

Cabinet – 10 February 2021

Corporate Budget Plan 2021/22 to 2023/24, incorporating the Capital Strategy; and the Treasury Management and Investment Strategy 2021/22

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

Related Portfolios: All

Service: Finance – council wide

Wards: All

Key decision: Yes

Forward plan: Yes

1. Aim

- 1.1 To provide the revenue and capital resource envelope for delivery of the Council's aims and objectives and ensure that the statutory framework is met by recommending the statutory determinations (gross expenditure and income) and council tax bands, and capital programme to Full Council.

2. Summary

- 2.1 This report contains several sections as follows:

Section A for Cabinet approval - Findings from Budget Consultation: Financial Year 2021/22+ and Cabinet Responses. This section is for Cabinet's consideration and approval:

- **Part 1** - Report on findings from Overview and Scrutiny Committees.
- **Part 2** - Report on findings from budget consultation on policy proposals.
- **Part 3** - Budget proposals 2021/22 – assessing equality impact

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

- **Part 1** - The Revenue and Capital Corporate Budget Plan; comprising the final revenue and capital budget following consideration of consultation feedback and equality impact assessment by Cabinet. This also includes the Capital Strategy and the Flexible Use of Capital Receipts Strategy.

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

3. Recommendations

3.1 That Cabinet note:

- a) That at the time of despatch of this report, the final local government settlement for 2021/22 has not been received. (The final local government settlement for 2021/22 has been confirmed as 10 February 2021, and any changes will be included within the final papers to Council).
- b) That at the time of despatch of this report, the precepting authorities (fire and police) had not formally notified the authority of their final council tax precept levels for 2021/22. (The council has been advised that they will be approved following meetings scheduled for early to mid-February, final figures may therefore be provided prior to or at the Council meeting of 25 February 2021).
- c) That at the time of despatch of this report, the levy authorities, (Environment Agency and West Midlands Combined Authority - Transport Levy) had not formally notified the authority of their final demand for 2021/22. Estimates have been used for the Transport Levy based on informal communication, but these are subject to formal approval. (The final Transport Levy is expected to be approved early February, and will be included within the final papers to Council).
- d) That the council tax base, set by the S151 Officer under officer delegations, is 70,809.41 for 2021/22.
- e) The feedback from Overview and Scrutiny Committees on the draft capital programme and revenue budget and responses to recommendations, as set out in **Section A - Part 1** of this report.
- f) The amendments to the budget arising from the Provisional Settlement, including additional savings identified since the October Cabinet report, as set out in section 4.25.

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

3.2 That Cabinet approve:

- a) The attached report as set out in **Section A - Part 2 and Part 3**: The Findings from Budget Consultation: Financial Year 2021/22+ and Cabinet Responses and that Members have had regard to their duties in relation to consultation, and in relation to the public sector equality duty, in forming their budget recommendations.
- b) That delegated authority be given to the S151 Officer to make any necessary amendments, after consultation with the Leader (portfolio holder for finance), to take account of the final local government settlement, final levies and precepts; final grant allocations and final technical guidance or legislation on the budget, and to make any necessary amendments to the statutory determinations and council tax bands to take account of those changes and the resulting final analysis of the budget and for these amendments to be submitted and therefore recommended to Council at its meeting on 25 February 2021, after consultation with the portfolio holder for finance (Leader of the Council).
- c) Policy service changes as set out in Table 1 of this covering report, and instruct executive directors to implement these.
- d) That delegated authority be given to the S151 Officer, after consultation with Leader of the Council and Chief Executive, to agree the council's final contribution to the West Midlands Combined Authority.
- e) That members approve a commitment to Birmingham Airport Holdings Ltd (BAHL) to make a loan as set out within section 4.16, and sections 4.31 to 4.40 of this report, having due regard to the information provided in the Private Appendix, and that delegation is given to the S151 Officer after consultation with the Monitoring Officer and Leader of the Council to sign and enter into all legally binding agreements including any variations to the proposal that may arise during the shareholders governance process with BAHL.

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

3.3.1 Revenue

- a) The financial envelope of resources for 2021/22 as set out in **Section B - Part 1** “The Revenue and Capital Budget Plan”.
- b) A Walsall Council net council tax requirement for 2021/22 of £132.55m and a 4.99% increase in council tax (inclusive of 3% precept for Adult Social Care).
- c) That the recommendations of the S151 Officer in respect of the robustness of the estimates made for the purposes of the budget calculations and the adequacy of reserves **be approved**, including the levels of central contingency and an opening general reserve of no less than £16.64m, as set out in the S151 Officer Section 25 statement in **Annex 12** of the Budget Plan.
- d) The (estimated) levies below for outside bodies and Cabinet **approve** that the final figures **be substituted** for these provisional ones once they are available at the Council meeting on 25 February 2021. (An estimate has been used within this report based on informal notification from the authorities).

LEVY	AMOUNT (£)
West Midlands Combined Authority Transport Levy	11,183,812
Environment Agency	82,739

- e) The following statutory determinations (references are to the Local Government Finance Act, 1992 as amended), and subject to any final changes arising from receipt of final precepts and levies, receipt of final grant allocations, technical/legislative guidance and final specific grant allocations, **and Cabinet approve that these will be substituted** at the Council meeting on 25 February 2021 for the final figures once received:
 - I. **£657,732,870** being the aggregate gross expenditure, which the council estimates for the items set out in Section 31A(2) (a) to (f) of the Act.
 - II. **£525,187,089** being the aggregate income which the council estimates for the items set out in Section 31A(3) (a) to (d) of the Act.
 - III. **£132,545,781** being the amount, by which the aggregate at (e) (I) above exceeds the aggregate at (e) (II), calculated by the council in accordance with Section 31A(4) of the Act, as its council tax requirement for the year.
 - IV. **£1,871.87** being the amount at (e) (III) above, divided by the council tax base of 70,809.41, calculated by the council in accordance with Section 31B of the Act, as the basic amount of its council tax for the year (average council tax at band D).

V. Valuation bands

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

A	B	C	D
1,247.91	1,455.90	1,663.88	1,871.87
E	F	G	H
2,287.84	2,703.81	3,119.78	3,743.73

- f) The draft precept from the Fire and Rescue Authority and the Police and Crime Commissioner, issued to the Council in accordance with Section 40 of the Local Government Finance Act, 1992, for each of the categories of dwelling shown below and Cabinet **approve** that the final figures **be substituted** once they are available at the Council meeting on 25 February 2021.

PRECEPTING AUTHORITY	VALUATION BANDS			
Police And Crime Commissioner	A	B	C	D
	118.37	138.09	157.82	177.55
	E	F	G	H
Fire & Rescue	217.01	256.46	295.92	355.10
	A	B	C	D
	42.03	49.03	56.03	63.04
	E	F	G	H
	77.05	91.06	105.07	126.08

- g) That having calculated the aggregate in each case of the amounts at (e) (v) and (f) above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the amounts of council tax for 2021/22 for each of the categories of dwellings shown below and Cabinet **approve** that the final figures **be substituted** once the final precepts are available at the Council meeting on 25 February 2021.

A	B	C	D
1,408.31	1,643.02	1,877.73	2,112.46
E	F	G	H
2,581.90	3,051.33	3,520.77	4,224.91

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

- i) That the S151 Officer **be instructed** to take all necessary action in relation to council tax, community charge and national non-domestic rates, including, where appropriate, the signing of all documents, billing, the giving of notices and the taking of necessary steps to ensure collection thereof.
- j) That the S151 Officer **be given delegated authority** to make transfers to and from reserves in order to ensure that reserves are maintained as necessary and in particular, adjusted when reserves are no longer required, or need to be replenished.
- k) That, pursuant to Section 52ZB and 52ZC of the Local Government Finance Act 1992, the relevant basic amount of council tax for the Council is not excessive in relation to determining whether a referendum is required.

3.3.2 Capital

- a) The allocation of capital expenditure plans as set out in **Section B - Part 1** “The Revenue and Capital Budget Plan” and that the capital and leasing programme as set out in **Annex 9 be approved** bearing in mind the principle that unless affordable from within current resources, specific projects funded by borrowing will not be commenced until a payback agreement is in place. Schemes funded from grant will commence when final allocations are published. Reserve list items will only commence should funding become available during the financial year.
- b) That the S151 Officer be **given delegated authority** to determine how each source of finance is used to fund the overall capital programme and to alter the overall mix of financing as necessary, to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the council.
- c) That the S151 Officer, after consultation with the Leader (portfolio holder for finance), be **given delegated authority** to release capital resources held back for any contingent items that may arise (earmarked capital receipts for essential or emergency spend), and also for any match funding requirements that may be required of the Council in order to secure additional external capital funding (e.g. bids for government or other funding).
- d) The Capital Strategy set out in **Annex 8** of the Budget Plan **be approved**.
- e) The Flexible Use of Capital Receipts Strategy set out in **Annex 11** of the Budget Plan be approved.

3.3.3 Treasury Management

- 1. **Section B – Part 2A** – The Treasury Management and Investment Strategy 2021/22 onwards, including the council’s borrowing requirement, borrowing limits, and the adoption of the prudential indicators, **be**

approved.

2. That decisions to effect movements between conventional borrowing and other long term liabilities, such as leases, **be delegated** to the S151 Officer.
3. That decisions to use capital receipts or borrowing within the framework of approved prudential indicators **be delegated** to the S151 Officer.
4. **Section B – Part 2B** – Treasury Management Policies, **be approved**.

4. Report detail - Know

- 4.1 The council's budget is a financial representation of the organisation's plans. It is constructed as an integral part of the council's planning processes and aligned to its priorities and objectives. The attached budget plan at **Section B Part 1** sets out the revenue and capital plans for service delivery for 2021/22 and beyond.

Council Corporate Plan priorities

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

Risk management

- 4.3 Budget Plan: The council reviews corporate financial planning and budget principles in accordance with the medium term financial strategy (MTFS). The budget setting process includes a comprehensive financial risk assessment to determine key risks and their impact on the budget. Services undertake risk assessments of their services and budgets by identifying risk factors, potential changes to service delivery and funding streams. This ensures that adequate budgetary provision is available to cover unforeseen future events. This successful approach is now embedded and is used to inform the level of earmarked and general reserves.
- 4.4 The identification of risks, and level of reserves, is referred to in the S151 Officer (Chief Finance Officer) Section 25 statement at **Annex 12** of the Budget Plan. It is unlikely that all risks identified will arise, however new risks

may also emerge. Managers are required to deliver services within their approved budget. Any known changes in service demand or costs arising from legislative or government demands are identified and dealt with within the overall revenue budget. The level of reserves should be sufficient to cover all but the most unusual of events. Any in-year use of general reserves may require replenishment to ensure the opening level of reserves is as recommended by the MTFs.

Financial implications

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

Legal implications

- 4.6 The legal duty for a council's finances falls within S151 of the Local Government Act 1972. Arrangements for the proper administration of the council's affairs are secured by the S151 Officer.
- 4.7 Cabinet recommend the revenue budget and capital programme envelope to Council. Councils are responsible for making a calculation in accordance with sections 31A to 37 of the Local Government Finance Act 1992 (as amended). This includes the statutory determinations (aggregate gross expenditure, gross income, council tax requirement for the year and setting the council tax for a financial year).
- 4.8 Under the Local Government Act 2003 (s25), an authority must set a council tax and balanced budget, giving 14 days' notice of the council tax level prior to the date of billing. The Council must set a budget before 11 March of each year. This will include the S151 Officer's Section 25 statement that deals with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides, together with an assessment of risk. This is provided at **Annex 12** of the Budget Plan.
- 4.9 The Local Government Act 2003 and supporting Regulations require the Council to have regard to the Prudential Code and to set prudential indicators for the next three years to ensure that the council's capital investment plans are affordable, prudent and sustainable. The Act requires the Council to set out its treasury strategy for borrowing and to prepare an annual investment strategy (as required by investment guidance issued subsequent to the Act); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This is provided at **Part 2** of the Budget Plan.
- 4.10 In recent years Central Government has capped the level of council tax rises. For 2021/22, the Government have announced that local authorities will again need to seek approval of their electorate via a local referendum if they propose to increase council tax levels by 5% or above as confirmed as part of the

provisional local government settlement on 18 December 2020, inclusive of the 3% ring-fenced for Adult Social Care.

- 4.11 Section 138 of the Local Government and Public Involvement in Health Act 2007 placed a general duty on every local authority in England to take such steps as it considers appropriate to secure that representatives of local persons (or of local persons of a particular description) are involved in the exercise of any of its functions, among other things by being consulted about the exercise of the function. The duty to consult that is imposed on Councils comes from two other sources:
- Specific legislation, such as the education act duties to consult on certain services etc., and,
 - The common law duty, which is well established in law.
- 4.12 Our approach to consultation was reported to Cabinet in October 2020 and feedback is provided in **Section A - Part 2** of this report.
- 4.13 The 2010 Equality Act, whilst not imposing a specific duty to consult, lays a requirement to have due regard to the equality impact when exercising its function. As a public body, the Council is required to comply with the Public Sector Equality Duty (PSED), as set out in the Equality Act, 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the council being exposed to costly, time-consuming and reputation-damaging legal challenges.
- 4.14 An Equality Impact Assessment (EqIA) is the chosen procedure, by the Council, for checking the lawfulness of decisions in relation to the impact on people with certain characteristics protected by the Equality Act 2010. Equality Impact Assessment analysis is contained in **Section A - Part 3** of this report.
- 4.15 Saving plans, prior to implementation, will include consideration of equality impact, legislative and other requirements, duties or obligations imposed by statute, secondary legislation or guidance upon the council, specifically in the context of proposals which involve changes to service provision.
- 4.16 In relation to paragraphs 4.31 to 4.40 of this report, Section 12 of the Local Government Act 2003 sets out that the council has a specific power to invest. The power states "a local authority may invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". This provides the council with a power to invest in BAH, for any purpose relevant to its functions (this function would have to be identified) or if the council can show it is for the prudent management of its financial affairs. Under section 1 of the Localism Act 2011, the council also has a power "to do anything that individuals generally may do" (the "General Power of Competence"). "Individual" means an individual with full capacity. The General Power of Competence gives the council:

- power to do a thing anywhere in the United Kingdom or elsewhere,
- power to do it for a commercial purpose or otherwise for a charge, or without charge, and
- power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.

The council will be compliant with the requirements of both the General Power of Competence and the Power to Invest. This report serves as a business case for the proposed investment in BAHL and the basis on which the Investment powers can be utilised.

Procurement Implications / Social Value

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

Property implications

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

Health and Wellbeing implications

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

Staffing implications

- 4.20 There will be some staffing implications arising from this report. The contribution of the trade unions will be important in the council achieving its key aims and objectives particularly in these challenging times. Officers and members will consult widely with them on the employee implications of service redesign and delivery.
- 4.21 Staff affected by proposals arising from the Proud Programme will be supported as appropriate throughout the process and the number of redundancies will be minimised wherever possible.

Reducing Inequalities

- 4.22 Equality Impact Assessment (EqIAs) are undertaken on proposals as they are developed and reported to Cabinet to allow them to consider any revisions required to the final budget for recommendation to Council.

Assessing the impact of proposed changes to policies, procedures, services and organisational change is not just something the law requires; it is a positive opportunity for the council to ensure it makes better decisions, based

on robust evidence.

Failure to meet the requirements in the Public Sector Equality Duty (PSED) may result in the council being exposed to costly, time-consuming and reputation-damaging legal challenges. Equality Impact Assessment analysis is contained in **Section - A Part 3** of this report.

Consultation

- 4.23 For our services to meet the needs of local residents, and of the community at large, it is essential that our plans and policies take into account the views of local people and others who use our services. We use a broad range of consultation methods to ensure as far as possible that people have sufficient information to comment, as well as the time and any necessary support they require to enable them to have their say. All feedback gathered is collated and carefully considered, along with other information, as part of the decision making process.
- 4.24 Consultation has been undertaken with councillors via Overview Scrutiny Committees on the budget plan and process, and with national non domestic ratepayers and voluntary and community organisations on the budget and draft council tax increases. Consultation has also been undertaken with residents and other stakeholders. Further consultation will be undertaken, as appropriate, with all stakeholders as detailed proposals are developed as part of the Walsall Proud Programme. Full details of the consultation process and findings is presented in **Section A - Part 2** of this report.

Amendments to the Revenue Budget

- 4.25 Since the draft revenue budget was presented to Cabinet in October 2020, there have been a number of funding announcements and technical changes to the budget; these can be summarised as follows:
- The provisional 2021/22 Settlement was received on 18 December 2020. This confirmed permission for social care authorities to raise additional funding through a 3% adult social care precept in 2021/22, which has now been included within the final budget proposals, raising £3.79m for adult social care services.
 - The Settlement also confirmed an additional £300m social care grant to be made available – Walsall element confirmed as £2.42m; and a new Lower Tier Services Grant of £111m – Walsall confirmed as £439k;
 - A further share of £1.55bn to meet Covid pressures as outlined in the Spending Review 2020 (SR20) – Walsall element confirmed as £9.23m;
 - Additional investment in services, including; additional investment to support demand within adult social care and children's following a review of existing and future forecasts; and investment to fund shortfalls in income projections and borrowing costs to fund capital projects.
 - Approval by the S151 Officer, under delegations, of the council tax base and NNDR1 return in January 2021.

- Release of detail concerning a Local Tax Income Guarantee to compensate local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020/21 and to smooth the impact on council tax and NNDR funds (estimated at c£3.91m).
- A number of transfers to/from reserves to smooth financing of one-off costs.

4.26 The impact of the overall changes since October 2020 on the MTFO and savings requirement is shown below, resulting in a revised saving requirement for 2021/22 of £28.90m (reduced from £33.66m).

Movement in Saving requirement / Gap				
	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
Savings required per Cabinet on 28 October 2020	33.66	19.43	13.62	66.71
Revised savings requirement	28.90	22.01	14.52	65.43
Variance – increase (decrease)	(4.76)	2.58	0.90	(1.28)

Movement in savings requirement - detail				
	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
Savings required per Cabinet on 28 October 2020	33.66	19.43	13.62	66.71
Grant changes	(10.92)	9.51	1.43	0.02
Investment changes	3.03	0.51	(1.99)	1.55
Adult Social Care precept	(3.80)	(0.10)	(0.10)	(4.00)
Technical changes	2.88	(3.29)	1.56	1.15
Transfer to / from reserves	4.05	(4.05)	0.00	0.00
Revised savings requirement	28.90	22.01	14.52	65.43

4.27 The draft revenue budget presented to Cabinet in October 2020 identified £24.37m (£21.34m net of investment required to deliver the savings), resulting in a shortfall against the £33.66m required at that point. This report sets out a revised saving requirement of £28.90m as a result of changes set out above, and the three year budget includes a number of further operational savings, and which results in a balanced budget being able to be set for 2021/22, summarised below:

- £2.55m additional saving over 3 years from the review of capital financing – minimum revenue provision;
- £88k in 2021/22 for biodiversity (rewilding of urban grass) within Clean and Green;
- £62k in 2021/22 for external marketing and promotion within Active Living Centres;

- Rephasing of £94k from 2022/23 to 2021/22 for the Black Country Women's Aid contract;
- Rephasing of £13k from 2021/22 to 2022/23 for the review of ways of working in the post room;
- £500k new saving for Children's Service - Independent Living over 2 years;
- £60k review of mobile phone contracts over 2 years;
- £2.4m over 2 years for cross council efficiencies relating to administration and business support provision;
- £8k in 2021/22 for increased charges for dropped kerbs;
- £9k in 2021/22 for MOT service full cost recovery;
- £1.27m over 2 years for Public Health savings;
- £6k in 2021/22 for extended burial hours 24/7 and out of hours service full cost recovery;
- £20k in 2021/22 for taxi licensing process improvement;
- £8m over 3 years for council wide efficiencies relating to Customer Access Management;
- Further savings of £2.9m in 2022/23 and £10m in 2023/24 from Proud Programme change activity for which delivery plans are in development.

4.28 The draft revenue budget contains 12 new policy proposals in respect of 2021/22, and 105 new operational savings. Feedback from consultation and equality impact assessment results were received by Cabinet and are set out within this report (Section A - Parts 1, 2 and 3). A small number of policy savings for 2021/22 were subject to further review and Cabinet are now asked to approve the policy decision as set out in **Table 1** overleaf (under the heading Executive (Cabinet) Decision) and instruct executive directors to implement the resulting decision. Changes arising from Cabinet's review of the developing proposals, consultation feedback, and equality impact assessment reviews are set out below, all of which are reflected in the list of savings proposals at **Annex 7** of the Budget Plan.

- **Policy proposal Ref P10:** Charge self-funders to arrange care via adult social care commissioners (brokerage service) – feedback was divided on this proposal from the general consultation. It has been determined that more specific consultation and equality impact assessment is required on this proposal prior to considering implementing and as such, that consultation will be undertaken as part of a wider piece of work relating to Adult Social Care charging within the Proud programme. This proposal is therefore not included within the final revenue budget proposal for 2021/22. The net impact is a reduction in savings of c£2k.
- **Operational proposal Ref OP54:** Facilities management – review of structures and ways of working in the post room. This proposal has been amended following impact assessment to allow for consideration of changes in working methods and for consultation to take place – saving amended from £26k to £13k to account for a part year effect.
- **Operational Proposals OP52** (Facilities management - school catering and caretaking traded services review) / **OP53** (Facilities management - review of cleaning service standards and specifications across all traded units) – following review, a single price increase will be implemented, with

service specification changes being deferred in light of the continuing pandemic. The impact is a reduction in the saving for 2021/22 of £171k.

- 4.29 The budget for 2021/22 is balanced, including the need to implement savings of £28.90m as outlined in **Annex 7**. The draft budget for 2022/23 to 2023/24 is also balanced. The Walsall Proud Programme proposes an organisational wide programme of change activity of sufficient breadth to deliver the required savings from 2021/22 to 2023/24.

Table 1: Summary of revised policy savings and the Executive (Cabinet) decision

Saving ref	Policy Saving Consulted on	2021/22 £	Decision required	Executive (Cabinet) Decision
<i>Children's & Customer Services</i>				
P1	Change, Grow, Live (CGL) Contract - bring service back in house	(122,714)	Y	Approve bringing CGL service back in house
P11	Introduce council tax penalty charges for failing to notify a change of circumstance	(150,000)	Y	Approve introduction of council tax penalty charges for failing to notify a change of circumstance
<i>Economy, Environment and Communities</i>				
P6	Re-profile the highway maintenance mainstream budget for 2021/22	(300,000)	Y	Approve reprofiling of £300k of highways maintenance mainstream budget for 2021/22
P7	Increased capitalisation of staff costs	(46,000)	Y	Approve £46k of capitalisation of staff costs
P8	Increased capitalisation of highway works	(300,000)	Y	Approve £300k capitalisation of highways works
P13	Consider ceasing pest and animal control service	(87,606)	Y	Approve ceasing of pest and animal control service
P14	Bereavement services – the sale of keepsake memorials and a range of personal memorabilia	(1,000)	Y	Approve the sale of keepsake memorials and a range of personal memorabilia
P16	Biodiversity – Rewilding of urban grass	(88,249)	Y	Approve Biodiversity proposal and rewilding of urban grass
P17	Active Living Centres - External marketing & promotion partnership development	(62,000)	Y	Approve development of an external marketing & promotion partnership
<i>Resources and Transformation</i>				
P4	Organisational redesign to deliver Intelligent Client Model across Asset Management, Capital Projects and Facilities Management	(195,921)	Y	Approve organisational redesign to deliver Intelligent Client Model across Asset Management, Capital Projects and Facilities Management
P5	Redesign of Occupational Health contract	(7,500)	Y	Approve redesign of occupational health contract

Notes:

The following are year 2 (2022/23 proposals and will be considered further during the 2022/23 budget setting cycle):

- P2 - Adult Social Care Client Care Team - introduce charge for appointeeship management / support
- P3 - Adult Social Care Client Care Team - introduce charging for administration of deaths for appointees
- P9 - Charge developers for travel plans
- P12 - Reduction to voluntary organisation

P10 - Charge self-funders to arrange care via adult social care commissioners (brokerage service) has been removed from the final budget

P15 - Change to minimum revenue provision is reserved to Council as part of the Treasury Management and Investment Strategy

Amendments to the Capital Programme

- 4.30 The draft capital programme was set out in the report to Cabinet on 9 December 2020, totalling £65.99m. The programme has increased by £37.77m to £103.76m in 2021/22 with the following amendments:
- Allotment boundary improvement works of £260k as approved by Cabinet on 9 December 2020;
 - Provision of webcasting and hybrid council meetings of £20k;
 - One Source payroll infrastructure £500k;
 - Pipeline investment opportunities of £28.00m to fund emerging and pipeline regeneration and major capital schemes;
 - High Streets Fund – external funding offer of £8.89m and council contribution of £100k. A further £2.55m of external funding is available in 2022/23, as notified by Ministry of Housing, Communities and Local Government (MHCLG) on 26 December 2020.

Birmingham Airport

- 4.31 Together, the 7 West Midland Authorities (“Authorities”) own 49% of BAHL, and vote in one block at meetings. The council holds 4.88% of BAHL’s total ordinary shares, holding 5% of BAHL’s “A” and “C” ordinary shares in addition to preference shares which pay a fixed dividend of 6.31%.
- 4.32 Birmingham Airport plays a very significant role in the regional economy, providing the air connectivity vital for international trade, investment and employment, the growth of inbound tourism, and access to outbound leisure destinations. Prior to Covid-19, 7,000 people were directly employed by companies located within the Airport boundary and a further 9,900 people were employed indirectly to supply goods and services to the Airport. The Airport’s net economic impact including catalytic effects in the West Midlands region was estimated as £1.5billion GVA (Gross Value Added), and 30,900 jobs.
- 4.33 The Covid-19 pandemic has led to the worst decline in traffic and income in BAHL’s history. In response, BAHL has reduced costs where possible, without impacting the ability to resume normal operations when travel restrictions are lifted. This includes a two-phase restructure which has resulted in a c.43% reduction in roles throughout the workforce.
- 4.34 BAHL has external debt facilities in the form of a £105m corporate bond, £371m private placement loan notes, and a bank loan of £25m. The terms of the debt agreements require compliance each year with various covenant tests at 30 September and 31 March. Due to the impact of Covid-19 on the covenant requirements, the tests at 30 September 2020 and 31 March 2021 were waived, and an additional testing date at 30 June 2021 was introduced along with a six-month forward liquidity covenant. BAHL’s proactive reduction in cashflows means that it forecasts to retain a satisfactory cash balance, but will not comply with the June 2021 covenant ratios unless passenger volumes and revenues recover quickly. A combination of a further waiver and shareholder support may therefore be required to avoid a covenant breach.

- 4.35 In recent months various UK Airports have raised capital in response to Covid-19, including Heathrow raising £1.4bn of debt in October 2020, and Manchester Airport Group raised £300m from its shareholders in July 2020.
- 4.36 Given that Birmingham Airport is a critical asset for the region it is recommended that the Council enters into a legally binding agreement with BAHL to commit to provide a loan if cash were required up to a maximum of £4.9m.
- 4.37 The Treasury Management Policy Statement (**Section B - Part 2B**) sets out the council's investment criteria, risk management process, procedures and delegations. The Treasury Management Policy Statement set out the principles by which the council can enter into non-specified investments such as the loan being requested by BAHL. Should the loan be required then this proposal is compliant with the Treasury Management Policy and can be approved by the S151 officer.
- 4.38 In terms of the key requirements of the Treasury Management Policy Statement – security, liquidity and yield then Members should note that the loan is underpinned by the income stream from the airport business plan and actions taken by the airport to manage their operations. It is not a secured loan against a specific asset as the West Midlands Authorities already own 49% of the assets. Members should note that there is a risk that the loan would not be repaid – in which case the loan would become an impairment charge to the revenue budget. However this is considered a low risk given that the priority has been to maintain sufficient liquidity levels to support BAHL into the future, whilst ensuring that it is ready to return to full capacity as soon as travel restrictions are lifted. In terms of liquidity the council currently has sufficient cash to provide the loan should it be called. There will be an investment yield through interest paid on the loan and it helps to protect our existing investment in a critical asset for the Region.
- 4.39 In the preparation of this report, independent aviation, accounting and corporate finance advice has been considered. The accounting advice has confirmed the financial analysis within this report. The council's auditor's Grant Thornton have also been consulted, and they have not raised any concerns regarding the proposed accounting treatment.
- 4.40 A separate Private Appendix is provided which sets out further detail which Members should refer to in making their decision.

5. Decide

- 5.1 As set out in the legal section, Councils are required to set a legal budget. This report is the final stage in that process and Cabinet are asked to approve the recommendations as set out, and recommend the budget to Council on 25

February 2021 for formal approval of the 2021/22 budget and council tax levels.

6. Respond

6.1 Following recommendation by Cabinet, this budget report and plan will be forwarded on for formal approval by Council on 25 February 2021.

7. Review

7.1 Following approval by Council on 25 February 2021, the 2021/22 budget will be formally set and monitored throughout the year. Council tax bandings will be set and bills formally produced and distributed in accordance with approved guidance.

Background papers

- Corporate Budget Plan 2019/20 - 2022/23 as approved by Council on 27 February 2020.
- Draft Revenue Budget 2021/22 – 2023/24 and in year position 2020/21 - Cabinet 28 October 2020.
- Draft Revenue Budget Feedback and Draft Capital Programme 2021/22 to 2023/24 - Cabinet 9 December 2020.
- Equality Impact Assessments.

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Deborah Hindson
Interim Executive Director (s151 Officer)
10 February 2021



Councillor M. Bird
Leader of the Council
10 February 2021