

## Cabinet – 20 July 2022

### Corporate Financial Performance 2022/23 and approach to Budget Setting for 2023/24

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

#### 1. Aim

- 1.1 To report on the forecast corporate financial position for 2022/23, based on the position to June 2022, 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 2023/24 budget process.

#### 2. Summary

- 2.1 This report provides a summary position on the potential financial impact of known/emerging pressures and delays in implementing approved budget savings, particularly within Adult Social Care and Children's Services, on the revenue position for 2022/23, which would lead to a potential overspend of £2.28m. Whilst work is in hand to identify further actions to bring the position in line with budget, action is required to ensure a balanced outturn is delivered by 31 March 2023. Any on-going pressures or undelivered savings not addressed in year will need to be considered as part of the 2023/24 budget process, putting considerable pressure on that process.
- 2.2 In relation to the capital programme, the report includes a number of proposed amendments for approval as set out in section 4.17 of the report. The forecast for the capital programme is currently predicted to be on budget after the expected carry forward of £80.58m into 2023/24.
- 2.3 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 2023/24 budget process;
  - Work underway to update the medium term financial outlook (MTFO);

- An update to advise that the Tax Strategy has been reviewed and there are no recommended changes.

### **3. Recommendations**

That Cabinet:

- 3.1 Note the potential forecast revenue overspend of £2.28m, progress against delivery of savings, mitigating actions being taken to address these and actions still required.
- 3.2 Approve the use of £2.45m of Covid-19 funding from unringfenced grant as referenced in section 4.16: £847k to support children in care placement costs, and £1.40m to support the ongoing impact on demand and delay in delivering approved savings within Adult Social Care.
- 3.3 Note that the cost of living increase is beginning to impact and an assessment is currently being completed to forecast the potential costs on 2022/23.
- 3.4 Approve amendments to the capital programme as set out in section 4.17.
- 3.5 Note that the forecast for the capital programme is currently predicted to be on budget after the expected carry forward of £80.58m into 2023/24, as set out in sections 4.18 and 4.19.
- 3.6 Note that there are additionally high risks of £13.19m to the revenue forecast identified within services as set out in **Appendix 1**. These risks are actively being monitored and action is being taken to reduce / eliminate them where possible.
- 3.7 Note financial health indicator performance as set out in section 4.21 and **Appendix 4**.
- 3.8 Note the prudential indicators as set out in section 4.27 and **Appendix 5**.
- 3.9 Note the work underway to update to the medium term financial outlook and approve the approach for setting the 2023/24 budget, as set out in section 4.30 to 4.40, aligned to the Council Plan, Budget Framework and Proud Promises.
- 3.10 Note that there are no changes to the council's Tax Strategy (section 4.41).

### **4. Know – Context**

- 4.1 The council is legally required to operate within a balanced budget, to operate within financial controls and to deliver approved budget savings. The impact of the pandemic continues to be felt in a number of areas, particularly in the social care sector.

#### ***Revenue Forecast 2022/23 - Service Pressures***

- 4.2 Walsall Council has a track record of managing financial pressures and action has been taken to mitigate current and future cost pressures. The council is now experiencing emerging pressures in relation to the cost of living impact, on contracts/third party spend in particular, and where known and quantifiable, the financial impact of this is included within the forecast position. These are being further assessed in terms of impact and actions that may be required to manage these,

including services taking action to address them, use of appropriate earmarked reserves, etc. A full assessment will be reported to Cabinet on completion. Following review of the pre-audit 2021/22 revenue outturn position by Cabinet on 22 June 2022, it was approved for the £1.49m underspend from 2021/22 to be transferred to earmarked reserves to help further manage the potential impact of pay and price inflation on services in 2022/23, therefore there is some cushion over and above general reserves to support cost of living costs, albeit limited. Action will therefore be reported alongside impact to ensure a balanced budget at outturn.

- 4.3 The current council wide forecast shows a potential overspend of c£2.28m against budget, as summarised by directorate in **Table 1**. On-going pressures or undelivered savings which are not addressed in year on an ongoing basis will need to be considered as part of the 2023/24 budget process. Work continues to address these.

<b>Table 1: Revenue Forecast 2022/23 by directorate</b>						
<b>Directorate</b>	<b>Net Budget</b>	<b>Year end forecast prior to transfer to / (from) earmarked reserves</b>	<b>Year end variance to budget prior to transfer / (From) earmarked reserves</b>	<b>Use of earmarked reserves</b>	<b>Transfer to earmarked reserves</b>	<b>Year end forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adult Social Care and Public Health	60.17	71.98	11.81	(9.02)	0.52	3.31
Children's Services						
- Children's and Education	60.93	65.86	4.93	(2.62)	0.52	2.83
- Customer Engagement	3.52	3.90	0.39	(1.29)	0.34	(0.56)
Economy, Environment & Communities	36.67	41.99	5.32	(6.49)	0.32	(0.85)
Resources & Transformation	29.25	28.87	(0.38)	(1.38)	1.50	(0.26)
<b>Services Position</b>	<b>190.53</b>	<b>212.59</b>	<b>22.06</b>	<b>(20.79)</b>	<b>3.20</b>	<b>4.47</b>
Capital Financing	25.06	19.93	(5.13)	(0.77)	3.71	(2.19)
Central budgets	(77.16)	(69.53)	7.64	(12.12)	4.48	0.00
<b>Total council tax requirement</b>	<b>138.43</b>	<b>162.99</b>	<b>24.57</b>	<b>(33.68)</b>	<b>11.39</b>	<b>2.28</b>

- 4.4 The year-end forecast includes the use of earmarked reserves of £33.68m and transfers to earmarked reserves of £11.39m, as detailed at **Appendix 2**.

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 and the profiling of that use may vary. This results in projected closing earmarked reserves of £194.88m as shown in **Table 2** below:

<b>Table 2 : Earmarked Reserves</b>					
	<b>Opening Balance 01/04/22</b>	<b>Transfers from Reserves</b>	<b>Transfers to Reserves</b>	<b>Movement</b>	<b>Closing Balance 31/03/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Treasury Reserves	27.13	(0.59)	3.71	3.13	30.25
Grant / Contributions received in advance	26.65	(7.09)	1.60	(5.49)	21.16
Improvement projects	39.52	(2.47)	1.63	(0.84)	38.69

	Opening Balance 01/04/22	Transfers from Reserves	Transfers to Reserves	Movement	Closing Balance 31/03/23
	£m	£m	£m	£m	£m
Cost Pressures	11.38	(0.38)	0.00	(0.38)	10.99
Council Liabilities	53.87	(2.55)	4.45	1.89	55.76
Covid-19 grants	20.42	(15.77)	0.00	(15.77)	4.65
Public Finance Initiatives	22.04	(4.12)	0.00	(4.12)	17.92
Risk	8.73	0.00	0.00	0.00	8.73
Other	7.43	(0.70)	0.00	(0.70)	6.72
<b>Total</b>	<b>217.17</b>	<b>(33.68)</b>	<b>11.39</b>	<b>(22.29)</b>	<b>194.88</b>

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 transformation programme;
- **Cost pressures.** To include review of working practices including blended working, fluctuations in service demand such as in adult social care, crisis support and children in care;
- **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 2022/23 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.

#### 4.5 Adults Social Care (£3.31m overspend after use of and transfers to reserves) prior to actions to address this

The forecast position is a variance of £8.55m above budget, however after planned transfers to and from reserves and approval of a gold Covid-19 form (subject to Cabinet's approval tonight), this reduces to an overspend of £3.31m.

Significant growth of £15.6m was included in the 2022/23 budget to cover demographic and demand growth, pay and price (contractual) inflation, market sustainability and fair cost of care, payment on plan, etc. A high level review of cost pressures has been

undertaken and costs are in line with the approved investment, apart from the following:

- £510k contractual inflation - the Housing 21 unitary charge is higher than originally included in the medium term financial outlook/plan (MTFO/P) as it is based on February RPI prior to 2022/23 and after budget setting – this, however, can be managed in year via the existing Housing 21 earmarked reserve, resulting in a net nil variance;
- £724k additional costs of the interim management and staffing arrangements across the directorate; this partially offset by the use of Covid-19 funding;
- £970k bad debt provision increase, dependent on the outcome of a review of current client debt.

These variances are offset by some reductions in costs elsewhere and additional income as follows:

- (£800k) additional income from joint funding arrangements including CHC (continuing health care) and Section 117 based on the outturn position for 2021/22;
- (£1.27m) decrease in client package costs and associated income contributions (based on data until the end of May);
- (£345k) decrease in Mental Health Section 117 expenditure and block contracts within residential and nursing placements

In February, Cabinet approved £12.8m of saving in relation to Adult Social Care (£8.2m for 2022/23 and £4.6m from 2021/22). Of these, £8.96m is currently assessed as red (**Appendix 3**) as follows:

- £4.50m - delays in the development of detailed savings plans related to the review of existing older people's care packages;
- £2.32m - delays in the development of detailed savings plans to reduce new demand through the 'front door' including the provision of alternative support;
- £745k - delays in the development of detailed savings plans relating to the All-Age Disability model and transitions.
- £1.39m - shortfall in funding from the Learning Disability Joint Funding arrangements. On-going discussions with the CCG regarding the joint funding arrangement from 2020/21 remains in progress. Mitigating options for this shortfall are currently being considered.

£4.04m of Contain Outbreak Management Covid-19 and Improved Better Care Fund grant reserves have been identified to support the position. In addition, a Covid funding form requesting £1.40m of general Covid-19 funding has been considered by CMT and Cabinet are asked to approve this request, resulting in a revised overspend of £3.31m.

The Adult Social Care Continuous Improvement Programme Board is leading on the work in order to finalise the detailed business cases including timelines to achieve the savings

### Risks

There are also high risks of £4.42m which could impact the forecast position should they materialise and these are detailed in **Appendix 1**.

#### 4.6 Public Health (on budget)

The current net forecast position before the net use of reserves would be an over spend of £1.71m. This predominantly relates to costs associated with short term projects (including the Mental Health and Well-being programme) partially offset by vacant posts and uncommitted funding as a result of an increase of the Public Health Grant allocation for 2022/23. After net use of reserves Public Health is on budget. £800k of savings are red, with mitigating action identified and approved by Council in February.

#### 4.7 Children's (£2.83m overspend after use of and transfers to reserves)

The forecast position is a variance of £5.15m above budget, however after planned transfers to and from reserves and approval of a gold Covid-19 form (subject to Cabinet's approval tonight), this reduces to an overspend of £2.83m.

The main reasons for the currently reported position relates to children in care demand costs, based on the current mix of children in care and the projected future demand for the remainder of the financial year, and increases in placement costs. A Covid-19 funding form requesting £847k of general Covid-19 funding has been considered by CMT and Cabinet are asked to approve this request, reducing the pressure to £2.61m.

There are also pressures within the service of £350k relating to unachieved savings of the recruitment and retention of social workers due to delays in fully recruiting new Assessed and Supported Year in Employment (ASYE) to replace agency staff (funded by reserves), and £233k on the use of agency within the Special Education Needs team, relating to clearing a backlog of Education and Health Care Plan cases and meeting the ongoing demand.

#### Risks

There are also risks of £8.62m which could impact the forecast position should they materialise and these are detailed in **Appendix 1**.

#### 4.8 Customer Engagement (£561k underspend after use of and transfers to reserves)

The initial forecast position is £389k above budget, however after planned transfers to and from reserves of £950k (as set out in **Appendix 2**), this falls to an underspend of (£561k).

#### 4.9 Economy, Environment and Communities (£853k underspend after use of and transfers to reserves)

Prior to transfers to and from reserves, the forecast position is a variance against budget of £5.77m, which after the net use of reserves of (£6.62m) results in an underspend of £853k. c£4.1m of this variance arises from the cost of living/energy price increase impact in relation to the Street Lighting PFI (£3.6m) and Tarmac contract (£247k). Further work is in hand to assess the energy cost impact on the remainder of the PFI term and this will be reported to Cabinet in the updated MTFO in October. Of the £6.6m use of reserves, £2.5m was planned, with a further £4.1m transferred in from the Street Lighting PFI earmarked reserve.

The other main variances are:

- Clean & Green (£587k) – underspends on reduced waste disposals costs, reduced household waste recycle centres management fees, and increased trade waste income. These are partly offset by staffing overspends due to a delay in the restructure, under recovery of markets income, vehicle fuel costs and maintenance;
- Leisure & Bereavement Services (£156k) – over-recovery of bereavement and registrations income, underspend on leisure staffing, offset by increase in post mortem and grounds maintenance costs;
- Cultural Services (62k) - Staffing underspends due to vacant posts;
- Library Services (£79k) - Staffing underspends due to vacant posts;
- Regulatory Services £217k – an overspend on legal fees for unauthorised encampments, under recovery of enforcement income and staffing overspend due to delay in restructure;
- Communities & Partnerships (£379k) – staffing underspends due to a delay in the restructure, partly offset by an overspend on CCTV costs.

There are also risks of £150k which could impact the forecast position should they materialise and these are detailed in **Appendix 1**.

#### 4.10 Resources and Transformation (£262k underspend after use of and transfers to reserves)

The forecast position is an underspend of £143k, which after the net transfer of planned reserves of £119k is an underspend of £262k. The main areas of variance to budget relate to salaries across the finance and corporate landlord functions.

There is a cost of living impact around energy contracts – with the non-half hourly electricity contract due to expire on 30/09/22, the half hourly electricity contract on 30/09/24, and the gas contract expiring on 30/09/22. Work is currently being undertaken in year to assess the likely impact. There is also a potential risk within Catering that the cost of food will rise by c13%, which is currently being assessed. The impact of this will be reported in the next monitor.

#### 4.11 Capital Financing (£2.19m underspend after use of and transfer to reserves)

Borrowing budgeted to be taken out to cover the prior year capital programmes and expected to take place during 2022/23, will no longer take place as, following a review of cash balances, it is considered more prudent to internally borrow, which will reduce interest costs as well as reducing counterparty risk. This has resulted in a saving against budget of £2.19m.

#### **Approved savings in 2022/23**

4.12 The 2022/23 budget approved by Council on 24 February 2022 includes £18.86m of benefits realisation (savings) against Proud activity plus a further £5.36m of 2021/22 benefits approved to be carried forward for delivery in 2022/23, giving a total benefit figure of £24.22m to be achieved. Directors are required to ensure that service delivery plans are developed to fully deliver these in year.

4.13 All benefits require a delivery plan with key milestones including any corrective action to be produced, where there are any reported variations to the saving being delivered. There are currently high risk benefits of £10.68m, as shown in **Appendix 3** along with

the reason and proposed mitigating actions where applicable. These actions total £1.91m, and there is an expectation that actions are put in place to ensure fully delivery in the following year. Mitigating actions reduce the potential corporate overspend to £2.28m as referred to in **Table 1**.

- 4.14 Opening unallocated general reserves for 2022/23 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 medium term financial framework (MTFF) requires that a prudent levels of reserves is maintained. This was set at no less than £16.11m for 2022/23. The MTFF also sets a minimum level of reserves beyond which any use must be reported to Council. This is currently set at £6.6m. The potential overspend of £2.28m within this report would reduce available reserves to £15.41m, requiring replenishment in year. As such, wherever possible, alternative actions should be taken to ensure that reserves are maintained at the recommended level.

### **Covid-19 Impact on the Revenue Forecast 2022/23**

- 4.15 There have continued to be additional costs associated with our response to 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 Services. In addition, the council has faced reductions in sources of income.
- 4.16 This report provides detail on those grants impacting in 2022/23. £7.11m was approved to be carried over from 2021/22. These are summarised at **Table 3**. Of this, £4.14m relates to grants ringfenced to specific activity, which is expected to be maximised in accordance with respective grant conditions. The balance of £2.97m relates to unallocated unringfenced Covid-19 grant funding from 2021/22. Currently £2.52m of this has been committed, as detailed in **Table 4**, leaving £450k to fund any further emerging pressures in year, subject to approval.

<b>Table 3: Covid-19 funding 2022/23</b>			
<b>Source of funding</b>	<b>Balance b/f 2021/22</b>	<b>Actual spend @ May 2022</b>	<b>Annual forecast 2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Covid-19 support package (unringfenced)	2.97	0.15	2.52
New Burdens Funding - Business rates admin	0.45	0.04	0.45
Wellbeing for Education funding	0.02	0	0.02
Contain Outbreak Management Fund	2.95	0.41	2.95
Omicron Support Fund	0.36	0	0.36
Clinically Extreme Vulnerable support grant	0.15	0	0.15
Community Champions	0.21	0.02	0.21
<b>Total Funding</b>	<b>7.11</b>	<b>0.62</b>	<b>6.66</b>

<b>Table 4: Covid-19 unringfenced funding</b>	
<b>Details</b>	<b>£m</b>
Balance b/f from 2021/22	2.97
Central - one-off investment – as approved as part of 2022/23 budget	(0.27)
Children’s – children in care placement costs related to Covid-19*	(0.85)
Adult Social Care - Access Team	(0.14)
Adult Social Care - Learning Disability Team	(0.26)
Adult Social Care – Service Transformation savings delivery / Demand	(1.00)
<b>Balance remaining</b>	<b>0.45</b>



There are ongoing pressures within Adult Social Care and Children's Services which are directly related to Covid-19, as identified in **Table 4** above. Cabinet are requested to approve the allocation of unringfenced funding to cover the following pressures in 2022/23 -

- Children's Services - £847k relating to placement costs of children in care arising from the complexity of the need of children in care and also not being able to step down placements into lower cost foster care placements due to the on-going national shortage;
- Adult Social Care – £140k Access Team staffing costs. There is an operational need to continue with 4 agency Social Work posts for six months in 2022/23 due to ongoing capacity issues. The primary concern is in relation to safeguarding responses given the rise in referrals over recent months;
- Adult Social Care - £262k Learning Disability Team additional staffing costs. This is to meet the costs of six full-time agency social workers, one full-time Advance Practitioner, and one Social Care Facilitator for six months in 2022/23 as a direct result of increased appointments of general and safeguarding referrals and review of the backlog, the challenge of reduced capacity of the marketplace, and the Court of Protection process and oversight of people who continue to remain vulnerable as a result of the level of needs presented.
- Adult Social Care - £1m requested to part fund the likely shortfall in delivery of transformation savings in 2022/23, following the carry forward of undelivered savings of £4.6m from 2021/22. As a result of the pandemic the directorate has been subject to significant extra demands and pressures on its services. This has resulted in both additional demand for services and also impact on the capacity to deliver the transformation required to achieve the approved savings in 21/22 – 22/23 in the original; planned timescales. The achievement of these savings has also been partly impacted by the ability of service areas outside of Adult social Care to support the delivery of Customer Access management and Resilient Communities due to their competing priorities.

### **Capital Programme 2022/23**

4.17 The capital programme for 2022/23, as approved by Council on 24 February 2022 was £194.88m. **Table 5** summarises amendments made to date, resulting in a revised programme of £227.22m.

<b>Table 5: Amendments to Capital Programme 2022/23</b>	
<b>Project</b>	<b>£m</b>
<b>Capital programme 2022/23 per Council 24 February 2022</b>	<b>194.88</b>
Removal of estimated Carried Forwards	(128.55)
<b>Council Funded Resources</b>	
Carry forwards from 2021/22 – as approved by Cabinet on 22 June 2022	73.67
Bloxwich Landing Development – budget brought forward 2022/23 to 2021/22	(0.17)
<b>Externally Funded Resources</b>	
Carry forwards from 2021/22 – as approved by Cabinet on 22 June 2022	79.65
Warm Homes Phase 2 - Increase in grant values	0.47
Home Upgrade Grant (HUG) - New grant	1.25
High Needs Provision Allocation - allocation announced in April	4.71
New Art Gallery - Bid unsuccessful	(0.05)
Electric Vehicle Charging Points - New grant	0.23
Growth Deal – adjustment to reflect transfer from budget for growing places	(5.44)

<b>Project</b>	<b>£m</b>
Land & Property Investment Fund (LPIF) - Increase in grant	0.45
Local Authority Delivery Scheme (LADS 3) - Increased grant	0.14
Home Upgrade Grant (HUG) - Increased grant	0.03
Basic Need - reduction in grant	(1.32)
Capital Maintenance- Increase in grant	1.97
Highways maintenance – increased grant	0.04
Canal and River Trust – increased allocation	0.22
Phoenix 10 Homes England	3.61
Yorks Bridge	0.70
Town and District Centres and Walsall Market	(0.56)
Willenhall Masterplan	0.56
Local authority Delivery Scheme 2 (LADS2) – funding increase	0.95
Social Housing Decarbonisation moved from 22/23 to 21/22	(0.02)
Darlaston Baths moved from 22/23 to 21/22	(0.21)
<b>Revised capital programme 2022/23</b>	<b>227.22</b>

4.18 **Table 6** summarises the 2022/23 predicted year end position, which is forecast to be on budget after the expected re-phasing of £80.58m into 2023/24.

<b>Table 6: Forecast capital analysis 2022/23</b>					
<b>Directorate</b>	<b>Budget £m</b>	<b>Predicted year end forecast £m</b>	<b>Variance before Carry forward £m</b>	<b>Carry Forward £m</b>	<b>Variance Over / (Under) £m</b>
Council funded	90.90	55.33	(35.57)	35.57	0.00
Externally funded	136.32	91.31	(45.01)	45.01	0.00
<b>Total</b>	<b>227.22</b>	<b>146.64</b>	<b>(80.58)</b>	<b>80.58</b>	<b>0.00</b>

4.19 The capital programme currently shows predicted re-phasing of £80.58m from 2022/23 to 2023/24 as shown in **table 7**. Re-phasing occurs for a number of reasons such as late confirmation of grant approvals, timing of projects that may fall over more than one financial year, contract delays out of our control due to waiting for funding confirmation or Government approval.

<b>Table 7: Re-phasing of funded schemes 2022/23 to 2023/24</b>	
<b>Project</b>	<b>£m</b>
<b><i>Council Funded</i></b>	
Regenerating Walsall	0.06
Darlaston Strategic Development Area (DSDA)	0.19
Enterprise Zones	0.75
Future High Streets Fund	0.08
MyCMIS Asset management tracking system	0.22
Bloxwich Town Deal	0.01
Walsall Town Deal	3.10
Social housing Decarbonisation	1.73
ICT – Safe and secure environment	0.01
Enabling technology	1.03
Smartphones	1.00
Civic Centre heating	0.28

<b>Project</b>	<b>£m</b>
Council House general heating	1.08
Operational repairs and maintenance of council buildings	3.72
Council House roof repairs	0.02
Willenhall Lane travellers site pumping station	0.95
Equity investment	1.93
Regional materials recycling facility	0.18
Middlemore Lane household waste recycling centre	0.70
Allotment boundary improvement works	0.01
Play areas and outdoor gym improvements	10.14
Local Transport Plan – Yorks Bridge	0.12
New homes bonus	8.24
<b>External Funded</b>	
Purchase of dispersed temporary accommodation	1.26
Basic Need	13.31
Capital Maintenance	2.13
High Needs Provision Capital allocation (HNPCA)	3.62
M6 Junction 10 highway improvements	1.88
West midlands strategic Transport Plan (STP) 'Movement for Growth'	0.54
Future High Streets Fund	0.48
Walsall Town Deal	5.38
Off Gas scheme	0.07
Social Housing decarbonisation	0.61
Land and Property Investment Fund	14.61
Growing Places Fund	1.11
<b>Total</b>	<b>80.58</b>

### Pipeline Investment

4.20 A provision of £40m was approved by Council in February 2021, with a further £30m approved by Council in February 2022, a total of £70m set aside over the 5 year period 2021/22 to 2025/26 for council pipeline investment opportunities, including emerging regeneration schemes, where funding or match funding is required, and major capital projects. The current proposed use (and unallocated amounts) are set out in **table 8** below.

<b>Table 8: Pipeline Investment 2021/22 to 2026/27 – planned allocations</b>							
<b>Scheme</b>	<b>Approval</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>
<b>Budget Allocation</b>		<b>28.00</b>	<b>0.00</b>	<b>22.00</b>	<b>10.00</b>	<b>10.00</b>	<b>0.00</b>
Balance c/f		0.00	26.05	15.46	25.68	31.48	41.13
Regional Materials Recycling Facility	Cabinet 17 March 2021	0.00	(0.65)	(0.93)	0.00	0.00	0.00
Future High Street Fund - match	Cabinet 21 April 2021	0.00	0.00	0.00	(4.05)	(0.35)	(0.71)
Reedwood Land (risk)	Cabinet 16 June 2021	0.00	0.00	0.00	0.00	0.00	0.00
Street Lighting	Cabinet 16 June 2021	(0.22)	(6.97)	(4.28)	0.00	0.00	0.00
Children's Residential	Cabinet 16 June 2021	(0.97)	(0.10)	0.00	0.00	0.00	0.00
Transit site – part funding	Business case endorsed by SIB 14 Sept 2021	(0.33)	0.00	0.00	0.00	0.00	0.00

Scheme	Approval	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
		£m	£m	£m	£m	£m	£m
Streetly Cemetery improvements	Business case endorsed by SIB 12 Oct 2021	(0.43)	0.00	0.00	0.00	0.00	0.00
Willenhall Masterplan	Business case endorsed by SIB 14 Dec 2021	0.00	(2.68)	(6.42)	0.00	0.00	0.00
Darlaston Boilers/baths	Business case endorsed by SIB 8 March 2022	0.00	(0.04)	0.00	0.00	0.00	0.00
Children in care / Foster Care refurbishment programme	Business case endorsed by SIB 19 Jan 2022	0.00	(0.15)	(0.15)	(0.15)	0.00	0.00
<b>Total Allocated</b>		<b>(1.95)</b>	<b>15.46</b>	<b>3.68</b>	<b>21.48</b>	<b>31.13</b>	<b>40.42</b>
<b>Unallocated Balance c/f</b>		<b>26.05</b>	<b>15.46</b>	<b>25.68</b>	<b>31.48</b>	<b>41.13</b>	<b>40.42</b>

The budget report to Council in February 2022 referred to an annual allocation of £500k per annum to be set aside for capital contingency, subject to approval.

### ***Financial Health Indicators***

- 4.21 **Appendix 4** contains financial health indicator performance as at 31 May 2022 (30 June 2022 for revenue and capital forecast as referred to in this report). 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*

- 4.22 The indicators show the actual borrowing and investment rates for 2021/22 and the forecast for 2022/23 against set targets. Proactive and robust management of the council's debt and investment portfolios is forecast to result in positive variances against most of the financial health indicator targets for 2022/23.

Average interest rates on borrowing show a slightly adverse variance which is due to paying off borrowing maturities in April (lower rate) and borrowing rates currently higher than budgeted this financial year.

#### *Balance Sheet*

- 4.23 This details ratios for the last 4 financial years 2017/18, 2018/19, 2019/20, 2020/21 and pre-audit figures for 2021/22 which show the liquidity of the authority.

#### *Revenue performance*

- 4.24 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 2022/23 and the performance against profile for 2022/23. Sundry debt collection is on target with performance in relation to the processing of creditor payments better by 1.5 days. Council tax and NNDR collection rates are both above target.

## *Management of Resources*

- 4.25 This section details the outturn position for 2021/22 (pre audit) and 2022/23 year-end forecast for revenue and capital, which is based on the financial position as at 30 June 2022. The revenue forecast for 2022/23 shown is a potential overspend of £2.28m after use of and transfer to reserves, before any further action is taken.
- 4.26 The capital forecast as at the end of June is an expected rephrasing of £80.58m which is expected to be carried forward into 2023/24. 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***

- 4.27 **Appendix 5** contains the prudential indicators as at 31 May 2022. 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*

- 4.28 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 2021/22 and are forecast to be met in 2022/23.

## *Local Indicators*

- 4.29 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 a slightly adverse variance. Main reasoning for this is paying off borrowing maturities in April which were placed at a lower interest rate; resulting in the average borrowing rate increasing. Also, it has been budgeted to take out borrowing this financial year at low interest rates, which is also why the target rate of 3.62% is lower than the actual interest rate of external debt 3.81% (including WMCC Debt).

Specific variances to highlight are:

- L2 - Average length of debt – The target acceptable limit is within 15-25 years. The authority's current position is 18.09 years, which is within the target range.
- L3a - Net borrowing costs as % of net council tax requirement (variance of -68.50%). 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 -67.35%). 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.

- L9a – Bank of England have increased their interest rate to both 0.75% in March 2022 and 1.00% in May 2022; we have seen the corresponding affect that this has had in relation to Investment Yields. All investments are outperforming the 2022/23 target rate.

### ***The Medium Term Financial Outlook (MTFO)***

- 4.30 Council on 24 February 2022 approved the 2022/23 budget, which included the draft plan for the period 2022/23 to 2025/26. Savings of £26.90m were published, including £18.86m for 2022/23. Whilst a balanced budget was presented for 2022/23, there remain savings of £26.67m to be identified to ensure a balanced budget is presented over the period to 2025/26. This assumes all identified savings are delivered, including £5.55m in 2023/24 for cross council efficiencies relating to Customer Access Management where full delivery plans are in early stages of review.

	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>Total £m</b>
Savings required per Council February 2022	18.86	12.24	11.53	10.94	53.57
Savings identified *	18.86	6.89	1.15	0.00	26.90
<b>Savings to be identified</b>		<b>5.35</b>	<b>10.38</b>	<b>10.94</b>	<b>26.67</b>

\* Excludes carry forwards from 2021/22.

- 4.31 Further work is in hand to refresh the MTFO, including adding a rolling year to include 2026/27. The updated MTFO will be reported back to Cabinet in October 2022 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;
  - Review of pay and pension assumptions - pay based on 2%, although the pay request is significantly above this;
  - Review of Cost of Living Impact and rising cost of inflation and energy;
  - Review of contractual inflation assumptions;
  - Impact of Covid-19 on cost and income assumptions;
  - Fees and charges review;
  - 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;

### ***Budget Approach***

- 4.32 Resources are allocated and budgets set within a framework of protocols and guidelines, in particular the council's Corporate Plan and Medium Term Financial Framework (MTFF). 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 2023/24 in February 2023, 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.

- 4.33 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.
- 4.34 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 2023/24 budget;
  - Allocate limited and reducing resources to those activities that contribute most to improved customer and staff outcomes;
  - Continue the focus on the need to deliver ongoing efficiency savings.
- 4.35 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 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;
  - Post Covid-19 impact 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.

#### 4.36 Our approach to resource allocation will:

- I. Be first and foremost focussed on aim, objectives and outcomes – delivery of the Council Plan 2022-25 and Proud Promises. 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 Council Plan aim 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.

4.37 Our Reset Action Plan was agreed by Cabinet on 16 June 2021 aligned to the Walsall Proud Promises and Council 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;
- Use of technology and digitalisation to streamline processes and reduce costs.

➤ ***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;
- Support equalities and diversity and the employee survey action plan.

➤ **Improve service efficiency and performance**

- To enable new ways of working 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 and income generation;
- To promote an outcome focussed culture.

4.38 Our approach to budget setting was established for 2022/23 with overall financial savings expected to be delivered via Proud activity. For 2023/24 Proud work streams will continue to provide the 'enablers' to allow Directorates to deliver through Service Transformation Plans (STP's).

4.39 Directors and their Heads of Service have been tasked with completion of new STP's linking their current and future service delivery with Council priority outcomes as per the Council Plan. This will allow for identification of potential transformation activity and associated savings for future financial years. Following completion and a review process, STP's will identify options for Cabinet to consider as part of the budget setting process for 2023/24. The STP process is aligned to the budget timeline.

4.40 The process and key dates to come include:

- Finalise review on the MTFO and report to Cabinet / CMT;
- STP development completed by end June 2022
- Delivery options developed over the Summer and Autumn;
- Review of the draft capital programme;
- Draft Budget proposals to Cabinet by 19 October 2022;
- Scrutiny of the draft budget proposals, by Overview and Scrutiny Committees in October / November 2022, and feedback to Cabinet on 14 December 2022;
- Budget briefings for political groups, independent members, trades unions, key stakeholders through the year;
- Consultation with the public on proposals for future service delivery, and formal employee and trade union consultation;
- Receipt of the draft 2023/24 settlement estimated to be in December 2022, and the final in late January / early February 2023;
- Recommendation of the revenue budget and council tax bands, capital programme and Treasury Management Strategy by Cabinet on 8 February 2023 for consideration by Council on 23 February 2023.

### ***Tax Strategy and governance arrangements***

4.41 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 amended Tax Strategy and governance arrangements was approved by [Cabinet 21 July 2021](#) and there are no further changes required.

## **Council Corporate Plan Priorities**

- 4.42 The council's financial strategy and annual budget process is designed to ensure that resources follow council priorities and deliver outcomes as set out in the Council Plan 2022-25.

## **Risk Management**

- 4.43 The 2022/23 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. Covid-19 and the Cost of living Crisis create an ongoing risk, in that resources may need to be directed to support the impact on our residents and service users. The impact of this is being assessed.
- 4.44 As well as financial risk, the council maintains a register that highlights key themes of organisational risk which is reported to Audit Committee as part of their annual work programme. The Strategic Risk Register (SRR) is regularly reviewed and amended where appropriate. The SRR is reported to CMT and oversight in relation to this rests with Audit Committee, which will receive a number of reports during 2022/23.
- 4.45 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 MTFF. 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**

- 4.46 The financial implications are as set out in the main body of this report. The council has a statutory responsibility to set a balanced budget and to ensure it has an adequate level of reserves. The council takes a medium term policy led approach to all decisions on resource allocation. The potential overspend of £2.28m as set out in this report requires strong and robust management to ensure the council outturns within budget by year end. Actions are being taken to address these, and progress will be reported throughout 2022/23 to Cabinet.

## **Legal implications**

- 4.47 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. 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.

- 4.48 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 two specific modifications are:
- At the earliest possible stage a CFO should make informal confidential contact with DLUHC 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 DLUHC at the same time as providing a potential S114 scenario report to the council executive (cabinet) and the external auditor.
- 4.49 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**

- 4.50 All procurement activity is being reviewed, with a focus on identifying opportunities that will enable us to financially support our current and future services, especially those developed by Walsall Proud. It will do this by reviewing and reducing third party spend and improving the 'Procure to Pay' process and systems. The Third Party Spend Board has been created to support and challenge services through the gateways of the commissioning and procurement process, with the ultimate aim of achieving best value for money.

### **Property Implications**

- 4.51 The impact of Covid-19 has meant that many council premises were required to close or remain open with restricted access to essential workers during the early stages of 2021/22. Following the easing of restrictions, the council has reviewed its ways of working approach, emphasised on 'it's the work that we do, not where we do it'.

Cabinet on 20 April 2022 approved the council's Strategic Asset Plan 2022-27. The Strategic Asset Plan is the key document which sets out the council's vision and approach for the management of its property portfolio under the Corporate Landlord model.

The Corporate Landlord model approach takes a more strategic approach to property and asset management across the council, bringing together property, facilities management and commissioning responsibilities into a key enabling service under the council's new functional model. This will ultimately enable the development and implementation of an estate that supports Proud and the wider corporate objectives of the council.

### **Health and Wellbeing Implications**

- 4.52 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**

4.53 There are no direct implications arising from this report.

## **Reducing Inequalities**

4.54 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**

4.55 This report is prepared with consideration of the council's Climate Change Action Plan, and budget proposals will need to consider the six key areas of the Plan: strategy, energy, waste, transport, nature, resilience and adaptation (as appropriate).

## **Consultation**

4.56 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 on the forecast for 2022/23, including an update on risks and impact on the budget for 2023/24 and beyond.

7.2 Budget proposals will be presented to Cabinet, and implemented following approval of the budget by Full Council in February 2023.

**Background papers:** Various financial working papers.

### **Author:**

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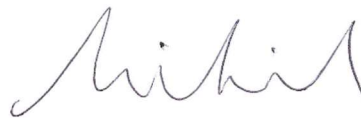
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Signed:



**Deborah Hindson**  
**Interim Executive Director of Resources**  
**and Transformation (S151 Officer)**  
20 July 2022

Signed:



**Councillor M Bird**  
**Leader of the Council**

20 July 2022

## Appendix 1: Summary of potential risk

<b>POTENTIAL RISK – HIGH RISK ITEMS ONLY</b>	<b>POTENTIAL COST OF RISK £m</b>
<b>Adult Social Care</b>	
Outstanding debt to Walsall CCG for S117 and CHC recharges over one year old. The directorate is working with the CCG to resolve any queries relating to this outstanding debt.	2.72
Adult social care benefit proposals currently identified as 'not fully guaranteed' (Amber)	1.70
<b>Total Adult Social Care</b>	<b>4.42</b>
<b>Children's Services</b>	
Children in Care placements, mainly within fostering, break down due to various reasons and the child will be moved usually to an external residential placement at a higher cost. Previously this has been managed with other placement moves to lower cost placements offsetting this cost increase. However, due to the large number of STPs accounting for step downs, significantly increasing external residential placement costs and placement sufficiency issues limiting the options to secure other foster placements, the impact of these movements is now being realised. The risk is based on trends seen in 2021/22 and the current average cost of an external residential placement.	1.67
In 2019/20, there was a net increase of 108 children & young people entering care in comparison to 48 in 2020/21. If this spike were to happen again in 2022/23 and assuming these placements would be external residential due to the continuation of placement sufficiency issues, the service could see additional costs of up to £4.50m, above MTFO budgets.	3.75
£700k of red savings from 2021/22 carried forward to 2022/23 plus £2.5m amber savings where it is not certain these benefits are achievable. The service is currently working with finance to update and refresh the original benefits and identify mitigating actions where needed.	3.20
<b>Total Children's Services</b>	<b>8.62</b>
<b>Economy, Environment and Communities</b>	
Clean & Green – co-mingled waste contract	0.15
<b>Total Economy, Environment and Communities</b>	<b>0.15</b>
<b>TOTAL HIGH RISKS</b>	<b>13.19</b>

## Appendix 2 – Details of (use of) / transfer to reserves

Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
<b>Adult Social Care, Public Health and Hub</b>			
Covid-19 – unringfenced funding	(1,402,171)	0	Primarily used to offset the delay in achieving approved savings, and the ongoing impact on demand within the Access and Learning Disabilities teams.
Covid-19 – Contain Outbreak Management Fund	(2,946,014)	0	Costs to support local test, trace and contain activities as well as wider measures to protect public health and local economies.
Covid-19 – Omicron	(357,956)		Costs associated with the plan to strengthen the Carers strategy across the borough following Covid-19
Housing 21	(508,977)		Used to fund the increase in unitary charge above that included in the budget due to higher RPI being applied than expected.
Improved Better Care Fund 2 (iBCF2)	(848,009)	0	Costs associated with social care activity/intermediate Care.
Public Health	(2,233,275)	523,194	Funding of various one-off projects i.e., Homelessness, Housing First and Mental Health. Transfer to reserve is mainly due to under spend on staffing and contracts.
IFRS*	(571,610)		Relates to grant funding for Public Health projects – Better Mental Health, Adult Weight Management and Universal Drug / Crime
Social Care Grant – Doctor’s assessments	(150,219)	0	To support back log of Best Interest Assessors / Deprivation of Liberty safeguard assessments.
<b>Total Adult Social Care, Public Health and Hub</b>	<b>(9,018,231)</b>	<b>523,194</b>	
<b>Children’s Services</b>			
Covid-19 – unringfenced funding	(1,347,000)	0	Primarily used to offset pressures relating to children and young people in care resulting from Covid-19.
Proud – invest to save	(1,073)	0	Funding development posts linked to transformation plan benefits.
IFRS*	(743,602)	446,832	Relates to grant funding for School Improvements, Safeguarding Families, Protecting Children, Regional Recovery, Rough sleepers, Personal Advisors.
Children in care complex cases	(239,228)	0	To fund pressures, including social workers and placement costs, of complex cases relating to young people in care.
Children in care - FDAC	(142,678)	0	To part fund 3 year FDAC contract. Delay in utilisation due to Covid-19.
Children’s external partner contributions	(104,147)	74,832	Use of Safeguarding Partnership contributions and transfer of underspend on Youth Justice Board to reserves. Both services are significantly funded by external partner contributions.

Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
Truancy fine income	(21,994)	0	Used to fund an attendance officer post.
Covid-19 - Wellbeing for education	(22,107)	0	Grant funding that seeks to better equip education settings to support children and young people's wellbeing, resilience, and recovery in the context of Covid-19.
<b>Total Children's Services</b>	<b>(2,621,829)</b>	<b>521,664</b>	
<b>Children's - Customer Engagement</b>			
Covid-19 – Business rates administration	(437,440)	0	To cover the additional Covid-19 related admin work to be completed for audit of the grants.
Houses in multiple occupation (HMO) licences	0	341,393	To fund staff support costs relating to HMO licences in future years.
IFRS*	(476,949)	0	Grant funding for Housing First scheme, homelessness, citizens advice bureau, refugee costs and other smaller projects.
Discretionary Housing Payments funding (DHP)	(60,000)	0	To fund pressures in reduction in Discretionary Housing Payments funding (DHP)
Crisis support	(312,210)	0	To fund costs related to the Crisis Support Scheme
<b>Total Children's - Customer Engagement</b>	<b>(1,286,599)</b>	<b>341,393</b>	
<b>Economy, Environment &amp; Communities</b>			
Covid-19 – Clinically extremely vulnerable	(148,407)	0	Covid-19 funding used to support clinically extremely vulnerable residents during the pandemic.
Covid-19 – Community Champions	(152,972)	0	Costs of supporting residents who are most at risk of Covid-19.
Building control fees – statutory account	(19,678)	0	Required to breakeven over a 3-year period which is reviewed annually. Any under/over recovery transferred to/from reserves.
Bus lane enforcement ring fenced income	(335,163)	0	Funding key projects in line with the legislation. <ul style="list-style-type: none"> <li>• Install Bridge Street bus gate;</li> <li>• Road lines;</li> <li>• Introduction of Moving Traffic Enforcement legislation.</li> </ul>
Street Lighting PFI	(4,121,225)	0	Grant funding to be utilised over the life of the project. This is being utilised to fund the increase in energy costs for 2022/23.
On Street Car Parking income (ringfenced)	(153,495)	0	Funding key projects in line with the legislation. <ul style="list-style-type: none"> <li>• Expansion of safe haven scheme;</li> <li>• Road lines.</li> </ul>
Economic growth programme (EGP)	(147,639)	206,899	To support costs within service to continue functions as per Cabinet report October 2020. Extended to 2023.



Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
IFRS*	(492,539)	110,920	Primarily relates to grants / contributions carried forward where spend was delayed due to Covid-19 or spend spans more than 1 year.
Growth Deal - pipeline works	(89,699)	0	Support for research & development of future projects including Willenhall masterplan.
Phoenix 10	(135,000)	0	To fund professional fees
Town Centre Master Plan	(199,228)	0	Costs associated with the Town Centre Master Plan redevelopment
Feasibility / Options appraisals	(250,000)	0	To cover costs which cannot be coded to capital and abortive costs of schemes.
Black Country Core Strategy	(15,672)	0	Walsall's share of the costs associated with the review of the Black Country Core Strategy
Shannon's Mill (commuted sum)	(3,000)	0	To cover the ongoing maintenance with a set proportion released each year.
Enforcement one off investment	(98,999)	0	One off investment in 2021/22 not utilised due to delay in recruiting to restructure of substantive posts.
Levelling Up Fund	(125,000)	0	Government funding to level up north/south divide to be used in 2022/23
<b>Total Economy, Environment &amp; Communities</b>	<b>(6,487,716)</b>	<b>317,819</b>	
<b>Resources &amp; Transformation</b>			
IFRS*	(1,324)	0	Primarily relates to grants carried forward in relation to the Black Country LEP that span more than 1 financial year.
Appointeeships – one off investment	(16,739)	0	Funding of agency to continue with the implementation of charging.
Economic growth programme	(145,248)	110,354	To support costs within service to continue functions as per Cabinet report October 2020. Extended to 2023.
External partner contributions	(2,997)	0	Contributions to support Technical Assistance Programme.
Enterprise Zones	(863,045)	1,282,900	Generated from surplus business rates to fund the costs of future capital schemes.
Growing Places Fund	(8,342)	0	Funding received to support the Growing Places LEP programme management costs.
Growing Places Fund – Underwriting	(60,000)	0	Ringfenced to LEP to support programme management costs and other revenue costs.
Growth Deal Programme	(64,821)	0	To fund any necessary staff costs linked to closure of programme.
Improvement projects	(32,500)	0	To fund costs associated with One Source.
Proud	(49,055)	0	To fund costs associated with Enabling Support Services.

Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
Youth Employment Initiative (YEI) Overheads	0	102,271	15% overhead costs claimed on YEI, this is used to support any ineligible costs going forward.
Proud Resource Plan	(132,734)	0	To fund investment and resources to deliver Proud workstream activity.
<b>Total Resources and Transformation</b>	<b>(1,376,805)</b>	<b>1,495,525</b>	
<b>Capital Financing</b>			
Borrowing re-scheduling	0	3,710,548	To fund borrowing re-scheduling costs dependent on market conditions and to manage risk / pressures for changes in interest rates and on-going impact of airport dividend shortfalls due to impact of changes in the business plan / Covid-19.
Minimum revenue provision (MRP)	(585,000)	0	To smooth minimum MRP costs as per approved MRP policy.
Pensions – upfront payment borrowing costs	(186,671)	0	To fund borrowing costs of funding pension payments upfront for 3 years to release savings.
<b>Total Capital Financing</b>	<b>(771,671)</b>	<b>3,710,548</b>	
<b>Centrally Held</b>			
Proud	(290,000)	0	Funding of one-off investment in relation to Proud programme.
Covid-19 – unringfenced funding	(274,000)	0	To fund one off Covid-19 related investment in 2022/23.
Irrecoverable losses income (collection fund)	(1,430,000)	0	Government grant used to fund collection fund losses arising from Covid-19.
Enterprise Zones – part of section 31 grant	0	18,338	Transfer of business rates income relating to the Enterprise Zone.
Pay / Pensions	0	3,158,588	Transferred to smooth pension increases in future years.
Project reserve (windfall income)	0	11,420	Windfall income transferred to fund future projects.
Covid-19 - Expanded retail discount	(7,754,211)	0	Reliefs to be used in 2022/23 to fund reductions in NNDR income
Business rates retention scheme	(2,366,950)	1,290,000	To fund volatility of business rates income due to the pandemic and any appeals. Also to smooth future changes to the scheme.
<b>Total Centrally Held</b>	<b>(12,115,161)</b>	<b>4,478,346</b>	
<b>TOTAL RESERVES</b>	<b>(33,678,012)</b>	<b>11,388,489</b>	

### Appendix 3: Benefits 2022/23 currently identified as at risk of delayed delivery

Directorate / Area	Benefit	Original Full Benefit £	Value of benefit identified as at high risk of non delivery £	Value to be Mitigated In Year £	Reason	Mitigating Actions
<b>Adult Social Care, Public Health &amp; Hubs</b>						
Adult Social Care	Older People & Front Door – 2021/22 cfwd	2,375,570	2,149,206	0	No evidence of reduction in demand to evidence saving	No mitigation currently identified
Adult Social Care	Older People & Front Door – 2022/23	4,483,281	4,483,281	0	No evidence of reduction in demand to evidence saving	No mitigation currently identified
Adult Social Care	Implementation of All Age Disability approach	745,276	745,276	0	Detailed delivery plans yet to be completed	No mitigation currently identified
Adult Social Care	Benefit maximisation project – 2021/22 cfwd	184,719	184,719	184,719	Awaiting outcome of review	Full year effect of 2021/22 work
Adult Social Care	Joint Funding Arrangement – 2021/22 cfwd	1,757,270	1,393,070	0	Awaiting variation of Section 75 agreement	Continued negotiations with clinical commissioning group (CCG)
Public Health	Service reconfiguration - public health contracts	500,000	500,000	500,000	Further work to be carried out to identify specific contracts	Use of reserve in 2022/23
Public Health	Review of existing public health transformation fund	300,000	300,000	300,000	Details still to be confirmed following review of transformation fund options	Use of reserve in 2022/23
<b>Total</b>		<b>10,346,116</b>	<b>9,755,552</b>	<b>984,719</b>		
Economy, Environment & Communities	Clean, Green & Leisure restructure and delivery model review	601,728	458,103	458,103	Changes in structures and models have not yet been determined	General underspends within Clean and Green (largely waste disposal costs)
Economy, Environment & Communities	Premium bulky waste collection service (as recommended in cabinet paper 15/12/2021).	15,000	15,000	15,000	Bulky waste income declined in 21/22 and no backlog exists – therefore a “premium” service is unlikely to be require	Other income generation options being explored, currently mitigated by general underspends within Clean and Green (largely waste disposal costs)
Economy, Environment & Communities	Offer residential gardening service	30,000	30,000	30,000	Business case has highlighted this benefit is unlikely to be achievable	

Directorate	Benefit	Original Full Benefit £	Value of benefit identified as at high risk of non delivery £	Value to be Mitigated In Year £	Reason	Mitigating Actions
Economy, Environment & Communities	Income generation from bookable gyms	30,000	30,000	30,000	Business case has highlighted this benefit is unlikely to be achievable	New scheme in place (Oak Park virtual instructor). Service manager to monitor income received month by month.
Economy, Environment & Communities	Review of Libraries management	60,679	42,059	42,059	Delay to implementation, now expected from December 2022	Underspends on current vacancies in Libraries service
<b>Total Economy, Environment &amp; Communities</b>		<b>737,407</b>	<b>575,162</b>	<b>575,162</b>		
Children's Services	Review of current establishment and reduction in the use of agency staff	747,820	350,000	350,000	Delay in recruitment of needed to reduce spend on agency	Use of reserve one off in year to offset delay in achievement of benefit
<b>Total Children's Services</b>		<b>747,820</b>	<b>350,000</b>	<b>350,000</b>		
<b>Total</b>		<b>11,831,343</b>	<b>10,680,714</b>	<b>1,909,881</b>		

#### Appendix 4: Financial Health indicators – May 2022

<b>Treasury Management</b>	<b>2021/22 Actual</b>	<b>2022/23 Target</b>	<b>2022/23 Actual</b>
Average Interest Rate (Borrowing)			
- Excluding other local authorities	3.59%	3.52%	3.74%
- Including other local authorities	3.65%	3.62%	3.81%
Gearing Effect on Capital Financing Estimates	3.69%	5.00%	3.85%
Net Borrowing Costs / Council Tax Requirement and NNDR contribution	4.60%	12.50%	4.06%
Capital Financing Requirement (£m)	417.36	411.85	374.50
Authorised limit for external Debt (£m)	498.30	474.38	474.38
Investment Rate Average (excl Property fund)	0.38%	0.48%	0.75%

<b>Balance Sheet Ratios</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22 (draft)</b>
Current Assets : Current Liabilities	1.03	1.68	2.39	2.01	1.91
Useable Reserves : General Revenue Expenditure	0.65	0.72	0.73	1.02	1.07
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.20	1.36	1.43	1.83	1.39
Long Term Assets : Long Term Borrowing	2.34	2.05	1.86	1.83	2.14
Total School Reserves : Dedicated School Grant	0.05	0.06	0.05	0.08	0.08

<b>Revenues Performance</b> % collected for financial year	<b>2020/21 Actual Collected in total @ 31.05.22</b>	<b>2021/22 Actual Collected in total @ 31.05.22</b>	<b>2022/23</b>	
			<b>Profiled 2022/23</b>	<b>Actual 2022/23</b>
Council tax %	96.0%	93.2%	17.2%	17.3%
Total Council Tax collected	135,222,921	142,957,115	27,400,000	27,616,994
National Non Domestic Rate %	95.4%	96.1%	18.7%	23.1%
Total NNDR collected	45,553,528	63,104,341	13,835,000	17,127,251

<b>Debtors and Creditors Performance</b>	<b>2021/22 Actual</b>	<b>2022/23</b>	
		<b>Target</b>	<b>Actual</b>
Sundry Debtors Collection – Average number of days to collect debt	24 days	24	24
Average number of days to process creditor payments*	8 days	8 days	6.5 days

<b>Management of Resources</b>	<b>2022/23</b>		
<b>Service Analysis</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Adult Social Care, Public Health and Hub	60,172,936	63,484,791	3,311,855
Children's Services			
- Children's and Education	60,925,921	63,760,793	2,834,872
- Customer Engagement	3,515,365	2,954,101	(561,264)
Economy and Environment	36,668,740	35,815,829	(852,911)
Resources and Transformation	29,250,640	28,987,662	(262,978)
Council Wide	39,429,922	37,239,923	(2,189,999)
NNDR/Top Up	(91,538,275)	(91,538,275)	0
<b>Total Net Revenue Expenditure</b>	<b>138,425,249</b>	<b>140,704,825</b>	<b>2,279,576</b>
General Reserves	<b>Minimum £6.6m Maximum £16.5m</b>	<b>N/A</b>	<b>N/A</b>
Council Funded Capital Expenditure	90,894,895	55,328,719	(35,566,176)
External Funded Capital Expenditure	136,321,188	91,306,511	(45,014,677)0
<b>Total Capital Expenditure</b>	<b>227,216,083</b>	<b>146,635,230</b>	<b>(80,580,853)</b>
Capital Receipts	2,500,000	2,500,000	0

<b>Management of Resources</b>	<b>2021/22</b>		
<b>Service Analysis</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Adult Social Care, Public Health and Hub	58,901,217	63,395,662	4,494,445
Children's Services	0	0	0
- Children's and Education	84,628,552	84,624,168	(4,384)
- Customer Engagement	6,536,609	4,964,171	(1,572,438)
Economy and Environment	53,387,831	52,440,726	(947,105)
Resources and Transformation	31,749,808	30,703,885	(1,045,923)
Capital Financing	(5,250,831)	(6,450,832)	(1,200,001)
Central budgets	(97,407,405)	(98,626,583)	(1,219,178)
<b>Total Net Revenue Expenditure</b>	<b>132,545,781</b>	<b>131,051,197</b>	<b>(1,494,584)</b>
General Reserves	N/A	19,188,169	N/A
Council Funded Capital Expenditure	98,316,953	20,502,335	(77,814,618)
External Funded Capital Expenditure	137,537,257	57,883,260	(79,653,997)
<b>Total Capital Expenditure</b>	<b>235,854,210</b>	<b>78,385,595</b>	<b>(157,468,615)</b>
Capital Receipts	4,231,584	3,978,763	(252,821)

## What this tells us

<b>Treasury Management</b>	
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.

<b>Balance Sheet Ratios</b>	
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.



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

<b>Management of Resources</b>	
<b>Service Analysis</b>	
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 2022

### National Indicators – as per CIPFA Prudential Code

Ref	Prudential Indicator Description	2021/22 Actual £m	2022/23 Target £m	2022/23 Actual £m	Variance to Target	
Prl 1	Capital Expenditure	78.385	87.895	87.895	0.000	0%
Prl 2	Ratio of financing costs to net revenue stream	7.24%	9.76%	6.15%	(3.61%)	(37%)
Prl 3	Estimates of the incremental impact of new capital investment decisions on Council Tax	£52.43	£43.02	£43.02	0	0
Prl 4	Capital Financing Requirement	417.360	411.850	374.499	(37.351)	(9%)
Prl 5	Authorised Limit for external debt	498.300	474.380	474.380	0	0%
Prl 6	Operational Limit for external debt	453.000	431.250	431.250	0	0%

Ref	Prudential Indicator Description	2021/22	2022/23
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	2021/22 Actual £m	2022/23 Target £m	2022/23 Actual £m
Prl 9	Total principle sums invested for longer than 365 days must not exceed	5.0	25.0	5.0

Ref	Prudential Indicator Description	Upper Limit	Lower Limit	Actual 2021/22	Actual 2022/23
Prl 10	Fixed Interest Rate Exposure	95.00%	40.00%	89.47%	95.08%
Prl 11	Variable Interest Rate Exposure	45.00%	0.00%	10.53%	4.92%
Prl 12	<b><i>Maturity Structure of Borrowing:</i></b>				
	Under 12 months	25.00%	0.00%	22.94%	15.97%
	12 months and within 24 months	25.00%	0.00%	10.53%	4.92%
	24 months and within 5 years	40.00%	0.00%	14.32%	24.44%
	5 years and within 10 years	50.00%	5.00%	2.07%	0.00%
	10 years and above	85.00%	30.00%	50.14%	54.67%

## Local Indicators – As recommended by Treasury Management Panel

Ref	Prudential Indicator Description	2021/22 Actual	2022/23 Target	2022/23 Actual	Numerical Variance to Target	% Variance to Target	Met
L1	Full compliance with Prudential Code.	Yes	Yes	Yes	N/A	N/A	Yes
L2	Average length of debt (years)	16.44	15 – 25 Years	18.09	N/A	N/A	Yes
L3a	Net borrowing costs as % of net council tax requirement.	7.15%	20%	6.30%	-13.70%	-68.50%	Yes
L3b	Net borrowing costs as % of Tax Revenue.	4.60%	12.50%	4.08%	-8.42%	-0.673533	Yes
L4	Actual debt vs. operational debt.	72.62%	85%	69.90%	-15.10%	-17.77%	Yes
L5	Average interest rate of external debt outstanding excluding former WMCC debt	3.59%	3.52%	3.74%	0.22%	6.35%	No
L6	Average interest rate of external debt outstanding including former WMCC debt	3.65%	3.62%	3.81%	0.19%	5.14%	No
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).	3.69%	5.00%	3.85%	1% Increase in L6 would show as 3.85%		Yes
L8	Average interest rate received on STI vs. At Call rate.	280.00%	807%	150%	-657.00%	-81.41%	No
L9							
L9a	AT call investments.	0.10%	0.10%	0.36%	0.26%	260%	Yes
L9b	Short Term Investments.	0.38%	0.50%	0.90%	0.40%	80.00%	Yes
L9c	Long Term Investments.	1.11%	0.80%	0.90%	0.10%	12.50%	Yes
L9d	Property Fund Investments	3.45%	3.34%	3.45%	0.11%	3.16%	Yes
L10	Average interest rate on all ST investments (ST and AT call)	0.29%	0.45%	0.74%	0.29%	64.44%	Yes
L11	Average rate on all investments (excluding property fund)	0.38%	0.48%	0.75%	0.27%	57.58%	Yes
L11a	Average rate on all investments (including property fund)	0.74%	0.91%	1.08%	0.17%	18.53%	Yes
L12	% daily bank balances within target range.	100%	99%	99%	0.00%	0.00%	Yes