasury
To arrange borrowing from time to time for the council's purposes. Sources of funds will comprise temporary loans, loans from PWLB, other mortgages and bonds, money bills, bank overdraft and internal funds of the council, subject to any restrictions which may be made by statute, Council or Cabinet	Finance Manager – Technical Accounting and Treasury Management	S151 Officer or Head of Finance
Maintain Payment Releasers Register	Senior Accountancy Officer - Treasury	S151 Officer or Head of Finance
To arrange finance and operating leases as required in accordance with council's capital programme	Finance Manager – Technical Accounting and Treasury Management	S151 Officer or Head of Finance
To invest council funds temporarily not required in accordance with the statutory provisions regulating approved investments as defined in Section 66 of the Local Government and Housing Act 1989, subject to any restrictions which may be made by statute, by Council or by Cabinet	Treasury Management Accountancy Assistant	Senior Accountancy Officer - Treasury
Daily cash flow forecast	Treasury Management Accountancy Assistant	Senior Accountancy Officer - Treasury
Update loan records	Treasury Management Accountancy Assistant	Senior Accountancy Officer - Treasury
Operational Cash Flow	Senior Accountancy Officer - Treasury	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting and Treasury Management / Senior Accountancy Officer – Treasury

Activity	Prepared By	Delegation / Accountability
To maintain a counter party list of approved organisations eligible to receive council investments, this involves; - ongoing monitoring of ratings on investment products and institutions. - Investigation and appraisal of free capital ratio measures - signing off by the treasury manager as evidence of a monthly review and mid month changes if necessary. - if ratings change for an investment product or institution currently held then actions for a possible exit of that strategy are undertaken as approved by the Treasury Management Panel	Senior Accountancy Officer - Treasury	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting and Treasury Management or S151 Officer dependent on limits set by TMP on exit strategy
Daily cash flow forecast	Treasury Management Accountancy Assistant	Senior Accountancy Officer - Treasury
Update loan records	Treasury Management Accountancy Assistant	Senior Accountancy Officer - Treasury
Operational Cash Flow	Senior Accountancy Officer - Treasury	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting and Treasury Management / Senior Accountancy Officer – Treasury
Audit and control review and improvements Recommendations implementations	Internal Audit / All	Senior Accountancy Officer - Treasury
Annual MRP Policy review	Senior Accountancy Officer – Financial Reporting	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting and Treasury Management / Senior Accountancy Officer – Treasury
Maintain accurate up to date information on Treasury Management	Treasury Management Accountancy Assistant	Senior Accountancy Officer - Treasury

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Regular reports will be prepared for consideration by Council on:

- Annual report on treasury management activities for the preceding year;
- Treasury management strategy for the year, reviewed at least once during the year.

Regular monitoring reports on prudential and local indicators are prepared for the Treasury Management Panel.

Report	Frequency	When	Prepared By	To
Review of Treasury Management Strategy (TMS)	Annual	February/ March	Deputy Head of Finance – Corporate	Cabinet and Council
TMS - material changes	Immediately	As required	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting and Treasury Management	Cabinet and Council
Treasury Management Annual Report	Annual	September	Deputy Head of Finance - Corporate	Cabinet and Council
Review of Treasury Management Policy	Annual	November	Deputy Head of Finance – Corporate	Cabinet and Council
Mid-year report	Annual	October	Deputy Head of Finance – Corporate	Cabinet and Council
TM budget monitoring	Quarterly Monthly	July, Oct, Jan, April	Senior Accountancy Officer – Treasury (reviewed by Finance Manager – Technical Accounting and Treasury Management)	S151 Officer Treasury Management Panel Head of Finance for inclusion in overall corporate financial monitoring reports to CMT and Cabinet which are first reviewed by the S151 Officer
Cash flow summary	Monthly		Senior Accountancy Officer - Treasury	Finance Manager – Technical Accounting and Treasury Management

Report	Frequency	When	Prepared By	To
Borrowing transactions	Monthly		Senior Accountancy Officer - Treasury	Finance Manager – Technical Accounting and Treasury Management
TM performance indicators	Quarterly Monthly	July, Oct, Jan, April	Senior Accountancy Officer – Treasury (reviewed by Finance Manager – Technical Accounting and Treasury Management)	S151 Officer Treasury Management Panel Head of Finance
Borrowing transactions	Monthly		Senior Accountancy Officer - Treasury	Finance Manager – Technical Accounting and Treasury Management
Payment Releasers Register	Quarterly		Senior Accountancy Officer - Treasury	S151 Officer Head of Finance
Operational Investment strategy	Quarterly		Senior Accountancy Officer - Treasury	Finance Manager – Technical Accounting and Treasury Management
12 monthly Cash Flow	Quarterly		Senior Accountancy Officer - Treasury	Finance Manager – Technical Accounting and Treasury Management
Government statistical returns	Monthly		Finance Manager – Technical Accounting and Treasury Management / Senior Accountancy Officer – Treasury	Department for Communities and Local Government
Daily cash balance forecast	Daily		Treasury Management Accountancy Assistant	Senior Accountancy Officer - Treasury

TMP 7 – BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS
The S151 Officer will prepare an annual treasury management budget which will bring together all costs involved in running the treasury management function and associated income. This will be presented to Cabinet and Council and is approved as part of the Treasury Management and Investment Strategy.
The council will account for its treasury management activities in accordance with appropriate accounting practices, standards and statutory and regulatory requirements.
The council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.
In line with market convention loans office staff, when dealing, are required to commit the council to terms of borrowing and investment transactions by telephone. Although these transactions are not legally binding until confirmed in writing, if subsequently dishonoured, this may damage the council's reputation. Electronic funds transfer requires the involvement of three officers, at least one of whom shall be on the payment releasers register**.**
TMP 8 – CASH AND CASH FLOW MANAGEMENT
All council monies will be under the control of the S151 Officer. Funds that are available within all council monies to support treasury management purposes are identified and Cash flow projections in relation to these funds are prepared on a regular and timely basis and the S151 Officer will ensure that these are adequate for the purposes of monitoring compliance with **TMP1** Liquidity risk management.
TMP 9 – MONEY LAUNDERING
Procedures will be enforced for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staffs involved in this area are properly trained. As a responsible public body, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly the council undertakes a number of safeguards including the following: - a) evaluates the prospect of laundered monies being handled by them b) determine the appropriate safeguards to be put in place c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness d) make all its staff aware of their responsibilities under Proceeds of Crime Act (POCA) 2002 In respect of treasury management transactions, there is a need for due diligence. The Council will only invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The register can be accessed through the Financial Conduct Authority website. All transactions will be carried out by BACS or Chaps for making deposits or repaying loans. The council does continue to manage a local bonds scheme, although it is no longer taking any new loans. When repaying these loans procedures would be followed to check the bank details of the recipient and the council will confirm the identity of the lender.

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

TMP 10 – STAFF TRAINING AND QUALIFICATIONS

The council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. An annual review of treasury staff capacity, training needs and experience will be undertaken and reported to the Treasury Management Panel. Specific training for councillors will be provided and undertaken as required.

TMP 11 – USE OF EXTERNAL SERVICE PROVIDERS

When external service providers are employed, the S151 Officer will ensure it does so for reasons which have been subjected to a full evaluation of the costs and benefits. The terms of appointment and the methods by which service providers' value will be assessed will be properly agreed and documented.

The council does not currently require external investment managers, but recognises it may do so in the future for general or specific advice on a range of matters. These future services would be procured using the council's prevailing regulations relating to obtaining supplies and services. The council employs external treasury advisors to provide economic outlooks and information relevant to making robust investment and borrowing decisions.

TMP 12 – CORPORATE GOVERNANCE

This authority is committed to the pursuit and achievement of proper corporate governance throughout its business and services and to establish principles and practices by which this can be achieved. Accordingly the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The council has adopted and has implemented the key recommendations of the CIPFA Code. The S151 Officer will monitor and when necessary, report upon the effectiveness of these arrangements to Cabinet.

A forum for the monitoring of Governance arrangements is the Treasury Management Panel. The Treasury Management Panel meets quarterly chaired by the S151 Officer or (in his absence) the Head of Finance (deputy S151 Officer). It will receive reports on the monitoring of Prudential and Local Indicators and approve drafts of strategy and policy Cabinet/Council reports. It will also initiate work and projects to further ensure strong compliance of internal controls and effective treasury performance.