

Cabinet – 19 July 2023

Corporate Financial Performance 2023/24 and approach to Budget Setting for 2024/25

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

1. Aim

- 1.1 To report on the forecast corporate financial position for 2023/24, based on emerging pressures as at June 2023, and actions being taken to address this to ensure the council outturns on budget.
- 1.2 To set out our approach and timeline for the 2024/25 budget process.
- 1.3 To seek approval for changes to the Medium-Term Financial Framework (MTFF).

2. Summary

- 2.1 This report provides a summary position on the draft forecast revenue outturn for 2023/24 including cost pressures, particularly within Adult Social Care and Children's Services resulting in a potential spend above budget of £17.29m prior to existing mitigation actions identified to date of £3.50m, reducing this figure to £13.79m. Work is in hand to identify further actions to bring the position in line with budget and ensure a balanced outturn is delivered by 31 March 2024.
- 2.2 In relation to the capital programme, the report includes a number of proposed amendments for approval as set out in section 4.23 of the report, including known reprofiling of spend across the programme. The forecast , after these amendments is predicted to be an underspend of £720k.
- 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 2024/25 budget process;
- Work underway to update the medium term financial outlook (MTFO);
- An updated Medium Term Financial Framework, the framework within which the council's financial planning and management is undertaken, and minor changes to the Tax strategy. It is good practice to regularly review and update key strategic documents and obtain formal Cabinet approval.

3. Recommendations

That Cabinet:

- 3.1 Note potential forecast revenue spend above budget of £13.79m, noting that further actions are being taken to address this potential position. A detailed plan will be reported to Cabinet in September, outlining actions to be taken.
- 3.2 Note that there are additionally high risks of £20.05m 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.
- 3.3 Note the progress on savings approved for 2023/24 and the amendments as detailed in section 4.14 to 4.16.
- 3.4 Approve the passporting of unringfenced Section 31 funding for Early Years Professional Development Programme grant, Leaving Care Allowance Uplift Implementation grant, Supported Accommodation reforms, and Pupil Premium Plus Post 16 funding, to Children's Services as detailed at section 4.17 to 4.20 respectively.
- 3.5 Approve that the Willenhall bonfire and fireworks event for 2023 is no longer provided as set out in section 4.21.
- 3.6 Approve amendments to the capital programme as set out in section 4.23, including the rephasing of capital programme expenditure provision over the period to 2026/27 at **Appendix 6**.
- 3.7 Note that the forecast for the capital programme is a predicted underspend of £720k.
- 3.8 Note financial health indicator performance as set out in section 4.27 and **Appendix 4**.
- 3.9 Note the prudential indicators as set out in section 4.33 and **Appendix 5**.
- 3.10 Approve the write off of debt as detailed in section 4.36.
- 3.11 Note the work underway to update to the medium term financial outlook and approve the approach for setting the 2024/25 budget, as set out in sections 4.37 to 4.47, aligned to the Council Plan, Budget Framework and Proud Promises.
- 3.12 Approve the updated Medium Term Financial Framework as set out in section 4.48.

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 cost-of-living impact is also causing pressures, particularly in relation to the council's costs in relation to energy and supplies and contract uplifts especially within adult social care and children's services.

Revenue Forecast 2023/24 - 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 experiencing ongoing 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. As a result of the pressures, mitigating actions are being instigated, including services taking action to address them, use of appropriate earmarked reserves, etc. All action will therefore be reported alongside impact to ensure a balanced budget at outturn.

4.3 The current council wide forecast shows a number of pressures which, if not managed, could lead to a potential overspend of c£13.79m against budget, as summarised by directorate in **Table 1**. This includes mitigating actions identified to date of £3.50m. Further work is on-going to identify further actions to ensure a balanced budget for 2023/24.

Table 1: Revenue Forecast 2023/24 by directorate							
Directorate	Net Budget	Year end forecast prior to mitigating actions & transfer to / (from) earmarked reserves	Year end variance to budget prior to mitigating actions & transfer to / (From) earmarked reserves	Mitigating Actions	Use of earmarked reserves	Transfer to earmarked reserves	Year end forecast
	£m	£m	£m	£m	£m	£m	£m
Adult Social Care, Public Health and Hub	68.58	81.17	12.59	(1.76)	(5.90)	2.52	7.45
Children's & Education	75.50	80.59	5.09	(0.86)	(2.42)	0.12	1.93
Customer Engagement	2.64	5.06	2.42	0.00	(1.23)	0.00	1.19
Economy, Environment & Communities	36.71	42.68	5.97	(0.88)	(4.74)	0.20	0.55
Resources & Transformation	36.25	36.65	0.40	0.00	(2.38)	1.72	(0.25)
Services Position	219.68	246.15	26.47	(3.50)	(16.68)	4.57	10.86
Capital Financing	24.66	20.00	(4.66)	0.00	(1.06)	5.72	0.00
Central budgets	(100.18)	(100.92)	(0.74)	0.00	(1.61)	5.28	2.93

Total council tax requirement	144.16	165.23	21.07	(3.50)	(19.35)	15.58	13.79
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4.4 The year-end forecast includes the use of earmarked reserves of £19.35m and transfers to earmarked reserves of £15.58m, 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 £184.98 as shown in **Table 2**.

	Opening Balance 01/04/23	Transfers from Reserves	Transfers to Reserves	Movement	Closing Balance 31/03/24
	£m	£m	£m	£m	£m
Treasury Reserves	23.63	(1.55)	5.72	4.17	27.80
Grant / Contributions received in advance	22.16	(7.70)	0.51	(7.19)	14.97
Improvement projects	33.52	(5.97)	1.71	(4.26)	29.27
Cost Pressures	21.66	(1.65)	0.00	(1.65)	20.01
Council Liabilities	51.18	(0.09)	7.64	7.54	58.73
Covid-19 grants	0.83	(0.32)	0.00	(0.32)	0.51
Public Finance Initiatives	18.01	(1.48)	0.00	(1.48)	16.53
Risk	10.65	0.00	0.00	0.00	10.65
Other	7.11	(0.59)	0.00	(0.59)	6.52
Total	188.75	(19.35)	15.58	(3.77)	184.98

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 2023/24 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 (£9.18m prior to mitigating actions, after use of and transfers to reserves)

The potential forecast position after planned net use of reserves is £9.18m above budget prior to any mitigating actions, however mitigating actions of £1.76m have been identified reducing the overspend to £7.42m.

The main reasons for this £9.18m can be split into 'Business as usual' (BAU) of £5.86m and 'Impact of Service Transformation Plan' (STP) of £3.32m.

The reasons for the STP position of £3.32m are as follows:

- £2.21m - £1.76m carried forward from 2022/23 for cohorts 1 to 3 above the S75 amount, and £460k shortfall in new 2023/24 saving for cohort 4 under the Learning Disability Joint Funding arrangements. On-going discussions with the Integrated Care Board regarding the joint funding arrangement from 2020/21 remains in progress;
- £870k – delay in the 2022/23 saving relating to Better Care Finance due to future-proofing and integration with other systems;
- £240k - due to the STP relating to developing and delivering additional support to carers to be aligned to locality reviews.

The reasons for the BAU position of £5.86m are as follows:

- £1.23m – Overspend on intermediate care services. This is based on current demand and future projections. This position takes into account the use of hospital discharge grant funding as announced by government and the use of uncommitted Better Care Fund inflation for 2023/24. Further detailed modelling has been completed and discussions are currently underway with health partners on funding allocations, alongside work to identify options to mitigate any remaining pressure;
- £1.57m - net increase in costs due to reviews of client packages undertaken during the period of February to May 2023. This impact has occurred after the refresh in January 2023 and prior to the budget being set in February 2023. Compared to last year, there has been a significant increase in the number of reviews carried out, with more of these reviews resulting in a net increase in package costs;
- £1.82m – increased costs due to net inflow of new, deceased and ended clients within the first two months of this financial year. The current year budget was based upon a 3 year trend and using average inflow and outflow

numbers. This forecast is a combined impact of new clients being placed at a higher average cost than originally budgeted and the number of expected deaths and ended placements being significantly lower than the budgeted trends.

- £250k - increase in the general bad debt provision to reflect a 50% provision for current outstanding client debt of £8.22m as at end May 2023. Improvements in the financial assessment data capture processes and procedures should see reduced number of credits/write offs.
- £670k - Contractual inflation of the Housing 21 unitary charge is higher than originally included in the budget for 2023/24 as based on February RPIx prior to the charge year. This is partially offset by use of the remaining Housing 21 reserve;
- £360k – Shortfall in the income budget associated with the Learning Disabilities joint funding arrangements when compared to the Section 75 agreement with Walsall ICB;
- (£110k) – due to delay in recruitment to vacant posts across the directorate.

The projected overspend of £9.18m is offset by a number of identified mitigating actions of (£1.76m) as detailed below:

- (£1.14m) – Over achievement and full year impact of the 2022/23 savings predominantly relating to review of existing client placements. This is currently being used to mitigate the delayed delivery of the better care finance system and development of carers support savings as detailed above;
- (£140k) – Release of one-off grant relating to the streamline of Adult Social Care assessments. This has been released given the additional funding invested into Adult Social Care to support transformation;
- (£480k) – Use of remaining Housing 21 reserve to partially mitigate the contractual inflation pressure as detailed above.

Risks

There are also high risks of £12.89m which could impact the forecast position should they materialise, and these are detailed in **Appendix 1**.

Performance data relating to adult social care demand will be presented in the next report to Cabinet in September.

4.6 Public Health

The service are forecast to be on budget after the net use of/transfer to reserves.

4.7 Communications, Branding & Marketing

The current net forecast position after the net use of reserves is an overspend of £30k. This predominantly relates to a delay in achieving the £30k saving relating to paperless meetings.

4.8 Children's (£2.79m prior to mitigating actions, after use of and transfers to reserves)

The potential forecast position after planned net use of reserves is £2.79m above budget prior to any mitigating actions, however mitigating actions of £861k have been identified reducing the overspend to £1.93m.

The main reasons for the currently reported position are:

- £1.37m due to increased demand in children in care relating to the following:
 - £311k full year impact for the increased demand over and above budget for the multiple sibling groups who entered care during January/ February;
 - £643k increased demand for remand placements following an extraordinary intake in January/ February 2023;
 - £861k pressure relating to placement moves expected during 2023/24;
 - £385k increased net inflow/ outflow for April and May, primarily due to 13 children and young people entering IFA placements, five of which related to one sibling group;
 - (£291k) additional USAC government income through the increased number of hotel transfer and national transfer scheme claims and the use of lower cost placements such as supported accommodation;
 - (£539k) underspend within internal residential, primarily due to vacancies, as the two new homes are unlikely to open until July and October. See **Appendix 7** for demand / placement costs performance data;
 - £690k use of agency within the Educational Psychologists team. This team currently has a large number of vacant posts therefore agency workers will be used in order to meet the LAs statutory requirements. The service are looking into options as to how the service can be provided more efficiently in future year and this will be considered in the 2024/25 budget setting process;
 - £100k legal fees due to ongoing pressures linked to increases in demand on legal services and complexity of the cases involved;
 - £130k additional costs linked to the introduction of Senior Social Worker posts. Investment was approved in 2022/23 to support the cost of changing a number of current Social Worker posts to Senior Social Worker posts in order to support the Recruitment and Retention (R&R) strategy. The cost impact of this to date has exceeded the approved investment following the conversion of a number of agency staff to permanent Senior Social Worker posts in the last 3 months of 2022/23 and in May 2023;
- £330k Home to School Transport overspend relating to the following:
 - Demand growth for 2023/24 was previously expected to reduce by 10%. However, based on national statistics and actual growth seen to date, growth is now expected to be 14%. Costs are also based on current average costs including expected inflationary increases on routes due to be retendered in September 2023. These cost and growth increases have resulted in a shortfall in savings of £130k expected to be achieved in year.
 - Although the number of pupils transported in 2022/23 remained similar to that seen in 2021/22 the cost increased significantly due to an

increase in the number of out of borough placements being made linked to the ongoing placement sufficiency issues. This pressure continues in 2023/24 resulting in a further £200k overspend in the service. This will be reviewed as part of the budget setting process for 2024/25.

Mitigating actions of £861k have been identified to cover the pressures relating to placement moves. This was identified as a risk during budget setting which has now materialised and is covered from one off use of reserves.

Performance data on children in care is attached at **Appendix 7**.

Risks

There are also high risks of £4.10m which could impact the forecast position should they materialise, and these are detailed in **Appendix 1**.

4.9 Customer Engagement (overspend of £1.19m after use of and transfers to reserves)

The forecast position is a £1.19m overspend after the net transfer of planned transfers of £1.23m (as set out in **Appendix 2**). Work is on-going to identify mitigating actions to reduce the overspend and updates will be included in future reports. The main reasons for the variance are:

- £1.29m due to delayed delivery of saving of council wide efficiencies relating to Customer Access Management. The total saving is £4.47m of which £1.54m relates to CXC within Customer Engagement. The remainder of the saving is currently held centrally and included elsewhere within the report. Of the £1.54m relating to CXC £250k is expected to be achieved in 2023/24 with the remainder to be achieved in 2024/25 due to delays in moving posts to CXC and implementation of new technology;
- £110k due to reduction in housing benefit related central government grants;
- £110k due to increased volume of bank charges for online payments;
- (£100k) underspend on salaries due to vacant posts;
- (£220k) additional government grant applied against existing budgeted spend.

Risks

There are risks of £250k which could impact the forecast position should they materialise, and these are detailed in **Appendix 1**.

4.10 Economy, Environment and Communities (£1.42m prior to mitigating actions, after use of and transfers to reserves)

The forecast position is a potential overspend of £1.42m after planned transfers to and from reserves (as detailed in **Appendix 2**). Mitigating actions have been identified of £877k reducing the overspend to £546k.

The main variances are:

- Environment, Leisure and Commercial £88k – Over recovery of income from Active Living Centres due to increased demand (£275k) offset by under recovery of markets income arising from reduced number of operating days

- £180k, increased contract costs due to increased demand on service £94k and £54k of unachieved savings due to delayed delivery;
- Highways Transport & Operations £638k – Unachieved savings of £873k due to delayed delivery, HWRC contract pressure due to increased CPI inflation rates £212k, increased electricity costs of unmetered traffic signals £100k, increase in staffing costs £307k, garden vehicle hire costs £160k, part offset by reduction in waste disposal costs £767k and reduction in fuel costs £201k;
- Planning Services & Building Control - £607k pressure arising from additional staff and agency costs to support back log of cases and income reduction fully mitigated via an action plan;
- Regeneration & Development £260k – due to a delay in implementation of the restructure;
- Cultural Services (154k) - Staffing underspends due to vacant posts and additional income from the Arena;
- Regulatory Services £179k – an overspend on legal fees for unauthorised encampments, under recovery of enforcement income and staffing overspend due to delay in restructure;
- Library Services (£25k) – unachieved savings with no delivery plan £61k offset by underspend on staffing costs due to vacant posts;
- Communities and Partnerships (£53k) – arising from delay in project now to commence September 2023.

The projected overspend of £1.42m is offset by a number of identified mitigating actions of (£877k) as detailed below:

- Use of legacy section 106 income held in reserves £357k;
- Holding of vacant head of service post £70k;
- Use of Economic Growth Programme funding held in reserves £200k;
- Use of corporate reserve to support planning pressures £250k.

There are also risks of £500k which could impact the forecast position should they materialise and these are detailed in **Appendix 1**.

4.11 Resources and Transformation (£255k underspend after use of and transfers to reserves)

The forecast position after the net use of reserves of £1.51m is an underspend of £255k. The main areas of variance to budget are:

- Payroll £124k mainly due to a reduction in traded income from schools;
- Finance (£152k) due to vacant posts partly offset by agency costs;
- Legal services (£16k) - £43k relating to RED savings not achieved, £461k locum fees, fully offset by salary underspends due to vacant posts;
- Human Resources (£102k) underspend on salaries due to vacant posts (£252k) partly offset by agency costs £51k and £43k savings not achieved.
- DaTS (£130k) – (£482k) due to vacant posts, (£100k) additional grant income partly offset by agency costs of £259k and £172k reduction in traded income from schools.

There are also high risks of £2.31m which could impact the forecast position should they materialise and these are detailed in **Appendix 1**.

4.12 Capital Financing on budget after use of and transfer to reserves)

Prior to net transfer of planned reserves, the position is an underspend of £4.66m, which is in line with expectations when the budget was set for the year. It is planned that this budgeted underspend, which is due to a reduction in borrowing costs, of £5.24m for 2023/24 will be transferred to reserves to be used to smooth known increases in borrowing costs from 2025/26 onwards.

4.13 Central (£2.93m overspend after use of and transfer to reserves)

The overspend relates to a saving that is currently not expected to be achieved in year in relation to the Customer Access Management (CAM) workstream. This is currently being held centrally and will be allocated to services when actions have been identified as to how this will be achieved. In year mitigating actions are currently being worked up and will be reported to a future meeting.

Approved savings in 2023/24

4.14 The 2023/24 budget approved by Council on 23 February 2023 includes £15.71m of benefits realisation (savings) against Proud activity plus a further £7.55m of 2022/23 benefits approved to be carried forward for delivery in 2023/24, giving a total benefit figure of £23.26m to be achieved. Directors are required to ensure that service delivery plans are robustly implemented to fully deliver these in year.

4.15 There are currently £9.25m of benefits assessed as Red for delivery (at high risk of non-delivery), as shown in **Appendix 3** along with the reason and identified mitigating actions to date totalling £2.19m. Savings assessed as Red are currently included within the forecast overspend for 2023/24, therefore successful actions to deliver these Red savings will reduce the pressure on this year’s budget.

4.16 Children’s Services have reviewed Red savings that can no longer be achieved and propose to achieve 2 of them in a different way as shown in table below. The amendments would mean the saving is fully achieved on an on-going basis and would reduce the value of high risk savings by £100k to that reported in this report. This is an operational change and does not require any consultation or a further quality impact assessment completing. Cabinet are asked to note this change.

Current Saving Reference	Current Saving Description	Current Saving Value
OP48	Review of non-staffing costs across children’s social care	£100,000
OP11	Foster carer support – placement disruption	£1,104,754
TOTAL		£1,204,754

Amended Saving Reference	Amended Saving Description	Amended Saving Value
N/A	Reduce placement disruption and identify opportunities to step down placements placement disruption	£1,204,754
TOTAL		£1,204,754

Passporting of specific grants

- 4.17 Children’s services have been awarded a section 31 Grant to support delivery of an Early Years Professional Development Programme. The purpose of the grant is to provide training, qualifications, expert guidance, and targeted support for the early years sector to support the learning and development of the youngest and most disadvantaged children. Funding has been made available for work that directly benefits Early Years Practitioners in pre-reception settings to develop a high quality early years workforce and ensure children have the support they need to recover from the COVID-19 pandemic.

The grant will be paid in instalments over 3 financial years (2022/23 – 2024/25) based on the number of EYPs at a given point in time plus an element of funding for overheads & administration.

Cabinet are asked to approve the passporting of this grant to Children’s Services to cover the costs of the Programme going forward.

- 4.18 Children’s Services have also been awarded a further section 31 grant of £71,036 in 2023/24 and £71,036 in 2024/25, to fund the increase in leaving care allowance from £2,000 to £3,000 from 1 April 2023. This enables care leavers to purchase essentials (such as furniture, white goods and carpets/curtains) when they move into their first home.

Cabinet are asked to approve the passporting of this grant to Children’s Services to cover the £1,000 uplift to all young people leaving care.

- 4.19 Children’s Services have also been awarded a further section 31 grant of £87,099 in 2023/24, to fund new requirements for providers of supported accommodation for looked after children and care leavers aged 16 and 17. Providers will be required to register and be inspected by Ofsted against new national quality standards and associated administrative requirements. Ofsted will begin registering providers from 28 April 2023, and registration will become mandatory from 28 October 2023.

Cabinet are asked to approve the passporting of this grant to Children’s Services to cover these changes being implemented by the Supported Accommodation (England) Regulations 2023.

- 4.20 Children’s Services have received a new Section 31 grant in 2023/24 awarded by the DfE – Pupil Premium Plus Post 16 funding. The total amount that will be received is £58,213. At this point, there is no information as to if this grant is expected to be ongoing in future years or one off for 2023/24. Local authorities already receive Pupil

Premium plus funding of £2,530 per child in care aged 4 to 15 to provide both the individual support that a child needs, as identified in their Personal Education Plan, and for the cohort as a whole. This funding ceases when the child reaches the age of 16, but Virtual School Head duties and the need for bespoke support continue for as long as the child is in care.

Cabinet are asked to approve the passporting of this grant to Children’s Services to provide additional funding for looked-after children and care leavers at post-16.

Willenhall Bonfire and Fireworks Event 2023

- 4.21 In 2022, Walsall Council delivered bonfire and firework events at Walsall Arboretum, Kings George V Playing Fields (KGV) and Willenhall Memorial Park (WMP). Due to good weather, and the fact that these were the first events following the Covid-19 lockdowns, all three events sold out and the council made a small surplus in line with the budget.

The Willenhall event costs approximately £25,400 to deliver and the maximum income with a site capacity of 3,500 is £21,700 (a loss of £3,700). However, attendance is weather dependent and has historically been between 40% and 80% of the maximum capacity. This results in a loss of between £8,000 and £17,000 for the site. As this site is unable to make a profit, reducing the potential to make a surplus overall, it is proposed that the Willenhall event is no longer provided.

General Reserves

- 4.22 Opening unallocated general reserves for 2023/24 are £18.70m. The medium-term financial framework (MTFF) requires that a prudent levels of reserves is maintained. This was set at no less than £16.12m for 2023/24. The MTFF also sets a minimum level of reserves beyond which any use must be reported to Council. This is currently set at £7.20m. The potential variance against budget of £13.79m within this report would reduce available reserves to £4.91m below the £7.20m minimum level required, requiring replenishment in year. However, action is being taken to ensure this does not occur and officers are confident that the council will outturn close to budget.

Capital Programme 2023/24

- 4.23 The capital programme for 2023/24, as approved by Council on 23 February 2023 was £221.01m. **Table 3** summarises amendments made to date, resulting in a revised programme of £134.75m.

Table 3: Amendments to Capital Programme 2023/24

Project	£m
Capital Programme 2023/24 per Council 23 February 2023	221.01
Removal of estimated carried forwards (as 2023/24 budget was set prior to 2022/23 position being final)	(121.06)

Capital Programme prior to carry forwards from 2022/23	99.95
Council Funded Resources	
Carry forwards from 2022/23 – as approved by Cabinet on 21 June 2023	61.91
Saddler's project - car park/new toilets to support Connected Gateways – cash flowed in 2022/23	(0.34)
Enabling Support Services/One Source system – cash flowed in 2022/23	(0.12)
Refurbishment investment in Civic/Council House – cash flowed in 2022/23	(0.10)
Wheeled bin stock – cash flowed in 2022/23	(0.08)
Replacement obsolete traffic control systems – cash flowed in 2022/23	(0.01)
School temporary classrooms – cash flowed in 2022/23	(0.08)
Development Pool adjustment from 2024/25	0.31
Free School allocation moved into Development Pool	(1.00)
Willenhall Masterplan – part moved into Development Pool	(4.32)
Development Pool increase	5.32
Mosaic – increased contribution from Contingency	0.04
Use of contingency	(0.04)
Rephasing of council funded provision into future years – see Appendix 6	(55.10)
Externally Funded	
Carry forwards from 2022/23 – as approved by Cabinet on 21 June 2023	77.28
Local authority housing fund – new allocation	0.19
Home upgrade grant scheme – new allocation	1.40
Capital maintenance and devolved formula capital – amended allocation	0.08
Bloxwich Towns Deal – cash flowed in 2022/23	(0.04)
Future High Streets Fund – budget alignment from 2022/23	2.25
Walsall Urban Tree challenge – budget alignment	(0.01)
Library Improvement Fund – new allocation	0.20
Reedswood Levelling Up Fund – new allocation	0.07
Rephasing of external funded provision into future years – see Appendix 6	(53.01)
Revised capital programme 2023/24	134.75

- 4.24 A full review of forecast capital carry forwards into 2024/25 has been undertaken resulting in rephasing of the capital programme provision of £108.11m being recommended, summarised by scheme at **Appendix 6** (separate excel summary). Rephasing 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.
- 4.25 The forecast for the capital programme is a predicted underspend of £720k, summarised in **Table 4**.

Project	£m
Workshop breakdown vehicle – project completed	(0.01)
Darlaston Strategic Development Area – project completed	(0.01)
Walsall Town Centre Public Realm Improvements – allocation not required	(0.36)

Social Housing Decarbonisation – allocation not required	(0.28)
Nottingham Drive Car Park – project completed	(0.06)
Total	(0.72)

Development Investment

4.26 A provision of £40m was approved by Council in February 2021, with a further £30m in February 2022, and £29m in February 2023; a total of £99m set aside over the 6-year period 2021/22 to 2026/27 for council development investment opportunities, including emerging regeneration schemes, where funding or match funding is required, and major capital projects. The current proposed use (and unallocated amounts) is set out in **Table 5**.

Scheme	Approval	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Budget - Original Allocation		28.00	0.00	22.00	10.00	10.00	0.00
Additional allocation		0.00	0.00	1.76	24.82	0.45	2.44
Budget per Council February 2023		28.00	0.00	23.76	34.82	10.45	2.44
Movement of Free School into Development Pool/other changes		0.00	0.00	1.31	(0.31)	0.00	0.00
Rephasing as per Appendix 6		0.00	0.00	(22.02)	1.08	16.09	4.85
Adjusted Budget		28.00	0.00	3.05	35.59	26.54	7.29
Balance c/f		0.00	26.05	15.01	3.00	27.67	49.43
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	0.00	(4.04)	(1.07)
Reedswood 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	Cabinet 20 October 2021	(0.33)	0.00	0.00	0.00	0.00	0.00
Streetly Cemetery improvements	Cabinet 15 December 2021	(0.43)	0.00	0.00	0.00	0.00	0.00
Willenhall Masterplan	Cabinet 9 February 2022	0.00	(2.68)	(2.10)	0.00	0.00	0.00
Darlaston Boilers/baths	Cabinet 18 October 2022	0.00	(0.04)	0.00	0.00	0.00	0.00
Children in care / Foster Care refurbishment programme	Cabinet 9 February 2022	0.00	(0.15)	(0.15)	(0.15)	0.00	0.00
Fly Tipping project for CCTV	Cabinet 14 December 2022	0.00	(0.13)	0.00	0.00	0.00	0.00
Scheme	Approval	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Nottingham Car Park	Cabinet 21 June 2023	0.00	(0.24)	0.00	0.00	0.00	0.00
Cremator repair	Cabinet 21 June 2023	0.00	(0.05)	0.00	0.00	0.00	0.00
Mosaic system	Cabinet 21 June 2023	0.00	(0.03)	0.00	0.00	0.00	0.00

HWRC station - Middlemore Lane		0.00	0.00	(7.60)	(9.77)	0.00	0.00
Active Public Spaces		0.00	0.00	0.00	(1.00)	(0.74)	0.00
Total Allocated / Forecast to be allocated		(1.95)	(11.04)	(15.06)	(10.92)	(4.78)	(1.07)
Unallocated Balance c/f		26.05	15.01	3.00	27.67	49.43	55.65

*The budget report to Council in February 2023 also includes an allocation of £500k per annum to be set aside for minor capital works / capital contingency, subject to approval for its use on individual schemes.

Financial Health Indicators

4.27 **Appendix 4** contains financial health indicator performance as at 31 May 2023 (30 June 2023 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

4.28 The indicators show the actual borrowing and investment rates for 2022/23 and the forecast for 2023/24 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 2023/24.

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

4.29 These details ratios for the last 4 financial years 2018/19, 2019/20, 2020/21, 2021/22 and pre-audit figures for 2022/23 which show the liquidity of the authority.

Revenue performance

4.30 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 2023/24 and the performance against profile for 2023/24. Sundry debt collection is below target by 2 days with performance in relation to the processing of creditor payments better by 2.5 days. Council tax is above target with NNDR collection rates slightly below target.

Management of Resources

4.31 This section details the outturn position for 2022/23 (pre audit) and 2023/24 year-end forecast for revenue and capital, which is based on the financial position as at 30 June 2023. The revenue forecast for 2023/24 shown is a potential overspend of £13.79m after use of and transfer to reserves and mitigating actions of £3.50m, before any further action is taken.

- 4.32 The capital forecast as at the end of June is a forecast underspend of £720k after the rephasing of £117.88m carry forward into 2024/25. 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

- 4.33 **Appendix 5** contains the prudential indicators as at 31 May 2023. 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

- 4.34 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 2022/23 and are forecast to be met in 2023/24.

The targets that these prudential indicators are monitored against have been taken from the Treasury Management and Investment Strategy for 2023/24 onwards.

Local Indicators

- 4.35 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.

- L2 - Average length of debt – The target acceptable limit is within 15-25 years. The authority's current position is 18.34 years, which is within the target range.
- L3a - Net borrowing costs as % of net council tax requirement. 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, showing as 5.23%, which in the main is linked to the work undertaken by the service to seek 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. 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, showing as 3.50%, 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 continually increased the base rate over the 22/23 period, currently showing a base rate of 4.50%. This has shown

corresponding affect relation to Investment Yields. All investments are outperforming the 2022/23 target rate.

All the above indicators were met in 2022/23 and are forecast to be met in 2023/24 except the following:

- L8. Our investment rates for Short Term interest and At-Call rates are very similar this year as we are placing Short Term investments on average for around a month at a time, so there is therefore little difference between these two types of returns for the council. The budget was based on an at call rate of 2.50% and Short Term rate of 3.39%, but with continual rate rises now in this financial year the At-Call rate is responding very quickly and becoming more in line with our Short Term investments which may have been placed a month or two earlier.
- L11b. Average Interest Received on STI vs At Call rate. Short Term Interest showing at 4.20% is 0.10% higher than the at-call rate which shows as 4.10%. However, the target rate for STI vs Call Rate shows at 35.00%. At the time of these targets were set short term interest rates was significantly higher than call rate. Also as the call rate is increasing there are still active short-term investments placed over the past 12 months which are providing a much lower yield in comparison to current Short Term yields. Once these investments have matured (and potentially re-invested), we should see a significant increase in short term interest rate.

Write off of debt

- 4.36 The following write off (as it is over £10,000) requires the approval of Cabinet;
- £15,942.73 relating to community-based charges from 2016 to 2022. The debt is recommended for write off as the client has now passed away and there is no recourse to pay.

The Medium Term Financial Outlook (MTFO)

- 4.37 Council on 23 February 2023 approved the 2023/24 budget, which included the draft plan for the period 2023/24 to 2026/27. Savings of £25.51m were published, including £15.71m for 2023/24 and £8.10m for 2024/25. Whilst a balanced budget was presented for both 2023/24 and 2024/25, there remain savings of £20.73m to be identified to ensure a balanced budget is presented over the period to 2026/27.

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Savings required per Council February 2023	15.71	8.10	13.24	9.19	46.24
Savings published *	(15.71)	(8.10)	(0.86)	(0.84)	(25.51)
Initial Savings to be identified	0.00	0.00	12.38	8.35	20.73
Removal of theme based savings provision	0.00	5.00	0.00	0.00	5.00
Refresh of investments / pressures	0.00	(5.00)	0.00	0.00	(5.00)

Savings to be identified	0.00	0.00	12.38	8.35	20.73
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* Excludes carry forwards from 2022/23.

- 4.38 Further work is in hand to refresh the MTFO, including adding a rolling year to include 2027/28. The updated MTFO will be reported back to Cabinet in September 2023 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;
 - Review of cost-of-living assumptions including inflation and energy;
 - Review of contractual inflation 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

- 4.39 Resources are allocated, and budgets set within a framework of protocols and guidelines, in particular the Council 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 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 2024/25 in February 2024, 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.
- 4.40 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.
- 4.41 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 2024/25 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.

4.42 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) and applying a more commercial approach across the council;
- 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 approves otherwise during the budget process;
- Stakeholder consultation and lobbying.

4.43 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.

4.44 The budget process continues to build on the blended working principles established in 2021 that capitalises on the progress made using technology and digital working, it enables the continuation of opportunities introduced over the last 2 years, 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.

4.45 Our approach to budget setting was established for 2023/24 with overall financial savings expected to be delivered via Proud activity. For 2024/25 Proud work streams will continue to provide the 'enablers' to allow Directorates to deliver through Service Transformation Plans (STP's).

4.46 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 2024/25 and future years. The STP process is aligned to the budget timeline.

4.47 The process and key dates to come include:

- Finalise review on the MTFO and report to Cabinet / CMT;
- STP review by Directors completed by early July 2023;
- Delivery options developed over the Summer and Autumn;
- Review of the draft capital programme;
- Medium Term Financial Outlook update to Cabinet 6 September 2023;
- Draft Budget proposals to Cabinet by 18 October 2023;
- Scrutiny of the draft budget proposals, by Overview and Scrutiny Committees in October / November 2023, and feedback to Cabinet on 13 December 2023.
- 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 2024/25 settlement estimated to be in December 2023, and the final in late January / early February 2024;
- Recommendation of the revenue budget and council tax bands, capital programme and Treasury Management Strategy by Cabinet on 7 February 2024 for consideration by Council on 22 February 2024.

Medium Term Financial Framework, and Tax Strategy and governance arrangements

4.48 It is best practice to regularly review and update financial strategies to take into account the changing environment in which we work.

The Medium Term Financial Framework (MTFF) has been updated to reflect the following:

- Reference to updated key documents e.g. Council Plan, Governance Statement and Risk Management Strategy;
- Updates to the national policy, financial context and process, and the medium term financial outlook, following approval of the 2023/24 budget by Council on 23 February 2023.

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

Only minor changes have been made to the Tax Strategy and governance arrangements to reflect internal position changes within the Council. The detail of the strategy remain unchanged.

Council Plan Priorities

- 4.49 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

- 4.50 The 2023/24 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 ongoing impact of the global pandemic and rising cost of living pressures.
- 4.51 Managers are required to deliver service and improvement targets on time, to standard and within budget. The resource allocation process is governed by the overarching Medium Term Financial Framework (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.
- 4.52 There are also a number of increased risks in 2023/24 as set out within this report. Financial forecasts have been included where known or are estimated. Actions have been taken to address these risks and reduce the forecasted overspend caused by these pressures. Mitigating actions are set out within this report.
- 4.53 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 Corporate Management Team and oversight in relation to this rests with Audit Committee, which will receive a number of reports during 2023/24.

Financial Implications

- 4.54 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 forecast revenue variance, prior to mitigating actions being implemented, is significant and requires strong and robust management to ensure the council outturns within budget by year end. Actions are being taken to address this and progress will continue to be reported throughout 2023/24 to Cabinet.
- 4.55 Opening unallocated general reserves for 2023/24 were £18.70m. The medium-term financial framework (MTFF) requires that a prudent level of reserves is maintained. This was set at no less than £16.12m for 2023/24. The potential overspend of £13.79m within this report would reduce available reserves and action

is being taken to address this to ensure we outturn with an appropriate level of reserves.

Legal implications

- 4.56 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.
- 4.57 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.
- 4.58 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

- 4.59 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 aim of achieving best value for money.

Property Implications

- 4.60 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

- 4.61 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

- 4.62 There are no direct implications arising from this report.

Reducing Inequalities

- 4.63 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. The budget is equality impact assessed and consulted on as appropriate, with feedback and actions arising from these reported to Members during budget setting.

Climate Change

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

Consultation

- 4.65 The report is prepared in consultation with the s151 Officer, Corporate Management Team, relevant managers and directors.

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 continue to be presented to Cabinet on the forecast for 2023/24, including an update on risks and impact on the budget for 2024/25 and beyond.

7.2 Budget proposals will be presented to Cabinet and implemented following approval of the budget by Full Council in February 2024.

Background papers: Various financial working papers.

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Judith Greenhalgh
Interim Director – Resources and
Transformation

10 July 2023



Shaun Darcy
S151 Officer, and Director of
Finance,
Corporate Landlord and Assurance

10 July 2023



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

10 July 2023

Appendix 1: Summary of potential risk

POTENTIAL RISK – HIGH RISK ITEMS ONLY	POTENTIAL COST OF RISK £m
Adult Social Care, Public Health and Hub	

Outstanding debt from Walsall ICB relating to S117 and CHC recharges over one year old. The directorate is working with the ICB to resolve any queries relating to this outstanding debt	4.96
Continuation of 'business as usual' (BAU) reviews of client placements undertaken within the period of February to May 2023. During the 2023/24 budget setting process there was an assumption that increases due to BAU reviews would be met from further savings	3.81
Continuation of net increased inflow of new, deceased and ended clients from June 2023 onwards. The current year budget was based upon a 3 year trend and using average inflow and outflow numbers.	2.17
STP benefit proposals currently identified as 'not fully guaranteed' (Amber)	0.18
Impact of backdating information within Mosaic. Risk of active/placements with financial commitments not yet recorded on the database and therefore omitted from the current forecast position.	0.50
Additional risk arising from discharges out of the Intermediate Care service and placements made at a significantly higher weekly cost than the average existing clients.	1.00
Impact of specific provider failure. Informed a residential and nursing provider has potential financial stability issues, commissioning and operational teams are continuing to support this provider. Risk is current clients would need to be transferred to another care home should this materialise.	0.27
Total Adult Social Care, Public Health and Hub	12.89
Children's and Education	
Continued placement moves over and above the £2m investment. With on-going increases to average placement costs and sufficiency issues it is likely this pressure will continue	1.14
A higher number of children and young people entering care during 2023/24, impacted further by an increased reliance on IFA/ external residential placements as seen in 2021/22.	0.92
Extraordinary inflow to IFA's and remand placements seen in February 2023 reoccurring this financial year.	1.04
Additional uplift requests from spot placement providers for 2023/24 and average weekly costs of external placements continue to rise as per 2022/23.	0.50
Average weekly costs of external placements will continue to rise as per 2022/23.	0.50
Customer Engagement	
Increased demand on bed and breakfast	0.10
Cost of bringing the housing register in house	0.15
Total Children's, Education and Customer Engagement	4.35
Economy, Environment and Communities	
Loss of income in bereavement services due to new competitor entering the market and reduction in burial demand.	0.39
POTENTIAL RISK – HIGH RISK ITEMS ONLY	POTENTIAL COST OF RISK £m

Regulatory services due to back log of inspections and Kingdom contract ceasing	0.11
Total Economy, Environment and Communities	0.50
Resources and Transformation	
Increase in locum costs due to difficulty recruiting to solicitor posts	0.46
Increased cost of energy	1.85
Total Resources and Transformation	2.31
TOTAL HIGH RISKS	20.05

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

Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
Adult Social Care, Public Health and Hub			
Covid-19 – Omicron	(170,000)	0	Costs associated with the plan to strengthen the Carers strategy across the borough following Covid-19
Adult Social Care External Partner Contributions	0	149,714	External grant / contributions which are ring fenced to fund the Economic Intelligence Team
Housing 21	(476,910)	0	Mitigating action to fund the increase in unitary charge above that included in the budget due to higher RPI being applied than expected.
National Development Team for Inclusion Project	(258,814)		Use of grant funding carried forward from 2022/23.
Better Care Fund (BCF) / Improved Better Care Fund 2 (iBCF2)	(40,000)	0	Costs associated with social care activity/intermediate Care.
Mediation reserve	0	2,371,967	To cover the 2023/24 proportion of income due from Walsall ICB which is currently in dispute.
Public Health	(2,359,396)	2,257	Relates to grant funding for Public Health projects – Better Mental Health, Adult Weight Management and Universal Drug / Crime
IFRS	(279,492)	0	Related to grant funding for assessments, social worker capacity support, Oral Care & other small grants.
Social Care Grant – Doctor's assessments	(39,006)	0	To support back log of Best Interest Assessors / Deprivation of Liberty safeguard assessments.
Proud - Adult Social Care	(2,279,508)	0	To fund investment and resources to deliver Proud workstream activity.
Total Adult Social Care, Public Health and Hub	(5,903,126)	2,523,938	
Children's Services			
IFRS	(1,064,470)	106,219	Relates to grant funding for School Improvements, Safeguarding Families, Protecting Children, Regional Recovery, FDAC, Personal Advisors, School Led Tutoring & Family Hubs.
Children in care complex cases	(255,986)	0	To fund pressures, including social workers and placement costs, of complex cases relating to young people in care.
Children's external partner contributions	(208,614)	0	Use of Safeguarding Partnership and Regional Adoption Agency contributions.

Social care demand / contingency	(861,421)		To fund the additional costs of Childrens placement moves previously identified as risk which has now materialised.
Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
Truancy fine income	(30,975)	15,276	Used to fund an attendance officer post.
Total Children's Services	(2,421,466)	121,495	
Children's - Customer Engagement			
Houses in multiple occupation (HMO) licences	(48,825)	0	To fund staff support costs relating to HMO licences.
IFRS	(695,458)	0	Grant funding for Housing First scheme, homelessness, Rough Sleepers, refugee costs and other smaller projects.
Crisis support	(378,162)	0	To fund costs related to the Crisis Support Scheme.
Housing IT System Implementation	(112,170)	0	To fund IT implementation costs in 2023/24.
Total Children's - Customer Engagement	(1,234,615)	0	
Economy, Environment & Communities			
Covid-19 – Community Champions	(148,377)	0	Costs of supporting residents who are most at risk of Covid-19.
Building control fees	(62,283)	0	Statutory account. Required to breakeven over a 3 year period which is reviewed annually.
Bus lane enforcement ring fenced income	(75,467)	0	Funding key projects in line with the legislation. - District signage - Rolling programme to refresh street name plates; - Road lines; - Introduction of Moving Traffic Enforcement legislation.
Street Lighting PFI	(1,480,925)	0	Grant funding to be utilised over the life of the project. This is being utilised to fund the increase in energy costs for 2023/24.
Shannon's Mill (commuted sum)	(3,000)	0	To cover the ongoing maintenance with a set proportion released each year.
King's Coronation	(20,000)	0	To fund community activities and involvement for Coronation celebrations across Walsall.
On Street Car Parking income (ringfenced)	(696,412)	0	To fund key projects in line with the legislation.

Economic growth programme (EGP)	(187,697)	0	To support costs within service to continue functions as per Cabinet report October 2020. Extended to 2023.
IFRS	(907,361)	203,737	Primarily relates to grants / contributions carried forward for Domestic abuse, Bikeability, Section 106, Integration Area programme, Arts Council, England Cricket Board and other smaller projects.
Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
Phoenix 10	(112,196)	0	To fund professional fees.
Willenhall Master Plan	(216,653)	0	Costs associated with the Willenhall Master Plan redevelopment
Feasibility / Options appraisals	(173,904)	0	To cover costs which cannot be coded to capital and abortive costs of schemes.
Planning	(605,421)	0	To fund one off costs of agency to clear back log of applications.
Mediation reserve	(50,000)	0	To fund cost for unauthorised encampments activity.
Total Economy, Environment & Communities	(4,739,696)	203,737	
Resources & Transformation			
Elections	(181,746)	0	To cover remaining costs of new system and budget pressures in 2023/24 not known when budget was set.
Audit and inspection	(90,372)	0	Contingency set aside to cover additional internal audit contract costs.
Economic growth programme	(4,275)	0	To support costs within service to continue functions as per Cabinet report October 2020. Extended to 2023.
Enterprise Zones	(744,500)	1,694,610	Generated from surplus business rates from across the Black Country to fund the costs of future capital schemes.
Growing Places Fund	(800)	0	Funding received to support the Growing Places LEP programme management costs.
Growth Deal Programme	(13,164)	0	Funding received to support the Growing Places LEP programme management costs.

IFRS	0	29,823	Primarily relates to grants / contributions carried forward where spend was delayed due to Covid-19 or spend spans more than 1 year.
Improvement projects	(971,756)	0	To fund costs associated with One Source and Cloud/Azure licencing costs.
Proud Resource Plan	(337,346)	0	To fund investment and resources to deliver Proud workstream activity.
Redundancy	(34,794)		To fund redundancy costs.
Total Resources and Transformation	(2,378,753)	1,724,433	
Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
Capital Financing			
Borrowing re-scheduling	(477,000)	5,721,000	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.
Minimum revenue provision (MRP)	(577,000)	0	To smooth minimum MRP costs as per approved MRP policy.
Pensions – upfront payment borrowing costs	(3,000)	0	To fund borrowing costs of funding pension payments upfront for 3 years to release savings.
Total Capital Financing	(1,057,000)	5,721,000	
Centrally Held			
Proud	(564,000)	0	Funding of one-off investment in relation to Proud programme.
Borrowing rescheduling	(496,226)	0	Planned one off use of reserve to fund WMVC UKSPF Fee.
Enterprise Zones – part of section 31 grant	0	18,338	Transfer of business rates income relating to the Enterprise Zone.
Environmental Levy	(550,400)	0	Planned use of reserve no longer required to support one off expenditure included in the 2023/24 budget.
Business rates retention scheme	(3,906)	5,264,000	Planned transfer to fund volatility of business rates income due to the pandemic and any appeals. Also to smooth future changes to the scheme.
Total Centrally Held	(1,614,532)	5,282,338	
TOTAL RESERVES	(19,349,188)	15,576,941	

Appendix 3: Benefits 2023/24 currently identified as ‘Red’ due to risk of delayed delivery

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
Adult Social Care	OP10 - Develop and deliver additional support to Carers	240,934	240,934	240,934	To be aligned to locality reviews.	Mitigated by FYE 2022/23 savings.
Adult Social Care	OP13 - Learning disability joint funding tool – cohort 3	954,000	455,000	0	Awaiting detailed delivery plans - ongoing ICB discussions on JF tool.	Action being identified.
Adult Social Care	2022/23 - Efficiencies attributed to the implementation of Bettercare Finance System	770,905	770,905	0	Delay due to future-proofing and integration with other systems.	Action being identified.
Adult Social Care	2022/23 - Staffing impact following the implementation of Bettercare Finance System	94,079	94,079	0	Delay due to future-proofing and integration with other systems.	Action being identified.
Adult Social Care	2022/23 - Review for Learning Disabilities joint funding tool	1,757,270	1,757,270	900,000	Awaiting detailed delivery plans - ongoing ICB discussions on JF tool.	Part mitigated by 2022/23 FYE overachievement.
Adult Social Care	2022/23 - Increased income from Print & Design service to external bodies	30,000	30,000	0	Awaiting detailed delivery plans.	Potential mitigation options from additional advertising income currently under review.
Total Adult Social Care		3,847,188	3,348,188	1,140,934		
Children’s Services	OP2 – Home to school transport review of contracts and route optimisation	300,000	131,958	0	Increase in expected demand for 2023/24.	Action being identified.
Children’s Services	OP6 – Review of current establishment and reduction in the use of agency staff following recruitment of permanent staff	634,406	34,406	0	Recruitment and retention benefit will not be achievable based on current forecast.	Action being identified.

Children's Services	OP48 – Review of non-staffing costs across children's social care	100,000	100,000	100,000	Benefit value no longer achievable.	Mitigating options have been identified across the service to offset this.
Total Children's Services		1,034,406	266,364	100,000		
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
		£	£	£		
Customer Engagement	Part OP26 - Council wide efficiencies relating to Customer Access Management	1,540,000	1,290,000	0	Delay in implementation of Customer Experience Centre changes.	Action being identified.
Total Customer Engagement		1,540,000	1,290,000	0		
Economy, Environment & Communities	P3a – Outsource outdoor pursuits service to a community group	12,878	6,439	6,439	Implementation delayed.	Currently mitigated by underspends in service.
Economy, Environment & Communities	P4 - Increase in bulky waste charges	136,000	45,000	45,000	Delay in new price on the web page due to Agilisys update.	Currently being mitigated by general underspends within Clean and Green.
Economy, Environment & Communities	P6 - Rewilding of all urban grassed areas	352,348	352,348	352,348	Plans being reviewed and alternative saving proposals considered.	Currently being mitigated by general underspends within Clean and Green.
Economy, Environment & Communities	P13 - Reintroduce staff parking charges	18,000	18,000	18,000	Delayed due to equality impact.	Currently mitigated by underspends in service.
Economy, Environment & Communities	OP4 - Regeneration & Economy team review	260,193	260,193	260,193	Restructure plans still not confirmed due to sickness absence.	Currently mitigated by underspends in service.
Economy, Environment & Communities	OP16 - Enhancement of Darlaston Pool	15,000	11,250	11,250	Delay due to release of capital funds.	Currently mitigated by underspends in service.
Economy, Environment & Communities	OP17 - Development of Oak Park office space	50,000	37,500	37,500	Delay due to release of capital funds.	Currently mitigated by underspends in service.

Economy, Environment & Communities	OP18 - Improvement to direct debit collection process	10,000	5,000	5,000	Completion of project expected to be October 2023	Currently mitigated by underspends in service.
Economy, Environment & Communities	OP19 – Review of coffee shop operations	10,000	5,000	0	Review currently delayed.	Action being identified.
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	OP54 - Charge developers for travel plans	30,000	30,000	30,000	Recruitment - no suitably skilled staff available to implement.	Currently mitigated by underspends in service.
Economy, Environment & Communities	OP56 - Increase recycling rates and reduce contamination	382,523	382,523	75,523	Service currently has no plan on how to achieve this saving.	Currently being mitigated by general underspends within Clean and Green.
Economy, Environment & Communities	2022/23 - Offer residential gardening service	30,000	30,000	30,000	Business case has highlighted this benefit cannot be achieved. No delivery plan in place.	Mitigation by general underspends within Clean and Green.
Economy, Environment & Communities	2022/23 - Review of Libraries Management	60,679	60,679	60,679	Head of Community Building role will move this forward when in post.	Underspends from salaries in service will be used to mitigate Red position.
Economy, Environment & Communities	2022/23 - Premium bulky waste collection service	15,000	15,000	15,000	Currently no demand for a premium service. No delivery plan in place.	Currently being mitigated by general underspends within Clean and Green.
Total Economy, Environment & Communities		1,382,621	1,258,932	946,932		
Resources & Transformation	OP34 - Platinum Secure Storage	13,000	13,000	0	Contract currently under retendering.	Action being identified.
Resources & Transformation	OP36 - Promotion of One Source system to Schools for sickness absence data entry	30,000	30,000	0	Currently unable to roll out OneSource system to schools.	Action being identified.

Resources & Transformation	2022/23 - Review of Enabling & Support Services (Governance)	105,132	105,132	0	Service experiencing significant recruitment and retention issues. A review and plan is being worked on.	To be reviewed as part of MTFO, and any potential use of reserve.
Resources & Transformation	2022/23 - The modernisation of an electronic enrolment and canvassing system	5,000	5,000	0	Plan for delivery or mitigation not yet in place.	To be reviewed as part of MTFO, and any potential use of reserve.
Total Resources & Transformation		153,132	153,132	0		
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
		£	£	£		
Central	Part OP26 - Council wide efficiencies relating to Customer Access Management	2,930,000	2,930,000	0	Actions on how this will be achieved are still being finalised	Action being identified.
Total Central		2,930,000	2,930,000	0		
Total		10,887,347	9,246,616	2,187,866		

Appendix 4: Financial Health Indicators – June 2023

Treasury Management	2022/23 Actual	2023/24 Target	2023/24 Actual
Average Interest Rate (Borrowing)			
- Excluding other local authorities	3.82%	4.21%	4.01%
- Including other local authorities	3.87%	4.33%	4.06%
Gearing Effect on Capital Financing Estimates	3.81%	5.00%	4.10%
Net Borrowing Costs / Council Tax Requirement and NNDR contribution	7.21%	12.50%	3.50%
Capital Financing Requirement (£m)	390.19	433.114	433.114
Authorised limit for external Debt (£m)	474.38	465.410	465.410
Investment Rate Average (excl Property fund)	1.81%	3.48%	4.17%

Balance Sheet Ratios	2018/19	2019/20	2020/21	2021/22	2022/23 (draft)
Current Assets: Current Liabilities	1.68	2.39	2.01	1.96	1.74
Useable Reserves: General Revenue Expenditure	0.72	0.73	1.02	1.07	0.77
Long Term Borrowing: Tax Revenue (Using both council tax and NNDR for tax revenue)	1.36	1.43	1.83	1.49	1.19
Long Term Assets: Long Term Borrowing	2.05	1.86	1.83	2.14	2.73
Total School Reserves: Dedicated School Grant	0.06	0.05	0.08	0.08	0.06

Revenues Performance % collected for financial year	2021/22 Actual Collected in total as at 31.05.23	2022/23 Actual Collected in total as at 31.05.23	2023/24	
			Profiled 2023/24	Actual 2023/24
Council tax %	95.3%	93.7%	17.2%	17.5%
Total Council Tax collected	£146,069,410	£149,148,532	£28,450,000	£29,039,489
National Non Domestic Rate (NNDR) %	97.7%	97.4%	18.7%	18.3%
Total NNDR collected	£60,149,037	£70,713,335	£13,325,000	£13,056,505

Debtors and Creditors Performance	2022/23 Actual	2023/24	
		Target	Actual
Sundry Debtors Collection – Average number of days to collect debt	25 days	24 days	26 days
Average number of days to process creditor payments*	6.5 days	8 days	5.5 days

Management of Resources	2023/24		
Service Analysis	Target	Actual	Variance
Adult Social Care, Public Health and Hub	68,579,154	76,032,467	7,453,313
Children's Services			
- Children's and Education	75,497,730	77,431,942	1,934,212
- Customer Engagement	2,636,771	3,826,959	1,190,188
Economy and Environment	36,706,445	37,252,608	546,163
Resources and Transformation	36,252,822	35,995,873	(256,949)
Council Wide	42,035,673	44,963,053	2,927,380
NNDR/Top Up	(117,545,553)	(117,545,553)	0
Total Net Revenue Expenditure	144,163,042	157,957,348	13,794,306
General Reserves	Minimum £7.2m Maximum £18.0m	N/A	N/A

Council Funded Capital Expenditure	57,928,355	48,061,767	(9,866,588)
External Funded Capital Expenditure	76,818,916	76,190,907	(628,009)
Total Capital Expenditure	134,747,271	124,252,674	(10,494,597)
Capital Receipts	2,925,000	2,925,000	0

Management of Resources	2022/23		
Service Analysis	Target	Actual	Variance
Adult Social Care, Public Health and Hub	68,746,416	73,746,671	5,000,255
Children's Services			
- Children's and Education	81,911,515	91,219,606	9,308,091
- Customer Engagement	18,295,852	17,176,773	(1,119,079)
Economy and Environment	59,961,295	56,599,832	(3,361,463)
Resources and Transformation	31,681,780	30,302,297	(1,379,483)
Capital Financing	(14,636,398)	(20,935,898)	(6,299,500)
Central budgets	(107,535,211)	(110,036,285)	(2,501,074)
Total Net Revenue Expenditure	138,425,249	138,072,997	(352,253)
General Reserves	N/A	18,702,473	N/A
Council Funded Capital Expenditure	95,655,174	33,746,210	(61,908,964)
External Funded Capital Expenditure	138,982,534	61,696,354	(77,286,180)
Total Capital Expenditure	234,637,708	95,442,564	(139,195,144)
Capital Receipts	2,500,000	2,174,164	(325,836)

What this tells us

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

Balance Sheet Ratios	
Current Assets: Current Liabilities	Our ability to meet our liabilities
Useable Reserves: General Revenue Expenditure	If our reserves are adequate to meet potential future variations.
Long Term Borrowing: Tax Revenue	The effect of long term borrowing on our budget.

Using only council tax for tax revenue Using both council tax and NNDR for tax revenue	
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 school's reserves are at an appropriate level.

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

Management of Resources
Service Analysis

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

Appendix 5: Prudential indicators – as at 31 May 2023

Prudential Indicator		Actual 2022/23 £m	Target 2023/24 £m	Actual Position at 31-March- 24 £m	Variance to target	
					Numerical Variance	% Variance
Pri 1	Capital Expenditure	96.314	124.980	124.450	-0.730	-1%
This indicator is required to inform the council of capital spending plans, it is the duty of a local authority to determine and keep under review the amount that it can afford to allocate to capital expenditure. Capital expenditure may be funded by grant, capital receipts and borrowing.						
Pri 2	Ratio of financing costs to net revenue stream	4.05%	8.86%	6.84 %	-2.01	-23%

Financing costs - Divided by (Interest charged on loans Less Interest earned on investments)		Budget requirement (Revenue Support Grant + NNDR +Council Tax)			The ratio of financing costs to net revenue stream (General Fund) as a %	
Prl 3	Estimates of the incremental impact of new capital investment decisions on Council Tax	£43.02	£89.66	£89.66	0.00	0%
This is a notional amount indicating the amount of council tax band D that is affected by the capital programme in the budget report compared to existing approved commitments and current plans.						
Prl 4	Capital Financing Requirement	390.185	433.114	433.114	0.00	0%
This represents the underlying level of borrowing needed to finance historic and future capital expenditure. It is updated at end of the financial year.						
Prl 5	Authorised Limit for external debt	474.380	465.410	465.410	0.00	0%
The council may not breach the limit it sets, so it is important to allow prudent room for uncertain cash flow movements and borrowing in advance of future need.						
Prl 6	Operational Limit for external debt	431.250	423.100	423.100	0.00	0%
This has been set at the level of the capital financing requirement less the CFR items relating PFI and finance leases.						
Prl 7	Gross Borrowing exceeds capital financing requirement	No	No	No		
The CFR represents the underlying level of borrowing needed to finance historic capital expenditure. Actual net borrowing should be lower than this because of strong positive cash flow and balances. It would be a cause for concern if net borrowing exceeded CFR.						
Prl 8	Authority has adopted CIPFA Code of Practice for Treasury Management	Yes	Yes	Yes		
To ensure that treasury management activity is carried out within best professional practice.						
Prudential Indicator		Actual 2022/23	Target 2023/24	Actual Position at 31 March '24	Variance to target	
		£m	£m	£m		
Prl 9	Total principle sums invested for longer than 364 days must not exceed	5.0	25.0	5.0		
The council is at risk when lending temporarily surplus cash. The risk is limited by investing surplus cash in specified investments and by applying lending limits and high credit worthiness. These are kept under constant review.						

Prudential Indicator continued		Upper Limit	Lower Limit	Actual 2022/23	Actual Position at 31-March- 2024
PrI 10	Fixed Interest Rate Exposure	95.00%	40.00%	98.14%	97.99%
PrI 11	Variable Interest Rate Exposure	45.00%	0.00%	1.86%	2.01%
PrI 12	<i>Maturity Structure of Borrowing</i>				
	Under 12 months	25.00%	0.00%	12.84%	5.81%
	12 months and within 24 months	25.00%	0.00%	12.24%	18.24%
	24 months and within 5 years	40.00%	0.00%	20.25%	16.87%
	5 years and within 10 years	50.00%	5.00%	0.00%	0.00%
	10 years and above	85.00%	30.00%	54.67%	59.07%

Local Indicators as at 31 May 2023

Local Indicators		Actual 2022/23	Target 2023/24	Actual Position as at 31-March- 2024	Variance to target		Met
					Numerical Variance	% Variance	
L1	Full compliance with prudential code	Yes	Yes	Yes	-	-	Y
L2	Average length of debt	17.13	Lower Limit 15 years, Upper limit 25 years	18.34	-	-	Y
This is a maturity measure and ideally should relate to the average lifespan of assets.							
L3a	Financing costs as a % of council tax requirement	10.64%	20.00%	5.23%	-14.77	-73.84%	Y
L3b	Financing costs as a % of tax revenues	7.21%	12.50%	3.50%	-9.00	-72.03%	Y
These are a variation to Pr1 3 excluding investment income and including MRP (amount set aside to repay debt costs). The target figure of 12.5% 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 favorable rates on investments and reduced costs on borrowing, thus reducing the overall net borrowing costs.							
L4	Net actual debt vs. operational debt	61.42%	85.00%	57.87%	-27.13	-31.92%	Y
This assists the monitoring of the authority's debt position.							
L5	Average interest rate of external debt outstanding excluding OLA	3.82%	4.21%	4.01%	0.20	4.82%	Y
L6	Average interest rate of external debt outstanding including OLA	3.87%	4.33%	4.06%	0.27	6.13%	Y
The measure should be as low as possible. Other Local Authority debt (OLA) is managed on our behalf by Dudley council.							

L7	Gearing effect of 1% increase in interest rate	3.81%	5.00%	4.10%	0.04% This would increase the average interest rate payable from 4.06% shown in L6 to 4.10%	Y
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This relates risk management principles to the monitoring of the TM strategy. It measures the effect of a change in interest rates and the effect it may have on the capital financing costs.

Local Indicators		Actual 2022/23	Target 2023/24	Actual Position as at 31 March 2024	Variance to target		Met
					Numerical Variance	% Variance	
L8	Average interest rate received on STI vs. At Call rate	-11.22%	35.00%	2.44%	-32.56	-93.03%	N
L9a	AT call investments	2.05%	2.50%	4.10%	1.60	64.00%	Y
L9b	Short Term Investments	1.82%	3.75%	4.20%	0.45	12.00%	Y
L9c	Long Term Investments	0.83%	4.00%	5.01%	1.01	5.25%	Y
L9d	Property Fund Investments	3.89%	3.56%	3.86%	0.30	8.43%	Y
L10	Average interest rate on all ST investments (ST and AT call)	1.89%	3.39%	4.15%	0.76	22.53%	Y
L11a	Average rate on all investments (ex. Property fund)	1.81%	3.48%	4.17%	0.69	19.90%	Y
L11b	Average rate on all investments (inc. property fund)	2.11%	4.54%	4.11%	-0.43	-9.40%	N
L12	% daily bank balances within target range	99%	99%	99%	0.00	0.00%	Y

This measures how good our daily cash flow prediction is. A figure of 98% and above indicates a high level of accuracy.

Appendix 6: Capital Programme re-phasing of approved schemes from 2023/24 to future years

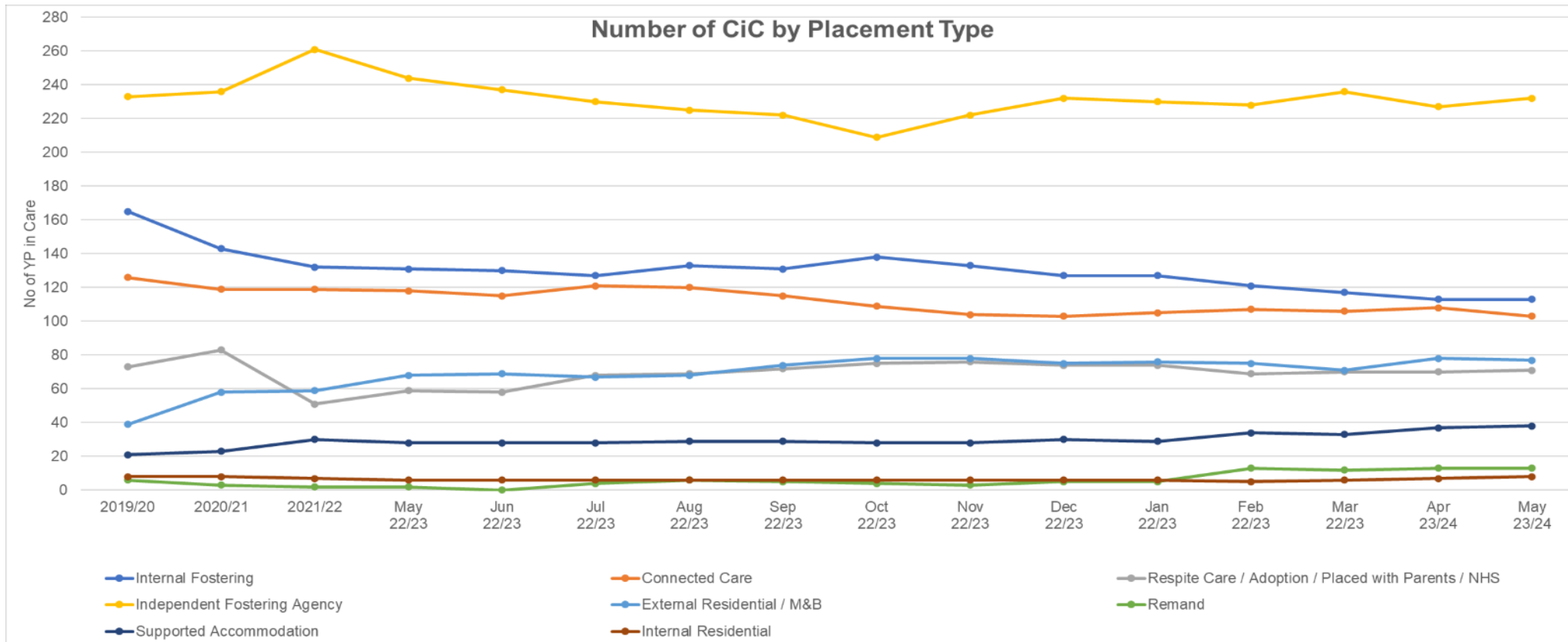
See separate excel document.

Appendix 7 – Performance data relating to demand within Children’s Services

Children in Care (CiC)

Year	2019/ 20	2020/ 21	2021/ 22	May 22/23	Jun 22/23	Jul 22/23	Aug 22/23	Sep 22/23	Oct 22/23	Nov 22/23	Dec 22/23	Jan 22/23	Feb 22/23	Mar 22/23	Apr 23/24	May 23/24
Total CiC	671	673	661	656	643	651	656	654	647	650	652	652	652	651	653	655

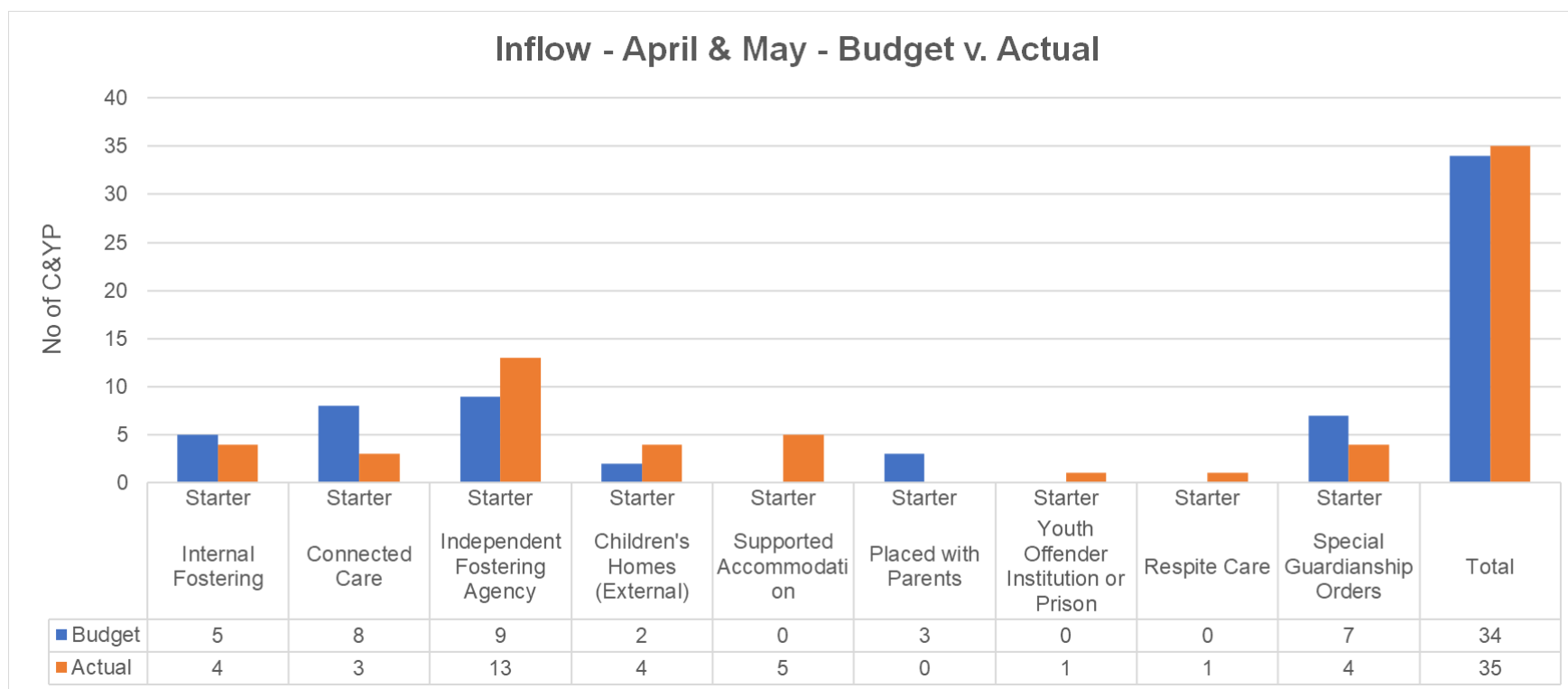
Despite the overall number of children in care (CiC) and net inflow/outflow of children and young people in Walsall decreasing and beginning to stabilise through the implementation of the services transformation plans, the overall costs relating to children in care have increased.



On-going nationwide pressures surrounding placement sufficiency, have created a reliance on higher cost placements, predominately external residential placements which have increased from 39 in 2019/20 to 77 in May 2023. In comparison internal fostering placements have decreased from 165 in 2019/20 to 113 in May 2023, as per the chart below.

The introduction of new legislation for non-Ofsted registered placements; a rising number of large sibling groups; an increasing number of complex children; together with a higher proportion of children in care over the age of 15 are all factors which have contributed to the increased demand within the market. These placement sufficiency issues are also apparent within the inflow figures for April and May 2023.

Based on the prior three-year inflow trends and mix of placements utilised during 2022/23, the budgeted inflow for April and May totalled 34 children and young people. As shown in the chart below, there were 35 YP who entered care during these two months, however there was a higher reliance on Independent Fostering Agencies and External Residential homes than budgeted, which are two of the highest cost placements. This has created an additional pressure of £385k in the Period 3 position.



The chart below shows the average weekly cost of the four most utilised placement types for Walsall's CiC. The average weekly cost for an external residential placement has significantly increased from £4k to £5.7k (40%) over the last 4 financial years. This is significantly higher than the average weekly cost of an Internal Fostering placement of £570 p/w. In recognition of this financial impact, the service has developed the Internal Fostering offer and is focussed on increasing the number of carers to reduce reliance of higher cost external residential placements.

Average Weekly Costs

