

Cabinet – 21 July 2021

Corporate Financial Performance 2021/22, Covid-19 update, approach to Budget Setting for 2022/23, and changes to the Council's Tax Strategy

Portfolio:	Councillor M Bird – Leader of the Council (Lead Portfolio)
Related Portfolios:	All
Service:	Finance – council wide
Wards:	All
Key decision:	No
Forward plan:	Yes

1. Aim

- 1.1 To report on the forecast corporate financial position for 2021/22, based on the position to May 2021, including an updated assessment of the impact of Covid-19 on the council's financial performance; Covid-19 Government funding to address cost pressures and income losses; and actions which may be required to address this position to ensure the council remains on a sound financial footing.
- 1.2 To set out our approach and timeline for the 2022/23 budget process and amendments to the Tax Strategy.
- 1.3 To provide a high level assessment of the council's compliance with the CIPFA Code of Financial Management, which seeks to provide a mechanism for council's to assess their financial resilience and sustainability, along with actions to address areas for improvement.

2. Summary

- 2.1 The council continues to play an active role in the overall national response to Covid-19. Government has to date allocated £67.58m of funding (plus £5.05m of support to Walsall residents and £137.19m for Walsall businesses) to help support Covid-19 pressures in Walsall. Of this £29.31m now relates to 2021/22 as summarised at **Appendix 1**. As well as the initial costs of funding the council's response, the impact of Covid-19 includes significant loss of income following closure of services and facilities, a significant impact on the council's collection fund and delays to the delivery of approved budget savings as the council has refocused its resources on its response to Covid-19.
- 2.2 The council continues to actively support local businesses directly affected by forced closures, partial closures or have had their trade affected by imposed restrictions. Of the £137.19m funding specifically allocated to Walsall since the start of the pandemic, £11.17m relates to restart grants announced in April 2021, where businesses in England in the non-essential retail sector are eligible for one-off grants of up to £6,000,

while businesses in the hospitality accommodation, leisure, personal care and gym sectors are eligible for grants of up to £18,000, dependent on rateable value to address the ongoing implications of restrictions into 2021/22. Alongside the restart programme, Walsall have also received a further £1.42m of top-up funding for the ongoing Additional Restrictions Grant scheme for councils, to allow more businesses to get support. In addition to these grants the retail rate relief scheme has been extended to include 2021/22 and a further £11.94m rate relief has been awarded for the current year.

- 2.3 This report provides a summary position on the financial impact of known pressures, including Covid-19, on the revenue position for 2021/22, based on known assumptions, including:
- (i) Additional costs / loss of income / delays in savings delivery due to Covid-19 of £4.04m to May 2021 (2 months) and a forecast total of c£27.31m for 2021/22, based on current and known assumptions, against funding of £29.31m. This leaves £2m unallocated to manage any additional emerging pressures as summarised at **Appendix 1**.
 - (ii) Non Covid-19 revenue pressures of c£4.49m, after use of reserves and assuming successful delivery of corrective action plans identified to date. Work is in hand to identify further actions to bring the position in line with budget as set out in section 4.16 to 4.23 of this report. Any on-going pressures identified and not addressed in year will need to be considered as part of the 2022/23 budget process.
- 2.4 In relation to the capital programme, the report includes a number of proposed amendments for approval as set out in section 4.29 of the report. The forecast for the council funded capital programme is currently expected to be on budget with no carry forwards currently being reported into 2022/23.
- 2.5 There remains considerable uncertainty at this point as to the impact on the national and local economy and on public finances following the extension of step 4 of the Governments roadmap out of lockdown to 19 July 2021, and it is expected that this will have implications into the medium term, impacting the council's reserves and budgets into 2022/23 and potentially beyond. This will require Government to review the now delayed review of Relative Needs and Resources (formerly the Fair Funding Review) expected during 2022/23, and in particular the quantum of funds made available to council's to ensure their continued financial stability.
- 2.6 In summary, the council is able to manage the financial impact in the short term, however should the crisis continue to have such a significant impact beyond July 2021, then additional actions will need to be taken should the Government not fully recompense councils for their losses. During this evolving period, regular updates will be reported to Cabinet on the financial implications for Walsall Council, including any recommendations for additional actions to be taken to manage the evolving situation.
- 2.7 This report also sets out:
- Performance against an agreed set of financial health indicators, which are forecast to be achieved;
 - Performance against statutory and local prudential indicators, which are forecast to be achieved;
 - The process and timeline for the 2022/23 budget process;
 - Work underway to update the medium term financial outlook (MTFO);

- An approval request for changes to the council's Tax Strategy. It is good practice to regularly review and update key strategic documents and obtain formal Cabinet approval;
- An assessment of the council's compliance with the CIPFA Code of Financial Management. We will review this against the Medium Term Financial Strategy (MTFS), the framework within which the council's financial planning and management is undertaken and any changes required will be reported back to Cabinet in October 2021 in an updated MTFS.

3. Recommendations

That Cabinet:

- 3.1 Note the total Covid-19 funding available to Walsall in 2021/22 of £29.31m as set out in section 4.6 and **Appendix 1** of this report, and that this may be insufficient to cover the additional costs of supporting the council's Covid-19 response beyond the short term.
- 3.2 Note that of the £29.31m grant, £14.64m is ringfenced for specific activity as set out in **Appendix 1** and this is expected to be fully spent.
- 3.3 Note the forecast impact of Covid-19 to May 2021 £1.82m and total forecast of £12.28m for 2021/22 based on known assumptions in relation to costs *not covered by specific grant*, as set out in section 4.6 to 4.12, and the estimated financial impact on the delivery of 2021/22 approved savings as set out in sections 4.13 to 4.15 and **Appendix 3**.
- 3.4 Approve the use of £5.51m of Covid-19 funding from unringfenced grant to support Adult Social Care demographic and workforce pressures, looked after children pressures and increased waste disposal costs, as referenced in section 4.12.
- 3.5 Approve the use of £905k of unringfenced Covid-19 funding to support the one-off shortfall in savings set out in **Appendix 3**, noting that the £306k saving for Money Home Job was approved by the Leader on 19 April 2021 in advance of Cabinet due to the impact on the service, as referred to in section 4.15.
- 3.6 Note that, of the £14.67m of unringfenced Covid-19 grant available, all but £1.92m is allocated, leaving little to manage any further unknown pressures that may arise.
- 3.7 Note the non Covid-19 related demand and other service pressures totalling c£4.49m as set out in 4.16 to 4.27, and actions being taken to address these.
- 3.8 Approve the passporting of Financial Transparency in Local Authority Maintained Schools Grant to Finance as set out in section 4.28.
- 3.9 Approve amendments to the capital programme as set out in section 4.29, including noting the redesignation of existing resources of £500k to fund additional One Source costs for the development of payroll systems, as approved by the Leader.
- 3.10 Note that the forecast for the council funded capital programme is currently expected to be on budget with no carry forwards currently being reported into 2022/23.
- 3.11 Note financial health indicator performance as set out in section 4.32 to 4.37 and **Appendix 4**.

- 3.12 Note the prudential indicators as set out in section 4.38 to 4.40 and **Appendix 5**.
- 3.13 Note the work underway to update to the medium term financial outlook and approve the approach for setting the 2022/23 budget, as set out in section 4.41 to 4.50 alongside the council's budget framework and Proud promises.
- 3.14 Note that the Medium Term Financial Strategy is being assessed against the CIPFA Code of Financial Management, and amendments will be reported back to Cabinet in October, as set out in section 4.51.
- 3.15 Approve the amendments to the Tax Strategy and governance arrangements to ensure it remains fit for purpose, as set out in section 4.52.

4. Know – Context

- 4.1 During 2020/21 councils were operating in an emergency response situation which was unprecedented. During the first quarter of 2021/22, lockdown and associated measures have continued to have a significant impact on the services that the council provides to its residents and services users and how it provides them, and has required implementation of a number of new support measures. Whilst lockdown measures are due to be eased on 19 July 2021, there remains uncertainty on the R Rate and therefore any continued impact. There are substantial known and potentially unknown costs. Government have provided some additional unringenced funding, along with specific grants for identified responses to the pandemic e.g. infection control and testing, however the sales, fees and charges loss of income grant is expected to cease beyond June 2021, therefore the council is expected to fund ongoing losses. Regular conversations are being held between Local Authority representative bodies and MHCLG officials to identify the issues facing council's and seeking further Government support to fund the full cost of the current and any future response required.
- 4.2 In the meantime, the council is still legally required to operate within a balanced budget, to operate within financial controls and to deliver approved budget savings. Inevitably, in order to do this and if Government funding is not provided to fully cover Covid-19 shortfalls, then Walsall will need to take action to address funding shortfalls if further funding or other easements from Government are not forthcoming.

Revenue Forecast 2021/22

Government's financial response to Covid-19

- 4.3 At Budget March 2020 the Chancellor announced a Covid-19 response grant to fund local authority actions to support social care services and vulnerable people; alongside the need for the NHS to treat Coronavirus patients including maintaining staffing levels; and funding to ensure other public services are prepared and protected. A number of ringfenced and unringfenced grants have been announced since that date, and regular updates are provided to Cabinet throughout the year.
- 4.4 This report provides detail on those grants impacting in 2021/22, including new grants and those approved to be carried over from 2020/21. These are summarised at **Appendix 1**.

Impact of Covid-19 on the Revenue Forecast 2021/22

- 4.5 Council on 25 February 2021 approved a balanced budget for 2021/22. This is predicated on a number of assumptions including;
- Collection of £132.5m of council tax income, with a council tax base of 70,809 households, and collection of business rates income of £73.5m.
 - Receipt of £42.6m of fees and charges to directly offset the gross cost of services and reduce the cost of services to the council tax payer.
 - Delivery of £28.9m of savings through the Proud activity.
 - A minimum level of reserves required of £16.6m.
- 4.6 Of the £29.31m grant identified at **Appendix 1**, £14.64m relates to ringfenced grants to specific activity, £469k sales, fees and charges loss of income grant with a further £14.20m being unringfenced Covid-19 grant funding. Of this £14.20m unringfenced allocation, £4.97m relates to grant carried over from 2020/21 and £9.23m is new grant for 2021/22. **Table 1** summarises the financial impact of continued income losses and additional Covid-19 costs against this unringfenced grant, based on a number of assumptions, totalling c£12.28m, after expected receipt of the income loss grant. It is expected that further costs will arise and thus the full grant will be utilised.

Table 1: Covid-19 pressures	Actual April/May 2021/22 £	Forecast 2021/22 £
Loss of income due to service closures / changes - services covered by income grant to June 2021	630,038	2,118,331
Loss of income - other service closures / changes	37,708	114,324
Loss of income - commercial	23,777	106,998
Loss of income - dividends and investment returns	16,100	2,046,600
Cabinet, Gold and Silver approvals for additional cost pressures – see Appendix 2	206,031	918,996
Forecast additional costs - subject to Gold / Cabinet approval	906,143	6,844,076
Additional costs arising from Covid-19 delay in the achievement of approved savings	374,177	598,492*
Total pressures to date	2,193,975	12,747,817
Government grant expected for loss of income	(378,287)	(469,027)
Total pressures to date net of expected grant for loss of income	1,815,688	12,278,790

*Total savings delays are £904k, of which £306k is shown above under Cabinet, Gold, Silver approvals.

- 4.7 The impact of Covid-19 beyond July 2021 is very uncertain. Despite the easing of lockdown restrictions, the impact of income losses on certain council services due to a reduced take up will continue into the short term. Even when all services are fully resumed, it is not clear when or if demand and therefore income will return to pre-Covid-19 numbers.
- 4.8 Covid-19 response funding is expected to be sufficient to fund the council's short term response to the pandemic (should no other pressures arise). Should pressures continue beyond July 2021, following the delay of removing lockdown restrictions to 19 July, without the offer of additional government funding, then the council would need to take further action. Should additional costs be identified, then the council may need to replenish any utilised general reserves in year or during the 2022/23 budget setting process, putting finances under more strain. As such Covid-19 funding requires careful management to ensure the council is not put under financial strain, leading to uncertainty about future financial stability.

Loss Of income

- 4.9 As reported to Cabinet previously, the council has faced significant reductions in sources of income, for example from the ongoing effects of closed or restricted demand on services such as leisure and car parking and traded services income from schools. Given councils' reliance on this income, the ability to balance the budget beyond the short term is challenging, as whilst Government has made a commitment to funding some of the income losses to June 2021, it is not covering all of them, e.g. -
- Active Living Centre income losses – membership levels are down 26% on February 2020, and it is anticipated that it will take 18 months for numbers to recover, forecast income losses reflect this;
 - Car parks have been open throughout the pandemic but occupancy has fluctuated throughout. Current losses are based upon 35% income recovery to June 2021, followed by 45% for 3 months following restrictions being lifted then 55% for the remainder of the year.
- 4.10 The Government announced a scheme for reimbursement of lost income on 2 July 2020 to reimburse lost income during the pandemic and boost cash flow. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover 75p in every pound lost. A total of £2.29m was reimbursed for the period April – November 2020 and a final claim has been submitted for £956k. The Spending Round on 25 November 2020 announced a further £0.02bn for extending the existing Covid-19 sales, fees and charges reimbursement scheme for a further three months until the end of June 2021 (the financial grant figure will be subject to actual losses incurred in 2021/22 as they arise), this being estimated at £469k. The remainder of the income pressure will have to be funded from the unringfenced grant as shown in **Table 1** above, meaning less funds available to meet any emerging pressures.

Additional Cost Pressures

- 4.11 On the expenditure side, there remain significant additional costs associated with Covid-19, including staffing, support to residents and council tax payers and businesses and support to the elderly and vulnerable particularly in relation to adult social care and children's. Some of these pressures will be funded from the specific Government grants provided for Covid-19, totalling £14.64m, e.g. -
- Adult Social Care demographics – a significant increase in the no of clients receiving care packages. This is partly due to an increase in care packages relating to hospital discharges and additional demand relating to Covid-19. Hospital discharges received CCG funding in 2020/21 and a further part funding for 2021/22. It is currently assumed no further CCG funding will be received but packages are expected to continue;
 - Increased costs relating to circa 53 looked after children due to delays in children stepping down and leaving care and reduced availability of appropriate placements;
 - Waste has seen an increase of 1,327 tonnes in April / May 21 compared to pre-Covid-19 levels.

- 4.12 The remaining pressures will need to be funded from the £14.20m unringfenced grant. Forecast assumptions against the unringfenced funding for 2021/22 currently total £12.28m, leaving £1.92m to fund any further emerging pressures in year.

There are a number of pressures totalling £5.51m to be funded from the unringfenced funding which Cabinet are requested to approve for 2021/22:

- £2.20m – additional placement costs relating to a significant increase in domiciliary care numbers during the pandemic and a shortfall of client contributions;
- £500k – increased workforce costs above the current budget due to increased demand in safeguarding and backlog of assessments. Safeguarding has seen an increase in number of concerns every month over the last six months resulting in additional agency staff being required to cover the additional demand;
- £2.07m increased costs relating to circa 53 looked after children due to delays in children stepping down and leaving care and reduced availability of appropriate placements;
- £735k – increase in waste disposal costs based on 2020/21 tonnage arising from people being home more and continuation of blended working.

Walsall Proud Savings

- 4.13 The 2021/22 budget is predicated on delivery of £28.9m from the directorates using Proud ways of working and thinking to be delivered from adopting those new ways of working across the council, significantly enhancing our enabling technology capabilities, and improving our service efficiency and performance. Planned activities within Walsall Proud have been reviewed in order to determine those activities which can continue and those which should be delayed as the council responds to the Covid-19 situation.
- 4.14 As part of this review, an assessment of the financial impact has also been undertaken in relation to those work streams due to deliver savings in 2021/22. The overall impact currently known is a delay in delivering £905k of savings due to Covid-19, as shown in the summary of high risk savings at **Appendix 3**. This is in the main due to a refocus of resource into managing the council's Covid-19 response; inability to generate fee and charges increases due to facility closures; and a delay in the commencement of consultation on a number of organisational redesigns. Action is currently in hand to prioritise those savings which may be able to be delivered earlier.
- 4.15 Cabinet are asked to approve the use of £905k of Covid-19 unringfenced grant funding to support the one-off shortfall in savings as shown in **Appendix 3**, whilst noting that the £306k saving for Money Home Job was approved by the Leader on 19 April 2021 in advance of Cabinet due to the impact on the service.

Additionally, there may be further one-off costs as some activities are paused and then reset, particularly in relation to any specialist resource required to deliver the planned activities. Further to this, there is a potential likelihood of a knock on impact to 2022/23, as resource following reset will be focussed on both delivery of 2021/22 savings and implementation planning in relation to the c£22m savings to set a balanced budget for 2022/23. This is currently being assessed and a further update will be included in a report to Cabinet later in the year.

Revenue Forecast 2021/22 - Service Pressures

- 4.16 Walsall Council has a track record of managing financial pressures and action has been taken to mitigate current and future cost pressures. The current council wide forecast of non-Covid-19 pressures shows a variance of **c£4.49m** to budget, as summarised by directorate in **Table 2**. Any on-going pressures identified and not addressed in year will need to be considered as part of the 2022/23 budget process. Work continues to address these areas of pressure by year-end.

Table 2: Revenue Forecast 2021/22 by directorate						
Directorate	Net Budget	Year end forecast prior to transfer to / (from) earmarked reserves	Year end variance to budget prior to transfer / (From) earmarked reserves	Use of earmarked reserves	Transfer to earmarked reserves	Year end forecast
	£m	£m	£m	£m	£m	£m
Adult Social Care and Public Health	55.52	75.53	20.01	(16.06)	0.58	4.53
Children's Services						
- Children's and Education	62.48	67.34	4.86	(5.03)	0.16	0.00
- Customer Engagement	3.72	5.07	1.35	(1.35)	0.00	0.00
Economy, Environment & Communities	37.02	41.23	4.21	(4.53)	0.23	(0.09)
Resources & Transformation	25.34	27.13	1.78	(2.04)	0.30	0.05
Services Position	184.08	216.30	32.22	(29.01)	1.28	4.49
Capital Financing	23.67	27.03	3.36	(3.36)	0.000	0.00
Central budgets	(75.21)	(59.37)	15.84	(34.23)	18.40	0.00
Total council tax requirement	132.55	183.96	51.41	(66.60)	19.68	4.49

- 4.17 The year-end forecast includes the use of earmarked reserves of £66.60m and transfers to earmarked reserves of £19.68m.

Transfer from/use of earmarked reserves are created for specified purposes. These are all planned to be used, although the period over which they are to be used may vary. Covid-19 costs funded from the S31 Covid-19 Response Fund and Sales, Fees and Charges grant (SFC) are recorded as expenditure within the services, with a corresponding transfer in of grant from earmarked reserves to fund the costs and total £50.96m of the £66.60m planned.

Of the £19.68m of transfers to reserves, £9.65m relates to Covid-19 grants, with the balance of £10.03m planned to be transferred.

This results in projected closing earmarked reserves of £163.20m as shown in **Table 3** below:

Table 3: Earmarked Reserves				
	Opening Balance 01/04/21	Transfers from Reserves	Transfers to Reserves	Closing Balance 01/03/22
	£m	£m	£m	£m
Treasury Reserves	22.67	(0.78)	0.00	21.89
Grant / Contributions received in advance	18.03	(6.84)	1.84	13.03
Improvement projects	33.67	(1.78)	4.37	36.26
Cost Pressures	10.66	(0.75)	0.00	9.90
Council Liabilities	43.14	(0.65)	3.82	46.32
Covid-19 grants	45.02	(50.96)	9.65	3.71
Public Finance Initiatives	22.04	(0.45)	0.00	21.59
Risk	7.64	0.00	0.00	7.64
Other	7.27	(4.40)	0.00	2.86
Total	210.12	(66.60)	19.68	163.20

Reserves are categorised for the purposes of reporting as follows:

- **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 interest exposure;
- **Grants / contributions received in advance.** This is where the council has received money in advance of the next accounting period or covers more than one accounting period. These amounts will be spent in line with the grant conditions;
- **Improvement projects.** These reserves are to finance service modernisation; specific projects such as pilot street cleansing initiatives, Cloud services, Oracle development, economic growth programme; and costs in relation to the council's Proud activity;
- **Cost pressures.** To include review of working practices including blended working, fluctuations in service demand such as in adult social care, crisis support and LAC;
- **Council liabilities.** These reserves cover expenditure where the council has a legal obligation to pay costs, such as equal pay claims and redundancies. In addition to these there are reserves for business rate appeals, pensions and insurance claims;
- **Covid-19 grants.** The carry forward of specific government grants to cover Covid pressures, including expanded retail relief for businesses;
- **Public Finance Initiatives.** Liabilities for our PFI's with Street Lighting and St Thomas More;
- **Risk.** To cover unforeseen risks in 2021/22 at the time the budget was set;
- **Other.** These reserves are to support a wide range of future costs such as partnership working with other external bodies.

The following sections provide more detail on directorate pressures and actions being taken to address these.

4.18 Adults Social Care (£4.53m overspend after use of and transfers to reserves)

The current net forecast position is a potential over spend of £4.53m. The main reasons can be split into 'Business as usual' and 'Impact of Service Transformation Plan':

Business as usual position is (£130k) and is made up of:

- £1.14m - Procure to Pay saving carried forward from 2019/20 was £1.29m of which £150k has been validated to date on an ongoing basis and is included in the current

forecast position. Further work is underway to mitigate the remaining pressure including a review of existing provider payments. A detailed plan is awaited;

- (£850k) – additional recovery of direct payment refunds based on previous year's trends and additional income from joint funding arrangements above current budget;
- (£400k) – under spend on core services within adult social including one off use of improved better care fund.

Service Transformation Plan position is £4.66m and is made up of:

- £1.55m – Older people and front door saving of £2.38m, partially achieved by the single handed proposal of £830k - this would be higher but has had to be pared back due to delays in procurement timescales. A plan is awaited as to how the remaining £1.55m is to be achieved, with some reliance on the implementation of CAMS and Resilient Communities workstreams;
- £840k – Learning disability saving of £1.62m, partially achieved by review of Learning Disability placement costs of £780k. A plan is awaited as to how the remaining £840k is to be achieved;
- £2.12m – Joint funding saving of £2.90m, partially achieved by a legally agreed pooled budget arrangement of £780k over and above the existing budget of £700k. Further work regarding the joint funding arrangements remains in progress;
- £150k – Non delivery of the Commissioning restructure benefits proposal due to delays implementing the new operating model.

Risks

There are a number of potentially significant risks that could impact the forecast position further. Should these materialise this could lead to an increase in the overall over spend position by a further £5.92m.

- £3.23m – validation of remaining Section 117 recharges to Walsall CCG for 2019/20 and 2020/21 (awaiting formal response from CCG);
- £2.69m – adult social care benefit proposals currently identified as 'not fully guaranteed' (Amber), mainly relating to mitigating actions including single handling and review of learning disability packages.

4.19 Public Health (on budget)

The forecast revenue position for 2021/22 before net use of/transfer to reserves is an over spend of £680k mainly associated with short term projects partially offset with an underspend on staffing costs due to the impact of one-off funding available to support the local authority's Covid-19 response. After net use of reserves Public Health is on budget. This includes spend on sexual health services, drug and alcohol prevention and rehabilitation services, health visiting, school nursing, control of infectious diseases, oral health promotion, healthy weight and smoking cessation services. The public health grant is ring fenced so any under spend will be rolled forward to next year in accordance with the terms of the grant.

4.20 Children's (On budget after use of and transfers to reserves)

The initial forecast position is an overspend of £4.86m, which after the net use of planned reserves of (£4.86m) is net nil. The main reason for the current position within the service is a £239k overspend based on the current number / mix of children in care and the projected future inflow/outflow for the remainder of the financial year. The total forecast costs for the year are £26.20m against a budget of £25.96m. Earmarked reserves were set aside in 2020/21 to manage the risk of this and therefore this fully mitigates the overspend.

Risks

There are a number of risks that could impact the forecast position further. Should these materialise this could lead to an increase in the overall overspend position by a further £2.62m. Currently reported risks are as follows:

- £150k – Demand and costs relating to legal fees;
- £1.37m – In 2019/20, there was a net increase of 108 children & young people entering care in comparison to 58 in 2020/21. If this spike were to happen again in 2021/22 costs could increase over and above the growth included in current budgets;
- £100k – risk that demands for assessment continue to increase above capacity of the Educational Psychologist team, therefore incurring additional agency cost;
- £1.00m - Home to School Transport:
 - £600k – risk of increased demand over and above expected growth, increased complexities of children transported, increased number of EHCPs being completed via SENDI services and a rise in out of borough placements.
 - £400k – increased costs relating to additional transport that may be needed linked to special school expansions following outcomes of current review of demand on special school places.

4.21 Customer Engagement (On budget after use of and transfers to reserves)

The main risk within customer engagement is £500k for Customer Access Management dispersed effort, which is currently under review.

4.22 Economy, Environment and Communities (£88k underspend after use of and transfers to reserves)

Reasons for the current position within the service:

- (£80k) - Clean & Green & Leisure Services – Service Transformation Plan savings £173k mitigated by net employee costs;
- £50k – Highways & Transportation - £25k Shortfall of income from capital projects and one-off £25k repairs and maintenance costs in relation to the Salt Barn;
- £85k – Planning & Building Control – relating the Service Transformation Plan saving regarding the restructure which is yet to be mitigated;
- (£160k) – Resilient Communities – Service Transformation Plan savings £532k mitigated by vacant posts, one off use of Contain Outbreak Management Funding and charging of some salary costs to Public Health.

There is an additional high risk in relation to potential further income shortfalls within the Active Living Centres of £180k.

4.23 Resources and Transformation (£51k overspend after use of and transfers to reserves)

The main areas of variance to budget include:

- (£96k) Soft IFM – Under recovery on income offset by savings on vacant posts and general running costs;
- £122k legal – due to additional demand based on 6mths of 5 agency staff.

Impact on approved savings in 2021/22

- 4.24 The 2021/22 budget approved by Council on 25 February 2021 includes £28.90m of benefits realisation (savings) against Proud activity. Directors are required to ensure that service delivery plans are developed to fully deliver these in year.
- 4.25 All benefits with a high risk of not being delivered will require a high level delivery plan with key milestones including any corrective action to be produced. There are currently high risk benefits of £7.58m, as shown in **Appendix 3** along with the reason and proposed mitigating actions totalling £3.09m, including £905k requested to be funded from one off Covid-19 grant in 2021/22, with the expectation that these are delivered in full in 2022/23. Mitigating actions reduce the potential overspend to £4.49m as at May 2021 as referred to in **Table 2**.

Revenue Forecast 2021/22 – Action to Address

- 4.26 Should no further funding be made available, and costs increase above those indicated, then action will need to be taken to address this shortfall. Actions include the following, of which a number (*italics*) are in train:
- *Lobby for further funding and flexibilities;*
 - *Prioritise delivery of approved Proud savings;*
 - *Identify and deliver corrective all actions required to balance the position and manage the £4.49m of non-Covid-19 pressures outlined in the report;*
 - *Embed impact of Proud and Reset opportunities into budget monitoring, service and transformation plans;*
 - Identify further /alternative savings opportunities for delivery in 2021/22;
 - *Review Covid-19 impact on core assumptions for both 2021/22 and 2022/23 - changes in demand;*
 - *Use of Flexible Capital Receipts Strategy;*
 - *Remove any non-committed earmarked reserves;*
 - *Undertake a balance sheet review;*
 - Capitalisation of revenue (at margin).
- 4.27 Current general reserves are £17.69m. The above actions will need to be prioritised to ensure only a minimum, if any call on general reserves, is required. The MTFS requires a minimum level of reserves is maintained at all times – this being set at £6.2m – as such, wherever possible, alternative actions should be taken to ensure that at least this level is maintained in year and where possible, general reserves are maintained at their current levels. This avoids having to take even further action to replenish reserves in year or as part of the 2022/23 budget setting process, putting further pressure on council services. A further report will be presented in October setting out actions proposed and requesting Cabinet approval of any further formal actions required.

Passporting of specific grants

- 4.28 Notification was received from the Department of Education on 5 April 2021 of an un-ringfenced s31 grant for Financial Transparency in Local Authority Maintained Schools. This is to provide guidance and information to help schools complete and submit three-year forecasts, review the forecasts and their robustness, as well as using the forecasts as part of their wider assessment of school's financial positions. Walsall's share of the £772k is £5,228.16 based on the number of schools maintained. Cabinet are asked to approve the passporting of this grant to Finance to cover the costs of the processes put in place as the accountable body for maintained schools.

Capital Programme 2021/22

- 4.29 The capital programme for 2021/22, as approved by Council on 25 February 2021 was £103.76m. **Table 4** summarises amendments made to date, resulting in a revised programme of £223.17m.

Table 4: Amendments to Capital Programme 2021/22	
Project	£m
Capital programme 2021/22 per Council 25 February 2021	103.76
Council Funded Resources	
Carry forwards from 2020/21 – as approval by Cabinet on 16 June 2021	38.87
Proud card payments digital website *	(0.20)
Telephony cloud based system *	(0.30)
One Source *	0.50
Transit Site - budget used in 2020/21	(0.03)
Externally Funded	
Carry forwards from 2020/21 – as approved by Cabinet on 16 June 2021	75.33
BEIS Local Authority Delivery Scheme (LADS)	2.06
Pothole Fund	1.19
Project	£m
LTP Highway Maintenance Programme	(0.80)
LTP Bridge Strengthening	0.20
West Midlands Strategic Transport Plan (STP) 'Movement for Growth'	0.02
Incentive fund	0.31
Land and Property Investment Fund	0.11
Integrated Community Equipment Store	0.08
Black Country Blue Network - ERDF	0.04
Black Country Blue Network -S106	0.03
Capital Maintenance	2.00
Revised capital programme 2021/22	223.17

- 4.30 Cabinet are asked to note the redesignation of existing resources of £500k to fund additional One Source costs for the development of payroll systems, to be funded from underspends on the Proud card payments digital website (£200k) and telephony cloud based system (£300k), as noted by the “*” in the above table. This was approved by the Leader in June due to the Committee reporting timetable.
- 4.31 As at May 2021 the capital programme is expected to be on budget with no carry forwards currently being reported into 2022/23.

Financial Health Indicators

- 4.32 **Appendix 4** contains financial health indicator performance as at 31 May 2021. The primary purpose of these is to advise Cabinet of the current financial health of the authority in order to provide assurance to them in their role. The indicators cover a number of areas as follows:

Treasury Management

- 4.33 The indicators show the actual borrowing and investment rates for 2020/21 and the forecast for 2021/22 against set targets. Proactive and robust management of the council's debt and investment portfolios is forecast to result in positive variances against the financial health indicator targets for 2021/22.

Balance Sheet

- 4.34 This details ratios for the last 4 financial years 2016/17, 2017/18, 2018/19, 2019/20 and pre-audit figures for 2020/21 which show the liquidity of the authority.

Revenue performance

- 4.35 This section shows collection rates for council tax and business rates, the average number of days to collect sundry debt and the number of days to process creditor payments for 2021/22 and the performance against profile for 2021/22. Sundry debt collection is better than the target by 6 days with performance in relation to the processing of creditor payments also better by 8 days. Council tax collection is just short of the target with business rates slightly above target.

Management of Resources

- 4.36 This section details the outturn position for 2020/21 (pre audit) and 2021/22 year-end forecast for revenue and capital, which is based on the financial position as at 31 May 2021. The revenue forecast for 2021/22 shown is an overspend of £4.49m after successful delivery of corrective action plans.
- 4.37 Mainstream capital (funded from the council's own resources) as at 31 May 2021 is forecast to be on budget. Capital receipts are currently forecast to be on budget pending a review of available asset disposals which is fully dependent on timing and market conditions.

Prudential Indicators

- 4.38 **Appendix 5** contains the prudential indicators as at 31 May 2021. The primary purpose of these is to provide assurance to Cabinet that the authority is borrowing and investing in a sound and prudent manner. Indicators are approved by Council on an annual basis.

National Indicators

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

All of these indicators were met in 2020/21 and are forecast to be met in 2021/22.

Local Indicators

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

Average interest rates on borrowing show an improvement against targets as a result of the council taking out new borrowing at favourable rates, whilst repaying older loans at maturity at higher interest rates. An exception to this is the average borrowing rate excluding and including other local authority debt which is currently showing as 8.67% and 6.15% above target, but this will reduce to below the target once planned borrowing for capital expenditure is taken out later in the financial year.

Specific variances to highlight are:

- L2 - Average length of debt – The target acceptable limit is within 15-20 years. The authority's current position is 16.97 years, which is within the target range.
- L3a - Net borrowing costs as % of net council tax requirement (variance of -63.94%). The target figure of 20.00% represents an upper limit of affordable net borrowing costs as a percentage of the net council tax requirement for the authority. The actual level of net borrowing costs is currently less than the upper limit, which in the main is linked to the work undertaken by the service to seek to secure favourable rates on investments and reduced costs on borrowing, thus reducing the overall net borrowing costs.
- L3b - Net borrowing costs as % of Tax Revenue (variance of -62.89%). The target figure of 12.50% represents an upper limit of affordable net borrowing costs as a percentage of tax revenues for the authority. The actual level of net borrowing costs is currently less than the upper limit, which in the main is linked to the work undertaken by the service to seek to secure favourable rates on investments and reduced costs on borrowing, thus reducing the overall net borrowing costs.
- L8 - Average rate achieved on Short Term Interest vs At Call Rate – The target is to achieve a 50% better rate on short term investments vs the current At Call rate (i.e. do nothing other than leave all cash in overnight At Call accounts). In May the At Call rate was 0.05%, creating a 50% above target of 0.075%. The short term interest rate achieved was actually 0.39%, which results in a 680.00% favourable variance above the At Call rate.

The Medium Term Financial Outlook (MTFO)

- 4.41 Council on 25 February 2021 approved the 2021/22 budget, which included the draft plan for the period 2021/22 to 2023/24. Savings of £52.47m were published, including £28.90m for 2021/22. Whilst a balanced budget was presented for 2021/22, there remain savings of £12.96m to be identified to ensure a balanced budget is presented over the period to 2023/24, as follows:

	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Savings required per Council February 2021	28.90	22.01	14.52	65.43
Savings identified	28.90	19.10	4.47	52.47
Savings to be identified		2.91	10.05	12.96

- 4.42 Further work is in hand to refresh the MTFO, including adding a rolling year to include 2024/25. The updated MTFO will be reported back to Cabinet in October 2021 along with options to address any gaps, including:
- A review of investment currently assumed each year, in particular demand growth in Adult and Children's Social Care and predicted ongoing impact of Covid-19;
 - Review of pay and pension assumptions;
 - Review of contractual inflation assumptions;
 - Impact of Covid-19 on cost and income assumptions;
 - Business rates and council tax collection rates, council tax reduction scheme claimants, and provision for bad and doubtful debts;
 - Review of core funding assumptions in light of the delayed Spending Review, review of Relative Needs and Resources (formerly the Fair Funding Review) and Business Rates reforms;
 - Changes to the risk profile of the council;
 - Impact of proposed Reset Plans.

Budget Approach

- 4.43 Resources are allocated and budgets set within a framework of protocols and guidelines, in particular the council's Corporate Plan and MTFS. Decisions will need to be made about how to achieve a balanced budget, in the context of the needs of the Borough and also to ensure that we continue to care for the most vulnerable in our communities. Whilst it is recognised that Full Council will only set the council tax bands for 2022/23 in February 2022, the budget will continue to take a four year view (current year plus three), allowing for a more strategic focus to service re-design and savings aligning the finances more directly to the objectives, outcomes and markers of success of the council and maintaining/improving performance against these where prioritised.
- 4.44 The council is committed to adopting a holistic and collaborative approach, and there is strong consensus that this approach will produce better results than taking a traditional perspective on the financial challenges facing the council. Using the knowledge and understanding of our communities and evidence about the impact of service delivery, proposals will be developed that will be designed to make best use of all of our resources and to make the optimum impact that we can for the residents and businesses of Walsall through the achievement of the council's objectives and outcomes.
- 4.45 The Budget approach is intended to:
- Provide a framework to ensure successful delivery of the council's corporate vision and priorities and ensure value for money in the delivery of outcomes;
 - Maintain a financially sustainable position over the 4-year planning period and set a legally balanced 2022/23 budget;
 - Allocate limited and reducing resources to those activities that contribute most to improved outcomes;
 - Continue the focus on the need to deliver ongoing efficiency savings.
- 4.46 In considering resource allocation, funding for the development of services will need to be met from the redirection of existing resources and the identification of new or revised income sources. The council will need to be a leaner, more focussed organisation. The process needs to consider:
- The council's priorities and outcomes (strategy lead) – why are we incurring spend and what are we achieving from this, could we do this differently / more efficiently and could we reprioritise to achieve overall better outcomes for the council by

working smarter within the funding envelope, linking to the direction of travel of how the council is performing against the key priorities and outcomes;

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

4.47 Our approach to resource allocation will:

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

4.48 Since March 2020, the council has been impacted greatly by the emergency response to Covid-19. Our Reset Action Plan was agreed by Cabinet on 16 June 2021 aligned to the Walsall Proud Promises and Corporate Plan outcomes that builds on the new ways working expedited by the Covid-19 pandemic and guides the work of the council over the coming months. It builds on the blended working principles approved by Personnel Committee in April 2021, and presents a Reset Action Plan for the council that capitalises on the progress made using technology and digital working, it enables the continuation of opportunities introduced over the last year, and aligns to the tangible delivery of the 3 Proud Promises, which aim to:

➤ ***Improve outcomes and customer experience***

- To minimise the need for physical interactions with citizens through the use of digital / virtual technologies leading to more inclusive and flexible service access (i.e. 24 hour self-service);
- To consider the closure of services that don't contribute well to delivering outcomes or reducing inequality;
- To build in and embed resilience to future waves of Covid-19 or shocks.

➤ ***Improve employee satisfaction and engagement***

- To maintain the health and wellbeing of employees
- To enable employees to work in the most flexible ways e.g. use new technologies, acknowledge presenteeism as an old way of working, review policies and procedures where needed

➤ ***Improve service efficiency and performance***

- To promote and push remote working as far as possible to minimise our estate footprint (within reasonable parameters e.g. not adopt hot-desking policy whilst covid-19 remains a risk);
- To focus on achieving financial sustainability for the organisation through cost reduction;
- To promote an outcome focussed culture.

This action plan is split into themes supporting delivery of the 3 Proud Promises:

- Strategy and Principles
- Allow the public to access services in a safe way and listening to our customers
- Listening to our people and keeping our people safe in the office
- Making sure our buildings are fit for purpose for blended working
- Keeping our people safe at home and on the front line
- Allowing our managers to manage
- Allowing our teams to thrive and collaborate
- Ensuring our teams feel engaged
- Talent management
- Culture
- Proud workstreams
- Financial implication of Reset and savings achieved via blended working

4.49 Our approach to budget setting was established for 2021/22 with overall financial savings expected to be delivered via Proud activity. For 2022/23 Proud work streams will continue to provide the 'enablers' to allow Directorates to deliver through Service Transformation Plans.

4.50 The process and key dates to come include:

- Finalise review on the MTFO and report to Cabinet / CMT;
- Delivery options developed over the Summer and Autumn, in consultation with portfolio holders;
- Review of the draft capital programme;
- Update on savings progress and MTFO review to Cabinet 20 October 2021;
- Scrutiny of the draft budget proposals, by overview and scrutiny committees in October / November 2021, and feedback to Cabinet on 15 December 2021;
- Cabinet consider recommendations of overview and scrutiny committees on first draft budget and make any amendments;
- Budget briefings for political groups and independent members through the year;
- Consultation with the public on proposals for future service delivery, and formal employee and trade union consultation;
- Receipt of the draft 2022/23 settlement estimated to be in December 2021, and the final in late January / early February 2022;
- Recommendation of the revenue budget and council tax bands, capital programme and Treasury Management Strategy by Cabinet on 9 February 2022 for consideration by Council on 24 February 2022.

Assessment of compliance with CIPFA Code of Financial Management

4.51 Best practice financial management requires a Medium Term Financial Strategy (MTFS) that is regularly updated to take into account the changing environment within which we work. The CIPFA code of financial management has been introduced in 2020/21 as a shadow year. Our assessment is that the council is substantially compliant, with a number of areas for improvement as set out below. We will review the MTFS in the context of the Code and any changes required will be reported back to Cabinet in October 2021.

The Code is designed to support good practice in financial management and to assist local authorities in demonstrating financial resilience and sustainability.

Whilst this does not have legislative backing, CIPFA is seeking for it to apply to all local authorities - *“Since these are minimum standards, CIPFA’s judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration”*.

Our external auditors, Grant Thornton have confirmed that the Code is good practice rather than a mandatory requirement for the council, at least at this point in time, however GT have also confirmed that a self-evaluation of compliance with the Code (including acknowledgement of and actions to address any potential areas of non-compliance and any areas that could represent a significant risk for the council) would demonstrate good practice, and is expected to be tested by external audit as part of the council’s value for money arrangements for 2020/21.

Full compliance with the Code is expected in 2021/22. The Code sets out the principles of good financial management to ensure that an authority is financially sustainable and resilient. The approach taken is intended to be one of self-regulation, with reliance on the local exercise of professional judgement, rather than prescription of the financial management processes needed.

The Code is based on a series of principles supported by specific Standards which are considered necessary to provide a strong foundation to:

- financially manage the short, medium and long-term finances of a local authority;
- manage financial resilience to meet unforeseen demands on services;
- manage unexpected shocks in financial circumstances.

The Code sets out 6 principles of good financial management, which CIPFA recommends all financial management practices should comply with. To enable us to test our conformity with these principles, the Code translates them into 17 Financial Management Standards. In summary, these include the following areas:

- The responsibilities of the CFO and leadership team;
- Governance and financial management style;
- Long to medium-term financial management;
- The annual budget;
- Stakeholder engagement and business plans;
- Monitoring financial performance;
- External financial reporting.

The assessment indicated that the council was overall substantially compliant with the Code, with compliance with the Standards as follows:

- Fully compliant - Standard B (The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government), Standard H (The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities), Standard J (The authority complies with its statutory obligations in respect of the budget setting process), Standard P (The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting (LAAC) in the United Kingdom); Standard Q (The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions)
- Substantially compliant – Standards A, C, D, E, F, I, K, L, M, N, O
- Partly compliant - Standard G

One specific part compliant gap and a number of areas for improvement were identified and these are summarised below under the relevant Standard.

Standard A: The leadership team is able to demonstrate that the services provided by the authority provide value for money. Actions agreed to be considered include:

- Communicating more widely examples of good practice, for example through providing information on the web site as to how we are working to deliver value for money and to improve service economy, efficiency, effectiveness and equity.
- Value for money to form part of staff induction and annual performance conversations.
- An explicit statement within the council's governance structure concerning the collective responsibility of the leadership team for delivering value for money could be considered.
- During the development of the Corporate Plan, include explicit statement on value for money arrangements.

Standard C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

- CMT to annually review their performance in this area to ensure this can be fully evidenced.

Standard D: The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)

- The Council's Local Code of Governance to be reviewed and updated.

Standard E: The Financial Management (FM) Style of the authority supports financial sustainability

- CMT to consider the merit of seeking an external view of its financial style and consider timing of this.

Standard F: The authority has carried out a credible and transparent Financial Resilience Assessment. Actions agreed include:

- Formalising the financial resilience assessment and report to CMT and Cabinet as part of the budget process;
- Extend resilience testing to a broader range of alternative scenarios to aid planning;
- Acknowledge that the Asset Management Strategy (including office accommodation requirements and estates planning) will inform the resilience assessment;
- Developing a longer term financial strategy informed by the financial resilience assessment, once the time is right for this, given the uncertain times in relation to the pandemic impact and funding; CMT agreed to assess the timing of when and what further work would add value in longer term financial planning and agreed to take recommendations from finance later in the year as there was consensus regarding the uncertainty and likely inaccuracy of the position the further ahead we try to plan given the current circumstances regarding Covid-19 and funding. Please also refer to Standard G below.

Standard G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members. This requires a long term financial strategy and long term strategic plan.

The council is technically non-compliant with this Standard. However, the Code indicates that for some authorities, the planning horizon of the medium-term financial plan may represent the limit to which the authority can realistically plan for the future. In such circumstances, the long-term financial strategy and the medium-term financial plan might well be one and the same thing. The development of a longer-term financial strategy is, however, encouraged. CMT have agreed that for current purposes, due to the continuing impact of the pandemic, it is content that a medium term plan is considered appropriate, given the current levels of uncertainty about continuing impact, work on Reset and a lack of Government confirmation as to whether we will receive a further one year or multi-year settlement and awaited information on future funding including in relation to adult social care. A longer term financial plan will be considered alongside the 2022/23 budget setting process and the 2022/23+ Corporate Plan.

Standard I: The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans. The development of a medium term Corporate Plan during is planned for 2021/22 which is critical to the integration of sustainable financial and service planning.

Standard K: The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves (S25 Report). An area for consideration identified in the 'lessons learnt from the Croydon Report in the Public Interest' related to the opportunity to increase member challenge of the S25 report and levels of reserves through additional training for Members.

Standard L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget. The authority will consider its engagement planning with key stakeholders in relation to the medium to longer term.

Standard M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions. A business case template has been introduced to support capital investment decisions approved by the strategic investment board and to support Cabinet report approvals. This does include the ability to input multiple options to be assessed and for the optimum one to be recommended. A separate formal project options appraisal methodology does not currently exist for all significant investment decisions. An assessment of what additional value this could add to the business case template will be conducted as to how this standard can be fully met.

Standard N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

- Consideration will be given to the reporting of performance of key delivery partnerships.
- Performance and financial data could more usefully be presented together.

Standard O: The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability. An action to review current indicators reported was agreed.

Progress updates on the agreed actions will be presented to Cabinet and to Audit Committee, insofar as they impact the council's governance framework.

Changes to the Tax Strategy and governance arrangements

- 4.52 It is best practice to regularly review and update the Tax Strategy and governance arrangements to account for both internal changes and legislative changes. The Tax Strategy and governance arrangements has been updated to reflect the following:
- removal of references to EU law;
 - inclusion of support for import and export requirements due to Brexit;
 - updating the ensuring tax awareness section to refer to the current e-learning finance modules.

The revised Tax Strategy and governance arrangements is attached at **Appendix 6**.

Council Corporate Plan Priorities

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

Risk Management

- 4.54 The council is having to make decisions that have a financial impact without a guarantee that the costs will be fully compensated for by the Government. The most obvious financial risk is therefore that the council will, if it is not fully reimbursed for all of its direct and indirect costs, overspend its 2021/22 budget, and reduce its general reserves.
- 4.55 The 2021/22 budget and level of operating reserves were set following a robust financial risk assessment. The level of reserves can only be set based on a set of realistically foreseeable or predicted parameters. 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. Best professional judgement and estimates were applied in terms of the continuing impact of the global pandemic and there is therefore a risk that reserves are insufficient if costs continue to increase without the corresponding allocation of funding to meet this from Government.
- 4.56 The short term risk of this is being managed through close management and reporting of costs, loss of income, and indirect impacts such as the delay in delivery of approved budget savings through Cabinet/Gold/Silver Control meetings as appropriate.
- 4.57 As well as financial risk, the council maintains a register that highlights key themes of organisational risk (this is not risks to the community from Covid-19 or Reset) which is reported to Audit Committee as part of their annual work programme. The Strategic Risk Register (SRR) has been reviewed and amended to reflect the impact of Covid-19. The SRR has been reported to CMT and oversight in relation to this rests with Audit Committee, which will receive a number of reports during 2021/22.
- 4.58 Managers are required to deliver service and improvement targets on time, to standard and within budget. The resource allocation process is governed by the overarching Medium Term Financial Strategy. Risk management is an integral part of this activity and is embedded in budget preparation, monitoring and forecasting to enable potential variances and risks to be identified early and addressed.

Financial Implications

- 4.59 The financial implications are as set out in the main body of this report. The total final cost of Covid-19 is unknown at this stage, although a forecast is assumed based on known assumptions. The implications of costs exceeding grant allocated are set out in the main report and within the legal implications section of the report. Monthly returns are being provided to MHCLG of high-level projections of costs, however it is unclear

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

- 4.60 In addition to the implications for the 2021/22 budget, Covid-19 may impact on the council's reserve levels, with knock-on implications on the council's ability to set budgets for 2022/23 and future years. This remains under review. A specific assurance on the Government's plans to compensate for such losses would be welcomed by council's to ease this burden.
- 4.61 Inevitably, if funding is not provided to fully cover shortfalls, then council's will need to consider other actions short of S114 notices, including identifying further alternative savings options as set out in the main text of this report, and potentially emergency budgets.
- 4.62 The council has a statutory responsibility to set a balanced budget and to ensure it has an adequate level of reserves. The council will take a medium term policy led approach to all decisions on resource allocation.

Legal implications

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

Procurement Implications / Social Value

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

Property Implications

- 4.68 Many council premises have been either closed or open with restricted access to essential workers.

Health and Wellbeing Implications

- 4.69 This report is prepared with consideration of any impacts that any decisions would have on health and wellbeing. Any implications arising from the budget will be reported to members during budget setting along with any actions which are required to be addressed prior to implementation of budget proposals.

Staffing Implications

- 4.70 There have been significant implications for staff and how they support delivery of services. There are opportunities to review our future ways of working as part of 'reset'.

Reducing Inequalities

- 4.71 The 2010 Equality Act lays a requirement to have due regard to the equality impact when exercising its function. As a public body, the council is required to comply with the Public Sector Equality Duty (PSED), as set out in the Equality Act, 2010. The PSED requires the council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the council being exposed to costly, time-consuming and reputation-damaging legal challenges. Budget proposals are equality impact assessed and consulted on as appropriate, with feedback and actions arising from these reported to members during budget setting.

Climate Change

- 4.72 This report is prepared with consideration of the council's Climate Change Action Plan, and all budget proposals will be assessed against the six key areas of the plan: strategy, energy, waste, transport, nature, resilience and adaptation (as appropriate).

Consultation

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

5. Decide

- 5.1 Cabinet may wish to consider additional actions to address the matters set out in this report.

6. Respond

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

7. Review

- 7.1 Regular monitoring reports will be presented to Cabinet to inform them of the impact of Covid-19 and the forecast for 2021/22, including an update on risks and impact on the budget for 2022/23 and beyond.
- 7.2 Budget proposals will be presented to Cabinet, and implemented following approval of the budget by Full Council in February 2022.

Background papers: Various financial working papers.

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Signed:



Deborah Hindson
Interim Executive Director of Resources
and Transformation (S151 Officer)
21 July 2021

Signed:



Councillor M Bird
Leader of the Council
21 July 2021

Appendix 1: Covid-19 Funding

Source of Funding	Lead Officer	Walsall allocation			MHCLG return 25/06/21			
		Carried forward from 2020/21 £	2021/22 allocation £	Total funding £	Actual to May 2021 £	Forecast June 2021 £	Forecast Qtr 2 2021/22 £	Forecast Annual 2021/22 £
Unringfenced grant								
COVID-19 Support Package (1)	Vicky Buckley	4,971,738	9,225,164	14,196,902	1,815,688	793,760	3,623,443	12,278,790
Loss of income grant								
Forecast recoverable income for Qtr 1 2021/22 - estimated (2)	Vicky Buckley	0	469,027	469,027	378,287	90,740	0	469,027
Ringfenced grant								
Test and Trace support payments (3) - grant for admin of scheme	Mark Fearn	0	59,210	59,210	30,299	15,149	13,763	59,211
New Burdens Funding - Business rates admin (4)	Elise Hopkins	240,721	290,800	531,521	0	0	36,348	531,521
Wellbeing for Education funding (5)	Trudy Wyatt	40,416	35,107	75,523	16,308	17,108	2,486	75,523
Contain Outbreak Management Fund (6)	Sebastien Baugh	5,677,654	2,380,687	8,058,341	1,115,364	694,293	2,082,879	8,058,341
Winter Support package / Local Support Grant (7)	Elise Hopkins	0	1,482,317	1,482,317	24,280	304,780	0	1,397,056
Clinically Extreme Vulnerable support grant (8)	Paul Gordon	452,541	0	452,541	186,997	25,559	76,676	452,541
Community Testing (9)	Sebastien Baugh	0	533,856	533,856	400,702	133,154	0	533,856
Community Champions (10)	Paul Gordon	432,500	0	432,500	1,712	39,318	117,955	432,500
Elections (11)	Susan Wright	0	70,306	70,306	70,306	0	0	70,306
Welcome Back Fund (12)	Dave Brown	0	253,601	253,601	0	0	0	253,601
LA Practical Support or those self isolating (13)	Paul Gordon	0	153,554	153,554	0	0	0	153,554
Infection Control & Testing Fund (14) – Infection & Prevention Control	Tracy Simcox	0	1,462,846	1,462,846	0	858,976	0	1,462,846
ASC rapid testing		0	1,078,184	1,078,184	0	610,830	0	1,078,184
Total unringenced and ringfenced grants for Walsall (excluding support to businesses)		11,815,570	16,423,435	29,310,229	4,039,943	3,583,668	5,953,549	27,306,857

1 Covid-19 Response Fund / Support Package - a package of support to Local Government, announced over 5 tranches, to address Covid-19 related pressures for 2020/21. The total allocation for Walsall over 4 tranches in 2020/21 is £27.06m with **£4.97m carried forward into 2021/22. This is a further £9.23m allocation for Quarter 1 of 2021/22.**

2 Grant for reimbursement of lost income - scheme announced on 2 July 2020 to reimburse lost income during the pandemic and boost cash flow. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover 75p in every pound lost. The total reimbursed for the period April – November 2020 is £2.29m. The final claim has been submitted for £956k.

The Spending Round on 25 November 2020 announced a further £0.02bn for extending the existing Covid-19 sales, fees and charges reimbursement scheme for a further three months until the end of June 2021 (the financial grant figure will be subject to actual losses incurred in 2021/22 as they arise), which is estimated at £469k.

3 Test and Trace Support payments – On 30 September 2020, the government announced that people will be required by law to self-isolate from 28 September 2020, supported by a payment of £500 for those on low incomes who cannot work from home and have lost income as a result, and who meet the criteria of the scheme. On 11 January 2021, the Dept of Health confirmed a further allocation of £20.4m for the extension of the scheme until 31 January 2021. Further allocations were announced on 24 March 2021 for February, March and April. No carry forward has been assumed from 2020/21, with a £59k allocation remaining for 2021/22.

4 New Burdens funding / business rates admin - MHCLG recognised that implementing new business rates measures will place some additional burden on billing authorities and confirms that it will provide New Burdens funding to cover matters such as IT costs, additional staff costs and rebilling. Initial allocation of £170k with a further £45k announced on 14 December 2020, and £77k on 16 December 2020. £241k of this has been carried forward into 2021/22. A further allocation of £291k was announced in May 2021 relating to additional support for business grants given in 2020/21.

5 Wellbeing for Education funding - On 12 August 2020, the Department for Education announced £8m of grant to support the Wellbeing for Education Return project which seeks to better equip education settings to support pupils and students' wellbeing and psychosocial recovery as they return to full-time education this autumn. Walsall's allocation was £40k in 2020/21, based on the number of state-funded education settings in their local authority area.

The Department's anticipate that local authorities use the funding provided to:

- Adapt the Wellbeing for Education Return training package, which will be shared with local authorities in September, to include local context and information about local services.
- Make accessible, and deliver, the adapted Wellbeing for Education Return training package to all state-funded education settings in their area in the first half of autumn term 2020.
- Provide ongoing support to all state-funded settings in their area, on promoting and supporting mental health and wellbeing over the next 6 months.

The full £40k allocation has been carried forward into 2021/22. A further round of Wellbeing for Education Recovery Grant was announced on 10 June 2021 totalling £7m nationally. Walsall's allocation is £35k and is to be used to provide additional support to state-funded schools and colleges to enable education staff to support the wellbeing and mental health of pupils and students during the Covid-19 recovery period.

- 6 Contain Outbreak Management Fund (COMF)** – Upper tier Local Authorities in England have received a number of payments during 2020/21, initially based on population numbers, to support local test, trace and contain activities as well as wider measures to protect public health and local economies. The total allocation for Walsall was £7.18m in 2020/21 of which £5.68m has been carried over into 2021/22. Following the publication of the roadmap out of lockdown for England on 22 February 2021, the government also announced a further £400m funding for 2021/22. April's allocation of £2.38m was announced on 8 April 2021.
- 7 Winter Grant Scheme / Covid Local Support Grant** – Scheme to support children, families and the most vulnerable. Following the publication of the roadmap out of lockdown for England on 22 February 2021, the Government announced the extension of the Covid Winter Grant Scheme for the period 1 – 16 April 2021 until the end of the Easter holidays and the Department of Work and Pensions announced a further £40m package of support on 14 April 2021 – rebadged as Covid Local Support Grant. This is for additional support to vulnerable households for the period from 17 April to 20 June 2021. The allocation for Walsall is £453k.

A further £160m was announced on 22 June 2021 for the extension of the Covid-19 Local Support Grant through to the end of September. Through the scheme, families in England are provided with extra support with food and utility bills including food vouchers and help with heating costs during winter. Support in each area is designed by local councils to make sure the needs of the community are met. Walsall allocation confirmed as £1.07m.

- 8 Clinically Extreme Vulnerable support Grant** – a press release was published on 4 November 2020 by the Dept of Health advising of £32m to upper tier councils in England to support the clinically extremely vulnerable, specifically to provide support, such as access to food deliveries and signposting to local support of befriending services to those most at risk and to enable them to stay at home as much as possible over this short period. Total grant received was £719k in 2020/21 of which £452k has been carried over into 2021/22.
- 9 Community Testing** – announced by Dept of Health on 30 December 2020. The purpose of the grant is to provide support to the Local Authority towards expenditure lawfully incurred or to be incurred in relation to Community Testing in response to the Covid-19 outbreak. Following the publication of the roadmap out of lockdown for England on 22 February 2021, the Government also announced the extension of the Community Testing Programme until at least the end of June 2021, where additional 'true up' payments can be claimed on a monthly basis. Walsall have submitted a claim for £534k for 2021/22.

A further extension was announced by the Department for Health on 29 June 2021 until September 2021, and a further 'true up' claim will be made for any additional costs incurred.

10 Community Champions - £23.75m was announced by MHCLG on 25 January 2021, of which Walsall's allocation was £433k. Whilst all funding needed to be committed before 31 March 2021, delivery of projects and activities can extend beyond that date, thus the full £433k has been carried forward into 2021/22.

The Community Champions: Local Authority Fund aims to support a range of interventions to build upon, increase or improve existing activities to work with residents who are most at risk of Covid-19 - helping to build trust and empower at-risk groups to protect themselves and their families. The broader aim is to reduce the impact of the virus on all communities, beyond just the target areas that we will work with through this scheme.

11 Elections - On 8 February 2021, the Minister for the Constitution & Devolution, made a statement to Parliament on the government's plans to proceed with local elections in May following confirmation on 4 February 2021 that they would not be delayed.

12 Welcome Back Fund - £56m announced by MHCLG on 23 March 2021 to help councils boost tourism, improve green spaces and provide more outdoor seating areas, markets and food stall pop-ups – giving people more, safer options to reunite with friends and relatives. This is funded from European Regional Development Fund (ERDF). Walsall's allocation was confirmed as £254k.

The funding can also be used by councils to:

- Boost the look and feel of their high streets by investing in street planting, parks, green spaces and seating areas to make high streets as beautiful and welcoming as possible.
- Run publicity campaigns and prepare to hold events like street markets and festivals to support local businesses.
- Install signage and floor markings to encourage social distancing and safety.
- Improve high streets and town centres by planting flowers or removing graffiti.

Further guidance was received on 16 April 2021. The costs associated with administering this grant will also be eligible for reimbursement up to 4% of the total grant value – to be funded from the grant allocation announced. Evidence must be retained to demonstrate that any project expenditure is eligible and that costs have been defrayed. These records will need to be retained through the life of the project and for the relevant ERDF retention period.

13 LA Practical support for those self isolating - Announced by the Department for Social Care on 26 March 2021. The purpose of the grant is to provide funding to local authorities to provide practical support for those self-isolating. This funding stream is ring-fenced for public health purposes to tackle Covid-19 working to break the chains of transmission and protecting people. The grant shall be payable in four instalments for the 4 month period covering March 2021 to June 2021. We have received 2 months allocations totalling £153k.

14 Infection Control and Testing Fund - Announced by the Department for Health and Social Care on 29 March 2021, which consolidates the Adult Social Care Infection Control Fund and Rapid Testing fund with an extra £341m of funding until June 2021. The purpose of this fund is to support adult social care providers to:

1. reduce the rate of Covid-19 transmission within and between care settings through effective IPC practices and increase uptake of staff vaccination, and
2. conduct rapid testing of staff and visitors in care homes, high risk supported living and extra care settings, to enable close contact visiting where possible

Walsall allocations have been confirmed as the following:

Infection Prevention and Control £859k – share of £202m;

- 52.5% allocation to care homes and residential drug and alcohol settings (£422,211)
- 17.5% allocation to community care providers (£179,072)
- 30% LA discretionary amount (£257,693)

Rapid Testing £611k – share of £139m;

- 60% allocation to care homes and residential drug and alcohol settings (£330,489)
- 40% discretionary community care funding (£280,341)

Local authorities should prioritise passing on the 'direct funding to providers' allocations to care homes and CQC-regulated community care providers. DHSC's expectation is that this should take no longer than 20 working days from receipt of the funding in a local authority. Reports are required to be produced by 19 May and 30 July.

A press release was issued on 27 June 2021 referring to a further £251m of infection control funding for period July to September 2021 (£142.5m for Infection Prevention and Control, and £108.8m for Rapid Testing funding for testing to protect people in adult social care as restrictions in wider society are eased, and supporting rapid, regular testing of staff to prevent Covid-19 transmission. Walsall allocation confirmed as £1.07m on 2 July 2021 (£604k for Infection Prevention and Control and £467k for Rapid Testing).

Appendix 2 – Cabinet / Gold / Silver Covid-19 Approvals

Date	Approval	Approved allocation 2021/22			Forecast Annual Spend 2021/22*
		Carried forward from 2020/21	2021/22 allocation	Total approval	
		£	£	£	£
Cabinet approvals					
19/05/2020 & 09/12/2020	Adult Social Care provider payments, and additional supplier relief for contracted and non-contracted providers. Continuation of 'payment by plan' (except where there is no evidence of care having taken place) for domiciliary care services until the 31 March 2021, with delegated authority to the Executive Director of ASC approved 09 Dec. £319,000 approved by Cabinet on 19 May and £1,359,324 on 9 December.	307,829	0	307,829	0
12/08/2020 & 10/02/2021	Adult Social Care provider payments, and additional supplier relief for contracted and non-contracted providers – £500,000 approved by Cabinet on 12 August 2020 and £900,000 approved by Cabinet on 10 February 2021. Further to the £200,000 approved by Cabinet on 19 May 2020.	651,237	0	651,237	200,000
19/04/2021	Expected shortfall in 2021/22 savings requirement for Money Home Job, given the increased work for managing Covid business grants – Savings target of £925,268 with £421,818 expected to be delivered plus £197,000 use of Homelessness Prevention grant, leaving shortfall of £306,450. Initial Gold approval on 15/04/21, and subsequent approval by Leader/Portfolio Holder at briefing 19/04/21 (given that no Cabinet report is planned until June 2021).	0	306,450	306,450	306,450
Total Cabinet approvals to date		959,066	306,450	1,265,516	506,450
Gold Control approvals >£50k					
02/11/2020	Social distancing measures, signage etc	52,623	0	52,623	28,881
18/03/2021	EHC assessment – managing the backlog of Education Health Care Plans – April to June 2021	0	191,950	191,950	191,950
24/06/2021	Additional workload in Adult Social Care learning disabilities - June 2021 to March 2022	0	80,074	80,074	0
24/06/2021	Vaccination bus costs for 10 weeks- £85,370 funded from Contain Outbreak Management Fund 2021/22 allocation	0	0	0	0
01/07/2021	Agency social workers to address increased demand on safeguarding – April 2021 to March 2022	0	265,014	265,014	0
Total Gold approvals to date		52,623	537,038	589,661	220,831
Silver Control approvals <£50k					
28/01/2021	Administration of One Source Programme – extension of experienced ICT Project Management contractor (in place since Nov 2019) to cover the implementation phase for the payroll module Feb – May 2021 and the wrapping up of the programme (May – June 2021).	29,250	0	29,250	29,250
08/02/2021	Additional Vodafone charges being incurred whilst working remotely for the period April 2021 – September 2021	0	32,400	32,400	32,400
15/02/2021	ICT resource to enhance customer service – included ICT traded services to schools – April 2021 – March 2022	0	32,863	32,863	32,863
15/03/2021	Children's system development – project support resource to manage and implement changes to Capita and Mosaic. 5 months until Aug/Sept	0	50,000	50,000	50,000
30/03/2021	Support to domiciliary care market – additional capacity by bringing extra providers onto the community based services framework – Q1 2021/22	0	16,002	16,002	16,002
12/04/2021	Shared lives - £1,000 per 27 households who receive long term shared lives carers to receive recognition and recompense for, and due to the ongoing Covid restrictions and in light of their continued support to individuals in placement – April 2020 – March 2021.	27,000	0	27,000	27,000
28/04/2021	Bulk email costs - for emailing monthly update newsletter to citizens Apr-2021 - March 2022	0	4,200	4,200	4,200
Total Silver approvals to date		56,250	135,465	191,715	191,715
Total Cabinet / Gold / Silver approval for additional cost pressures 2021/22		1,067,939	978,953	2,046,892	918,996

*Per MHCLG return submitted 25/06/21

Appendix 3: Walsall Proud - Benefits 2021/22 currently identified as potentially at risk of non-delivery

Benefit	Proud Workstream	Original Full Benefit £	Benefit identified as high risk of non delivery £	Value to be funded by Covid-19 Grant £	Reason	Mitigating Actions
Resources and Transformation						
HR restructure	Enabling Support Services	100,000	100,000	0	Restructure not finalised yet but first quarter to understand and develop proposals and then second quarter to implement once the proposals are organisationally understood.	A number of posts are being held vacant deliberately whilst the restructure work is being finalised.
Admin & business support wave 1 implementation	Enabling Support Services	552,062	213,319	0	Phase 1 benefits identified of £339k. Shortfall due to full restructure yet to be completed.	The service will aim to mitigate the in year pressure through further work with directorates to identify any further benefits and the completion and implementation of the full restructure of the service.
Admin & business support cross council efficiencies	Enabling Support Services	300,000	300,000	0	Next phase of work not yet identified, planning has commenced.	A paper regarding the direction of travel for £300k dispersed effort was reported to CMT and budget virements will be enacted and a further update provided in next months' monitoring. Actions to implement savings have been requested from services.
Consolidation of shadow IT and ITOM efficiencies	Third Party Spend	64,000	64,000	0	Revision of ITOM blueprint has put delivery of these benefits at risk in year. Benefit is dependent on the implementation of full original ITOM blueprint. This puts the deliverability of this £64k at risk. ITOM is not in place as at 1 April, therefore any benefit achieved in 2021/22 will be part year.	The full ITOM blueprint has been revised with an affordable model addressing the priority of cyber security, enterprise architecture and business relationship management to be implemented. Further work required.
Infrastructure & Technology Changes - Cloud Navigation / Fibre	Third Party Spend	150,000	120,000	120,000	Currently behind schedule due to increased working from home, power cuts and other impact of Covid-19. Current focus is on delivering essential services to keep the core business of the council running.	Progress delayed by Covid-19 and benefit requested to be funded via Covid-19 unringfenced grant for 2021/22.
Centralisation and rationalisation of postage costs	Third Party Spend	82,903	82,903	0	Exercise to identify postage budgets to be centralised, until complete achievability of benefit is in question.	This benefit will be mitigated by an exercise that is in progress to identify non-centralised postage budgets for transfer to the centralised post room in order to achieve the saving. This will be completed by end of Q1 with the expectation of virements being in place during Q2.

Benefit	Proud Workstream	Original Full Benefit £	Benefit identified as high risk of non delivery £	Value to be funded by Covid-19 Grant £	Reason	Mitigating Actions
Efficiencies savings within legal services	Enabling Support Services	66,666	33,333	0	Further efficiencies yet to be identified.	Efficiencies have been identified from legal non-staffing budgets but under review to confirm if savings need to be realigned. Further work required.
Total Resources & Transformation		1,315,631	913,555	120,000		
Children's Services						
Mother & Baby - Daisy Project	Third Party Spend	739,980	295,992	295,992	Issue around implementation dates, Director working to find a solution.	Implementation of project delayed due to issues with recruitment relating to Covid-19. Therefore Gold/Cabinet proforma has been presented for approval for saving to be funded from Covid-19 unringfenced grant for 2021/22. Service are working to identify additional families to work with throughout this financial year in order to achieve the saving in full from 2022/23 onwards.
Total Children's Services		739,980	295,992	295,992		
Customer Engagement						
Restructure within Money Home Job	Customer Access & Mgt	690,266	315,659	306,450	Up to six month delay in completion of restructure within MHJ due to Covid-19 as officers are required to deal with the unusual circumstances at present.	This will be funded by Covid-19 unringfenced grant as approved by Gold/Leader with the balance from additional Homelessness Prevention Grant.
CAM CXC wave 1 implementation	Customer Access & Mgt	123,166	42,884	0	Relates to delay in CAM CXC wave 1 implementation.	£30k reserves and budget for Head of Service post to fund the balance.
Council wide efficiencies relating to Customer Access Management	Customer Access & Mgt	500,000	500,000	0	Next phase of work not yet identified. Planning has commenced.	A paper regarding the direction of travel for £300k dispersed effort was reported to CMT and budget virements will be enacted and a further update provided in next months' monitoring. Actions to implement savings have been requested from services.
Total Customer Engagement		1,313,432	858,543	306,450		
Adult Social Care						
Older People & Front Door	Third Party Spend	2,375,570	1,549,074	0	Work currently being undertaken to identify and understand the enablers required to reduce inflow into social care. Awaiting detailed plans, however there is likely to be a delay in implementation.	Further work is required by the directorate to identify a mitigating action plan. This is part of the c£1.55m STP saving included within the ASC reported overspend in this report.
Learning Disability	Third Party Spend	1,614,131	835,529	0	Work currently being undertaken to identify and understand the enablers required to reduce existing social care packages. Awaiting detailed plans, however there is likely to be a delay in implementing.	Further work is required by the directorate to identify a mitigating action plan. This is part of the c£840k STP learning disability saving included within the ASC reported overspend in this report.
Joint Funding Arrangements	Income Generation & Cost Recovery	2,900,000	2,118,488	0	Awaiting variation of Section 75 agreement.	Further work is required by the directorate to identify a mitigating action plan. This is part of the c£2.12m STP joint funding saving included within the ASC reported overspend in this report.

Benefit	Proud Workstream	Original Full Benefit £	Benefit identified as high risk of non delivery £	Value to be funded by Covid-19 Grant £	Reason	Mitigating Actions
Commissioning hub new ways of working/staff reconfiguration	Designing Ways of Working - Hub	149,394	149,394	0	Limited progress/evidence on the delivery of this saving, Hub work stream review ongoing.	Further work is required by the directorate to identify a mitigating action plan. This is part of the c£150k STP saving included within the ASC reported overspend in this report.
Total Adults Social Care		7,039,095	4,652,485	0		
Economy, Environment and Communities						
Fee increases within resilient communities	Income Generation & Cost Recovery	98,022	98,022	0	Includes trading standards, food standards, taxi licencing etc. Review required taking into account the impact of Covid-19 on these sectors.	Mitigated by a combination of holding vacant posts open in the Directorate and other service underspends.
Charging for pre licensing – business licenses	Income Generation & Cost Recovery	7,350	7,350	0	Review of fee increases required taking into account the impact of Covid-19 on these sectors.	Mitigated by a combination of holding vacant posts open in the Directorate and other service underspends.
Restructure within resilient communities	Customer Access & Mgt	713,668	356,834	0	6 month delay implementation of the restructure within resilient communities.	Mitigated by a combination of holding vacant posts open in the Directorate and other service underspends
Consider ceasing of pest and animal control service	Income Generation & Cost Recovery	87,606	43,803	0	Current expected delay to October new structure implementation.	Mitigated by a combination of holding vacant posts open in the Directorate and other service underspends.
Efficiency savings within Community protection service	Customer Access & Mgt	52,135	26,068	0	6 month delay due to the implementation of the restructure within Community protection.	Mitigated by a combination of holding vacant posts open in the Directorate and other service underspends.
Restructure of planning services	Customer Access & Mgt	90,000	85,000	0	Currently no firm plans for implementation of restructure.	None identified presently – shown as overspend in April forecast outturn.
Increased membership retention across active living centres	Income Generation & Cost Recovery	45,000	45,000	45,000	Delay in implementation due to Covid-19 and ALC's being closed, impact on sector being reviewed.	Mitigated by Covid-19 reserve under loss of income.
External marketing and promotion partnership across active living centres	Designing Ways of Working - Hub	62,000	62,000	62,000	Delay to implementation due to Covid-19 and ALC restrictions. Expected that the service will need time to build usage/membership numbers back up to pre Covid-19 levels.	Mitigated by Covid-19 reserve under loss of income.
Management restructure across active living centres (ALC's)	Customer Access & Mgt	28,762	8,000	0	Delay due to recruitment to Head of Service post, who will lead on implementation.	Mitigated by underspends elsewhere in the Service.

Benefit	Proud Workstream	Original Full Benefit £	Benefit identified as high risk of non delivery £	Value to be funded by Covid-19 Grant £	Reason	Mitigating Actions
increasing out of hours burial services and associated fees	Income Generation & Cost Recovery	6,346	6,346	0	Discussions are ongoing re viability of implementation.	Mitigated by underspends elsewhere in the Service.
Increasing the number of fixed penalty notices issued	Income Generation & Cost Recovery	50,000	50,000	12,500	The service are currently refocused on Covid-19 priorities.	Mitigated partly by Covid-19 unringfenced grant and by underspends elsewhere in the Service.
Private sector or sponsorship funding of Christmas lights	Income Generation & Cost Recovery	5,000	5,000	0	Plans for delivery currently limited.	Mitigated by underspends elsewhere in the Service.
Biodiversity	Designing Ways of Working - Hub	88,249	10,000	0	Refocus from wild to managed sites will impact level of benefit achievable.	Mitigated by underspends elsewhere in the Service.
ALC - Concessionary 'Move it' leisure scheme fee increase	Income Generation & Cost Recovery	63,000	63,000	63,000	Fees increased, however sites operating at reduced capacity, with longer delay expected until usage/ membership back up to pre Covid-19 levels.	Mitigated by Covid-19 unringfenced grant and loss of income.
Total Economy, Environment & Communities		1,397,138	866,423	182,500		
Total		11,805,276	7,586,998	904,942		

Appendix 4: Financial Health indicators – May 2021

Treasury Management	2020/21 Actual	2021/22 Target	2021/22 Actual
Average Interest Rate (Borrowing)			
- Excluding other local authorities	3.46%	3.30%	3.59%
- Including other local authorities	3.54%	3.46%	3.67%
Gearing Effect on Capital Financing Estimates	3.58%	5.00%	3.70%
Net Borrowing Costs / Council Tax Requirement and NNDR contribution	4.44%	12.50%	7.19%
Capital Financing Requirement (£m)	380.886	417.360	417.360
Authorised limit for external Debt (£m)	472.173	498.300	498.300
Investment Rate Average (excl Property fund)	0.59%	0.27%	0.42%

Balance Sheet Ratios	2016/17	2017/18	2018/19	2019/20	2020/21 (draft)
Current Assets : Current Liabilities	1.86	1.03	1.68	2.39	2.04
Useable Reserves : General Revenue Expenditure	0.63	0.65	0.72	0.73	0.80
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.41	1.20	1.36	1.43	1.83
Long Term Assets : Long Term Borrowing	2.29	2.34	2.05	1.86	1.83
Total School Reserves : Dedicated School Grant	0.05	0.05	0.06	0.05	0.08

Revenues Performance % collected for financial year	2019/20 Actual Collected in total @ 31.05.20	2020/21 Actual Collected in total @ 31.05.21	2021/22	
			Profiled 2021/22	Actual 2021/22
Council tax %	96.1%	93.5%	17.7%	17.4%
Total Council Tax collected (£m)	£134,015,934	£131,746,023	£26,950,000	£26,529,471
National Non Domestic Rate %	98.4%	90.9%	17%	18.5%
Total NNDR collected (£m)	£73,290,774	£48,330,121	£9,725,000	£10,623,532

Debtors and Creditors Performance	2020/21 Actual	2021/22	
		Target	Actual
Sundry Debtors Collection – Average number of days to collect debt	24 days	30 days	24 Days
Average number of days to process creditor payments*	7 days	14 days	6 Days

Management of Resources	2021/22		
Service Analysis	Target	Actual	Variance
Children's Services			
- Children's and Education	62,480,017	62,479,715	(302)
- Customer Engagement	3,716,986	3,716,742	(244)
Economy and Environment	37,021,443	36,933,618	(87,825)
Adult Social Care	55,523,346	60,054,033	4,530,687
Resources and Transformation	25,343,787	25,394,385	50,598
Council Wide	39,998,477	39,998,477	0
NNDR/Top Up	(91,538,275)	(91,538,275)	0
Total Net Revenue Expenditure	132,545,781	137,038,695	4,492,914
General Reserves	Minimum £6.6m Maximum £16.5m	N/A	N/A
Council Funded Capital Expenditure	95,886,653	95,886,653	0
External Funded Capital Expenditure	127,283,377	127,283,377	0
Total Capital Expenditure	223,170,030	223,170,030	0
Capital Receipts	4,231,584	4,231,584	0

Management of Resources	2020/21		
Service Analysis	Target	Actual	Variance
Children's Services			
- Children's and Education	78,111,424	78,073,649	(37,775)
- Customer Engagement	6,485,189	5,006,868	(1,478,321)
Economy and Environment	55,284,700	54,859,268	(425,432)
Adult Social Care	68,043,629	67,014,429	(1,029,200)
Resources and Transformation	34,157,780	33,526,225	(631,555)
Council Wide	(22,348,507)	(19,198,830)	3,149,677
NNDR/Top Up	(92,168,077)	(92,168,077)	0
Total Net Revenue Expenditure	127,566,138	127,113,532	(452,606)
General Reserves	Minimum £6.2m Maximum £15.5m	N/A	N/A
Council Funded Capital Expenditure	64,051,292	25,184,486	(38,866,806)
External Funded Capital Expenditure	153,126,757	77,789,577	(75,337,180)
Total Capital Expenditure	217,178,049	102,974,063	(114,203,986)
Capital Receipts	3,262,622	531,038	(2,731,584)

The figures for 2020/21 represent the actual budget and spend for each area within the authority. This will include all internal recharges such as office accommodation, central support services, and accounting adjustments for pension liability in line with IAS19 and capital charges. Capital charges and pension liability year end transactions can change substantially at year end as this is when revaluations of assets and figures from the actuary are received and budgets updated to reflect any changes.

What this tells us

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

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

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

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

Appendix 5: Prudential indicators – May 2021

National Indicators – as per CIPFA Prudential Code

Ref	Prudential Indicator Description	2020/21 Actual £m	2021/22 Target £m	2021/22 Actual £m	Variance to Target	
Prl 1	Capital Expenditure	102.837	223.170	223.170	0.000	0%
Prl 2	Ratio of financing costs to net revenue stream	5.17%	8.71%	7.24%	-1.48%	-17%
Prl 3	Estimates of the incremental impact of new capital investment decisions on Council Tax	£28.49	£52.43	£52.43	0.000	0%
Prl 4	Capital Financing Requirement	380.886	417.36	417.36	0.000	0%
Prl 5	Authorised Limit for external debt	472.173	498.300	498.300	0.000	0%
Prl 6	Operational Limit for external debt	429.248	453.000	453.000	0.000	0%

Ref	Prudential Indicator Description	2020/21	2021/22
Prl 7	Gross Borrowing exceeds capital financing requirement	No	No
Prl 8	Authority has adopted CIPFA Code of Practice for Treasury Management	Yes	Yes

Ref	Prudential Indicator Description	2020/21 Actual £m	2021/22 Target £m	2021/22 Actual £m
Prl 9	Total principle sums invested for longer than 365 days must not exceed	15.0	25.0	15.0

Ref	Prudential Indicator Description	Upper Limit	Lower Limit	Actual 2020/21	Actual 2021/22
Prl 10	Fixed Interest Rate Exposure	95.00%	40.00%	94.31%	89.54%
Prl 11	Variable Interest Rate Exposure	45.00%	0.00%	5.69%	10.46%
Prl 12	Maturity Structure of Borrowing:				
	Under 12 months	25.00%	0.00%	10.48%	18.65%
	12 months and within 24 months	25.00%	0.00%	21.72%	14.59%
	24 months and within 5 years	40.00%	0.00%	19.84%	14.87%
	5 years and within 10 years	50.00%	5.00%	0.54%	2.06%
	10 years and above	85.00%	30.00%	47.42%	49.83%

Local Indicators – As recommended by Treasury Management Panel

Ref	Prudential Indicator Description	2020/21 Actual	2021/22 Target	2021/22 Actual	Numerical Variance to Target	% Variance to Target	Met
L1	Full compliance with Prudential Code.	Yes	Yes	Yes	N/A	N/A	Y
L2	Average length of debt (years)	16.23	25.00	16.97	-8.03%	-32.12%	Y
L3a	Net borrowing costs as % of net council tax requirement.	7.02%	20.00%	7.21%	-12.79%	-63.94%	Y
L3b	Net borrowing costs as % of Tax Revenue.	4.44%	12.50%	4.64%	-7.86%	-62.89%	Y
L4	Actual debt vs. operational debt.	80.92%	85.00%	72.93%	-12.07%	-14.20%	Y
L5	Average interest rate of external debt outstanding excluding former WMCC debt	3.46%	3.30%	3.59%	0.29%	8.67%	N
L6	Average interest rate of external debt outstanding including former WMCC debt	3.54%	3.46%	3.67%	0.21%	6.15%	N
L7	Gearing effect of 1% increase in interest rate (expressed as the potential increase to the rate shown in L6 i.e. shows what the rate included in L6 would change to).	3.58%	5.00%	3.70%	-1.30%	-26.00%	Y
L8	Average interest rate received on STI vs. At Call rate.	580.00%	374.00%	680.00%	306.00%	81.82%	Y
L9							
L9a	AT call investments.	0.10%	0.05%	0.05%	0.00%	0.00%	Y
L9b	Short Term Investments.	0.68%	0.25%	0.39%	0.14%	56.00%	Y
L9c	Long Term Investments.	1.57%	0.80%	1.26%	0.46%	57.50%	Y
L9d	Property Fund Investments	4.10%	3.82%	4.04%	0.22%	5.76%	Y
L10	Average interest rate on all ST investments (ST and AT call)	0.46%	0.24%	0.29%	0.05%	22.41%	Y
L11	Average rate on all investments (excluding property fund)	0.59%	0.27%	0.42%	0.15%	54.10%	Y
L11a	Average rate on all investments (including property fund)	1.01%	0.68%	0.88%	0.20%	29.47%	Y
L12	% daily bank balances within target range.	100%	99%	100%	1.00%	1.01%	Y

Appendix 6: Tax strategy and governance arrangements – updated June 2021

1 Tax strategy statement

- 1.1 Walsall Metropolitan Borough Council will comply with its tax obligations and will only engage in reasonable tax planning that is aligned with commercial and economic activity.
- 1.2 We will maintain an open and transparent relationship with HMRC.
- 1.3 We will utilise tax incentives or opportunities for obtaining tax efficiencies where these:
- Do not carry significant reputational risk or significant risk of damaging our relationship with HMRC,
 - Are aligned with the intended policy objectives of the government which introduced the incentives,
 - Do not have a material adverse impact on the councils financial position, and
 - Are aligned with business or operational objectives.
- 1.4 We will manage tax risk in such a way as to ensure that key risk areas are monitored and material risks minimized.
- 1.5 We will comply with the requirements of CIPFA's Standard of Professional Practice for tax management.



Councillor M Bird

Leader of Walsall MBC



Deborah Hindson

Interim Executive Director of Resources & Transformation (Section 151 Officer)

2 Background

2.1 As a metropolitan local authority Walsall Council pays taxes over to HM Revenue and Customs including (list is not exhaustive):

- Income Tax
- National Insurance
- Value Added Tax
- Landfill Tax
- Construction Industry Scheme

2.2 As a public body Walsall Council needs to ensure that it is also meeting CIPFA's Standard of Professional Practice for tax management. This defines tax management as ensuring that systems and procedures are in place and that records are maintained to secure that:

- The tax implications of any proposed transaction are properly recognised before decisions are made
- The tax implications of existing transactions are kept under review
- Tax liabilities, recoveries or obligations are:
 - Identified before the relevant transactions are entered into
 - Calculated in accordance with regulations
 - Recorded at the appropriate time
 - Accounted for in the proper tax period
 - Disclosed to the appropriate revenue-collecting authorities in the required manner
 - Documented satisfactorily at all stages.

2.3 As such, in line with the recent consultation by HMRC which focused on improving tax compliance by large businesses, this document seeks to formally set out the Council's strategy to ensure that there is a focus on transparency in its tax arrangements and that there are strong governance and risk management processes in place. The strategy therefore focuses on the following key areas with a view of ensuring the above criteria are met.:

- Tax compliance and reporting
- Developing tax knowledge of council officers and members
- Controlling and managing risks.

2.4 The council's tax strategy meets three of the council's corporate values: Accountability; Transparency; and Ethical. It fits within the council's overall financial strategy.

2.5 This tax strategy aims to provide:

- The general public with information on how the council conducts its tax affairs
- Members with assurance that the council's tax affairs are being conducted in accordance with legislation and the CIPFA Standard of Professional Practice
- Officers with what the roles and responsibilities are for tax affairs within the council.

3 Tax compliance and reporting

3.1 Tax compliance

3.1.1 Walsall Council acknowledges that it shall pay all appropriate taxes as required under UK law. It shall achieve this by the appropriate delegation of duties, as outlined in section 3.3 Governance Arrangements, putting in place appropriate financial systems and correct application of tax reporting requirements.

3.1.2 Walsall Council, in considering tax compliance, will determine the most appropriate application of tax requirements to achieve the maximum value for money for the people of Walsall. This will be achieved by:

- Keeping up to date with current tax issues and developments
- Reviewing current tax treatments to ensure they are appropriate
- Reviewing import and export requirements
- Liaising with local authority tax officers to determine a unified approach to tax treatments for common areas where it is advantageous to the council.
- Ensuring that the council has an anti-tax evasion policy in place as required by the Corporate Criminal Offences Act 2017 (Annex A).

3.1.3 All relevant documents relating to Walsall Council's tax affairs will be retained for the period required by legislation.

3.2 Tax reporting

3.2.1 Walsall Council will ensure that all tax returns to HM Revenue and Customs shall be completed accurately and in a timely manner, within the defined timescales laid out by HM Revenue and Customs.

3.3 Governance arrangements

Section 151 Officer's responsibilities

3.3.1 Walsall Council recognises its obligations to ensure that it is fully compliant with all existing and future tax laws and requirements. It is the overall responsibility of the Executive Director Resources & Transformation, being the council's Section 151 officer, to ensure that the council is tax compliant.

3.3.2 To this end the Executive Director should make arrangements to ensure the following are carried out, and that they are discharged correctly:

- Allocation of defined duties to named individuals in relation to taxation and tax matters
- That financial control systems are operating effectively to produce necessary information and minimise the risk of error
- Secure an appropriate level of knowledge and financial awareness amongst staff who might be involved in processing transactions involving elements of tax
- Provide proper assistance to any routine inspection or special investigations undertaken by the revenue authorities
- Review the justification for, and the quantum of, any assessment made as a result of any such inspection or investigation.

3.3.3 To assist them in discharging these responsibilities the Executive Director should ensure that they nominate appropriate council officers as designated tax officers, ensuring that this officer has the appropriate level of expertise and experience to discharge these duties. If the required level of expertise is not available in-house then the Executive Director should be able to obtain such assistance from professional advisors. These actions however do not negate the Executive Director's overall responsibility for the tax matters of the council.

Designated tax officers

3.3.4 Designated tax officers are responsible for the day to day tax compliance for Walsall Council. As such they are responsible for the following:

- Preparation and verification of any relevant tax returns which require the signature of the Executive Director or nominated officer
- Dealing with communications with relevant revenue authorities
- Dealing with any external tax advisors
- Keeping up to date with legislation, case law and customs and practice developments
- Determining any implication to Walsall Council for any changes in the previous
- Provision of advice to elected members, Corporate Management Team and other officers as appropriate and within the council's communication policy
- Provision of import and export advice to council officers as appropriate

- Determining when in-house expertise is exhausted/insufficient and where external specialist advice is required
- Ensuring that council officers have a sufficient level of tax awareness
- A list of designated tax officers is shown at Annex B.

4 Developing tax knowledge of council officers and members

4.1 Tax knowledge required by council officers and members

4.1.1 Walsall Council recognises that all council officers involved in financial matters /transactions at any level and members should have at least a basic awareness of tax matters. The council also recognises that the level of knowledge is dependent on a person's position and exposure to financial matters.

4.1.2 The levels of tax awareness within the council are as follows:

- Low awareness Basic awareness of tax, who deals with employment taxes and VAT, risk to council of incorrect tax treatments
- Medium awareness General awareness of tax. If officer is a budget holder for employment taxes should be aware of requirements re: employment status. All officers dealing with charging or payments should know VAT categories for their specific areas or know who to contact if not sure. All officers should be aware of different VAT rates and what they mean.
- High awareness Comprehensive knowledge of specific taxes and general awareness of other taxes. Should be regarded as the council's expert for specific taxes.

4.1.3 The level of tax awareness required by different council officer/member level is as follows:

Council officer, not a budget holder, whose job involves financial transactions	Low awareness
Council officer who is a budget holder	Medium awareness
Council officer who processes invoices/payments	Medium awareness
Service managers / Heads of Service	Medium awareness
Assistant Directors/Executive Directors	Medium awareness
Councillors (members)	Low/medium awareness
Designated tax officers	High awareness

4.2 Ensuring tax awareness in the council

4.2.1 The council e-learning financial management training for managers has a section for both VAT and tax awareness and is at the level required for medium awareness.

- 4.2.2 Service finance managers and finance staff should ensure that all council officers are directed to the e-learning session initially. Finance Business Partners should then ensure that officers for the service areas they support have an appropriate level of knowledge and awareness for their roles.
- 4.2.3 Designated tax officers should provide on request training materials or courses appropriate to its intended audience.
- 4.2.4 Reference guides to taxation areas should developed by designated tax officers as appropriate and made available through the intranet for council officers to refer to as required. These guides should cover regular queries. Detailed queries not covered by these guides should still be referred to the appropriate designated tax officer.

5 Controlling and managing risks

5.1 *Tax risk environment*

- 5.1.1 Walsall Council overall attitude towards tax is that of being risk neutral and therefore not pursuing tax aggressive policies.
- 5.1.2 Being risk neutral means that the council will balance taking advantage of tax opportunities as they arise to obtain value for money for local taxpayers against exposing the council to reputational damage, and potential legislative action from HM Revenue and Customs.

5.2 *Tax planning and risk management*

- 5.2.1 Walsall Council will have regards to tax implications when reviewing all its activities both current and future. This applies equally with regards to employment taxes and also value added tax.
- 5.2.2 With regards to employment taxes consideration needs to be made with regards to the employment status of anyone contracted or employed by the council. This is particularly important with regards to personal service companies.
- 5.2.3 With regards to value added tax (VAT) the following need to be considered for council activities:
- What impact does the activity have on the council's partial exemption position?
 - What VAT does any new charge have?
 - Do financial recording systems need to be updated?
- 5.2.4 For any new council activity or major project (revenue or capital) the relevant designated tax officers need to be consulted. This is to determine what tax impact is likely and its adherence to this strategy.

- 5.2.5 To determine the council's future VAT exposure with regards to exempt VAT, projections of the council's partial exemption position need to be made on a regular basis and reported to the Executive Director or nominated officer.
- 5.2.6 For land and building purchases, sales or construction projects consideration needs to be made as to whether an option to tax should be made to preserve the council's partial exemption position. This should occur at the earliest appropriate point and be reported to the Executive Director for final decision.

Walsall Council

Prevention of Tax Evasion Policy February 2019

1. Background

- 1.1 Under the Criminal Finances Act 2017 (CFA2017) the council, if found to be facilitating tax evasion via either an employee or someone working for the council (associate), could face an unlimited fine and consequent damage to its reputation.
- 1.2 Walsall Council aims to conduct its financial affairs in a law abiding manner and does not tolerate the facilitation of tax evasion by its staff or its associates.
- 1.3 To support this the council has a range of interrelated policies, procedures and guidance that provide a corporate framework to underpin its financial governance activities. These are summarised in the Counter Fraud and Corruption Policy Statement and Strategy which are available on the intranet at:
http://int.walsall.gov.uk/Service_information/Internal_audit/Counter_fraud_toolkit.

2. Scope of the policy

- 2.1 This policy applies to all council employees, associates and elected members. It aims to maintain existing high standards of conduct within the council by preventing criminal activity through tax evasion. This policy sets out the procedures that must be followed to enable the council to comply with its legal obligations.
- 2.2 This policy is part of the council's counter fraud arrangements.
- 2.3 Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action and/or prosecution.
- 2.4 Should staff, associates or members become concerned that a fellow employee, associate or elected member is facilitating a third party's tax evasion they should follow the council's whistle blowing procedure which is within the counter fraud toolkit.

3. Definitions

Tax Evasion

- 3.1 Tax evasion is the illegal non-payment or under-payment of taxes, usually resulting from the making of a false declaration or no declaration at all of taxes due to the relevant tax authorities, resulting in legal penalties (which may be civil or criminal) if the perpetrator of tax evasion is caught.

Tax Avoidance

- 3.2 Tax avoidance is seeking to minimise a tax bill without deliberate deception (which would be tax evasion) but contrary to the spirit of the law. It therefore involves the exploitation of loopholes and gaps in tax and other legislation in ways not anticipated by the law.

4. Legislation

- 4.1 CFA 2017 came into force on 30 September 2017. Part 3 CFA 2017 creates two separate corporate offences:
- Failure to prevent facilitation of UK tax evasion; and
 - Failure to prevent facilitation of overseas tax evasion
- 4.2 The council would be guilty of an offence if a person commits a UK tax evasion facilitation offence when that person is acting on behalf of the council.
- 4.3 Under s45(4) CFA 2017 a UK tax evasion offence is either of the following:
- An offence of cheating the public revenue.
 - An offence under the law of any part of the UK consisting of being knowingly concerned in, or in taking steps with a view to, the fraudulent evasion of a tax.
- 4.4 Under s45(5) a UK tax evasion facilitation offence is an offence under the law of any part of the UK consisting of:
- Being knowingly concerned in, or in taking steps with a view to, the fraudulent evasion of a tax by another person.
 - Aiding, abetting, counselling or procuring the commission of a UK tax evasion offence.
 - Being involved in the commission of an offence consisting of being knowingly concerned in, or in taking steps with a view to, the fraudulent evasion of a tax.

5. Defences

5.1 It would be a defence for the council to prove that, when the UK tax evasion facilitation offence was committed:

- The council had in place such prevention procedures as it was reasonable in all the circumstances; or
- It was not reasonable in all the circumstances to expect the council to have any prevention procedures in place.

5.2 Government guidance suggests prevention measures similar to the prevention measures under s7 of the Bribery Act 2010 when dealing with defences under the offences, these being:

- **Risk assessment**

The relevant body assesses the nature and extent of its exposure to the risk of those who act in the capacity of a person associated with it criminally facilitating tax evasion offences. The risk assessment is documented and kept under review.

- **Proportionality of risk-based prevention procedures**

Reasonable procedures for a relevant body to adopt to prevent persons acting in the capacity of a person associated with it from criminally facilitating tax evasion will be proportionate to the risk the relevant body faces of persons associated with it committing tax evasion facilitation offences. This will depend on the nature, scale and complexity of the relevant body's activities. We recognise that the reasonableness of prevention procedures should take account of the level of control and supervision the organisation is able to exercise over a particular person acting on its behalf, and the proximity of the person to the relevant body. The new offences do not require relevant bodies to undertake excessively burdensome procedures in order to eradicate all risk, but they do demand more than mere lip-service to preventing the criminal facilitation of tax evasion.

- **Top level commitment**

The top-level management of a relevant body should be committed to preventing persons acting in the capacity of a person associated with it from engaging in criminal facilitation of tax evasion. They should foster a culture within the relevant body in which activity intended to facilitate tax evasion is never acceptable.

- **Due diligence**

The organisation applies due diligence procedures, taking an appropriate and risk based approach, in respect of persons who perform or will perform services on behalf of the organisation, in order to mitigate identified risks.

- **Communication (including training)**

The organisation seeks to ensure that its prevention policies and procedures are communicated, embedded and understood throughout the organisation, through internal and external communication, including training. This is proportionate to the risk to which the organisation assesses that it is exposed.

- **Monitoring and review**

The organisation monitors and reviews its preventative procedures and makes improvements where necessary.

5.3 As such the council must ensure its policies and procedures are up-to-date and cascaded not only so that these can be pleaded in the event that a defence is required but in an effort to make people aware and try to prevent tax evasion from occurring in the first place.

6. Risk Assessment of Areas of Risk

6.1 A full risk assessment of all areas of potential tax evasion within the organisation has been carried out to identify current controls and highlight any additional actions that need to be developed. Due to the sensitive nature of the document it has not been included within this policy, but is available for review by internal audit / audit committee / the council's management team as required to inform their commitment to embedding the policy.

6.2 It is unlikely that any one individual council officer would benefit individually from tax evasion. There would have to be collusion either with a supplier or another council employee for an individual employee to benefit. However, the council's Internal Audit Team will conduct regular compliance checks as part of the audit workplan, with individual audits paying specific attention to potential areas of high risk which would be reported back to Audit Committee as required.

7. Proportionality of risk-based prevention procedures

- 7.1 We have a governance process and procedures to address specific risks. This includes a “whistle blowing” policy. We already have procedures in place with budget holder’s guidance, segregation of duties and a Counter Fraud Toolkit.
- 7.2 Independent monitoring and scrutiny takes place on manager’s IR35 decisions by payroll staff.

8. Top Level Commitment

- 8.1 The policy is adopted by senior officers and endorsed by Cabinet as part of the Tax Strategy.

9. Due Diligence

- 9.1 Reasonable care and caution is exercised when processing all transactions particularly high value/high risk area payments. Monitoring and review takes place as part of the council’s normal checks and procedures within the areas of risk outlined within the policy.

10. Communication & Training

- 10.1 The council’s officer responsible for information and queries on CFA2017 is the Section 151 Officer, currently the Executive Director for Resources and Transformation. This is in line with the council’s tax strategy.
- 10.2 All staff involved in processing and approving financial transactions will be aware of the CFA 2017 via induction, part of mandatory training and information on the Council’s intranet. This is in line with the council’s tax strategy.

11. Monitoring & Review

- 11.1 Monitoring and review will form part of the audit programme and regular reports back to Audit Committee in accordance with their work programme.

List of Designated Tax Officers

Overall tax responsibility	Executive Director Resources & Transformation
Employment Taxes	Payroll & Pension Manager
Indirect Taxes (inc VAT)	Senior Accountancy Officer – Financial Reporting
Import and export requirements	Senior Accountancy Officer – Financial Reporting