

## Cabinet – 8 February 2023

### Corporate Financial Performance 2022/23

**Portfolio:** Councillor M.A. Bird – Leader of the Council

**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 2022/23 (based on December 2022 actual and forecasts) and actions being taken to address this to ensure the council outturns on budget.

#### 2. Summary

- 2.1 This report provides a summary position on the draft forecast revenue outturn for 2022/23 including cost pressures, particularly within Adult Social Care and Children's Services, resulting in a forecast underspend of £57k, a reduction of £107k since this was last reported to Cabinet in December 2022. The section 151 Officer requested that all budgets be reviewed and that services identify mitigating actions to address the position, which are included in the forecast outturn position. The impact of any on-going pressures have been addressed as part of the 2023/24 budget process.
- 2.2 In relation to the capital programme, the report includes a number of proposed amendments for approval as set out in section 4.15 of the report. The forecast for the capital programme is currently predicted to be underspent by £652k after the expected carry forward of £121.06m into 2023/24.
- 2.3 This report also sets out:
- Performance against an agreed set of financial health indicators, which are forecast to be achieved;
  - Performance against statutory and local prudential indicators, which are forecast to be achieved;

### 3. Recommendations

That Cabinet:

- 3.1 Note a forecast service revenue overspend of £7.92m after service mitigating actions offset by £7.98m underspend on central budgets (includes £4.79m of mitigating actions) resulting in a net £57k variance under budget, and progress against delivery of approved savings. The service overspend has reduced by £4.56m as detailed in sections 4.5 to 4.9.
- 3.2 Note that there continues to be risk in terms of fluctuating demand and prices in Children's Social Services; data issues in Adult Social Care; and the increased cost of living demands, which require continued close management.
- 3.3 Approve the use of the Market Sustainability and Fair Cost of Care grant allocation of £966k from 2022/23 towards an ongoing uplift to home care services as outlined in section 4.5.
- 3.4 Approve amendments to the capital programme as detailed at **Appendix 5**.
- 3.5 Note that the forecast for the capital programme is currently predicted to underspend by £652k after the expected carry forward of £121.06m into 2023/24, as set out in sections 4.16 and 4.17.
- 3.6 Note financial health indicator performance as set out in section 4.19 and **Appendix 6**.
- 3.7 Note the prudential indicators as set out in section 4.25 and **Appendix 7**.
- 3.8 Approve the write off of debt as detailed in section 4.28.

### 4. Know – Context

- 4.1 The council is legally required to operate within a balanced budget, to operate within financial controls and to deliver approved budget savings. The impact of the pandemic continues to be felt in a number of areas, particularly in the social care sector and the cost-of-living impact is also causing pressures, particularly in relation to the council's costs in relation to energy and supplies.

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

- 4.2 Walsall Council has a strong track record of managing financial pressures and action has been taken to mitigate current and future cost pressures. The council is experiencing ongoing and emerging pressures in relation to the cost-of-living impact, on contracts/third party spend in particular, and where known and quantifiable, the financial impact of this is included within the forecast position. As a result of the pressures, mitigating actions have been instigated, including services taking action to address them, use of appropriate earmarked reserves, etc.
- 4.3 The current council wide revenue forecast shows a marginal forecast underspend of £57k against budget, as summarised by directorate in **Table 1**. This represents a variance of £107k to the previous (October) position reported to Cabinet on 14 December 2022. This includes in year mitigation actions totalling £16.09m (**Appendix**

3) to ensure we are on track to outturn within budget by year end. Full details of the Directorate positions prior to mitigating actions are detailed at **Appendix 1**.

Table 1: Forecast revenue analysis 2022/23 by Directorate							
Directorate	Net Budget	Year-end forecast prior to transfer to / (from) earmarked reserves	Year-end variance to budget prior to transfer / (From) earmarked reserves	Use of earmarked reserves	Transfer to earmarked reserves	Year-end forecast including all mitigating actions	Movement since October position reported to Cabinet 14 Dec '22
	£m	£m	£m	£m	£m	£m	£m
Adult Social Care Public Health & Hub	60.18	74.55	14.36	(10.82)	0.47	<b>4.02</b>	(2.24)
Children's and Education	60.73	71.33	10.61	(3.72)	0.33	<b>7.22</b>	(0.61)
Customer Engagement	3.44	4.26	0.82	(2.05)	0.20	<b>(1.03)</b>	(0.34)
Economy, Environment & Communities	36.67	42.03	5.36	(7.73)	0.66	<b>(1.71)</b>	(0.78)
Resources & Transformation	32.54	37.07	4.53	(6.55)	1.45	<b>(0.57)</b>	(0.58)
<b>Services Position</b>	<b>193.56</b>	<b>229.24</b>	<b>35.67</b>	<b>(30.87)</b>	<b>3.12</b>	<b>7.92</b>	<b>(4.56)</b>
Capital Financing	24.93	26.77	1.84	(9.04)	0.91	<b>(6.30)</b>	0.00
Central budgets	(80.07)	(71.02)	9.05	(13.70)	2.97	<b>(1.68)</b>	4.45
<b>Total council tax requirement</b>	<b>138.43</b>	<b>184.98</b>	<b>46.56</b>	<b>(53.61)</b>	<b>6.99</b>	<b>(0.06)</b>	<b>(0.11)</b>

4.4 The year-end forecast includes the use of earmarked reserves of £53.61m and transfers to earmarked reserves of £6.99m, as detailed at **Appendix 1**. 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 £170.46m as shown in **Table 2** below:

Table 2: Earmarked Reserves					
	Opening Balance 01/04/22	Transfers from Reserves	Transfers to Reserves	Movement	Closing Balance 31/03/23
	£m	£m	£m	£m	£m
Treasury Reserves	27.13	(8.72)	0.91	(7.81)	19.32
Grant / Contributions received in advance	26.65	(8.62)	1.52	(7.11)	19.55
Improvement projects	39.52	(5.69)	1.62	(4.07)	35.45
Cost Pressures	11.38	(2.38)	0.00	(2.38)	9.00
Council Liabilities	53.87	(6.00)	2.85	(3.15)	50.72
Covid-19 grants	20.42	(15.68)	0.00	(15.68)	4.75
Public Finance Initiatives	22.04	(4.11)	0.00	(4.11)	17.93
Risk	8.73	(1.40)	0.00	(1.40)	7.33
Other	7.43	(1.01)	0.10	(1.01)	6.42
<b>Total</b>	<b>217.17</b>	<b>(53.61)</b>	<b>6.99</b>	<b>(46.72)</b>	<b>170.46</b>

Reserves are categorised for the purposes of reporting as follows:

- **Treasury reserves.** These reserves are to minimise the impact of interest rate changes and finance early redemption of loans to reduce the council's future interest exposure;
- **Grants / contributions received in advance.** This is where the council has received money in advance of the next accounting period or covers more than one accounting period. These amounts will be spent in line with the grant conditions;
- **Improvement projects.** These reserves are to finance service modernisation; specific projects such as pilot street cleansing initiatives, Cloud services, Oracle development, economic growth programme; and costs in relation to the council's transformation programme;
- **Cost pressures.** To include review of working practices including blended working, fluctuations in service demand such as in adult social care, crisis support and children in care;
- **Council liabilities.** These reserves cover expenditure where the council has a legal obligation to pay costs, such as equal pay claims and redundancies. In addition to these there are reserves for business rate appeals, pensions and insurance claims;
- **Covid-19 grants.** The carry forward of specific government grants to cover Covid pressures, including expanded retail relief for businesses;
- **Public Finance Initiatives.** Liabilities for our PFI's with Street Lighting and St Thomas More;
- **Risk.** To cover unforeseen risks in 2022/23 at the time the budget was set;
- **Other.** These reserves are to support a wide range of future costs such as partnership working with other external bodies.

The following sections detail movements since last reported to Cabinet in December 2022 with the full detail on directorate pressures and actions being taken to address these shown in **Appendix 1 and Appendix 3**.

#### 4.5 Adults Social Care, Public Health and Hub (£2.24m) – reduction in overspend from £6.26m to £4.02m after use of and transfers to reserves and mitigating actions

The main reason for the reduction of £2.24m is due to receipt of £2.18m hospital discharge grant income (recently confirmed government funding) to support with additional demand in the Intermediate Care pathways and the integrated equipment store over the winter period.

Walsall received a Market Sustainability and Fair Cost of Care grant allocation of £966k for 2022/23. The government stated that all Local Authorities are to "move towards" paying providers a 'fair cost of care' over the 3 years 2022-25 and; "to start making genuine progress towards more sustainable fee rates, where they are not already doing so". The 2022/23 allocation has been used in full to uplift home care service by a further 2.3% on top of the previously agreed 1.5% uplift for the year. Recipients of this additional uplift include domiciliary care as well as Personal Assistants employed by Direct Payment recipients. In line with DHSC grant requirements the Annex B report detailing the fair cost of care fee rates generated through the exercise is to be submitted to DHSC and published on the council's website on 1 February 2023. Cabinet are asked to approve the use of this Market Sustainability and Fair Cost of Care grant allocation.

4.6 Children's and Education (£610k) – reduction in overspend from £7.83m to £7.22m after use of and transfers to reserves and mitigating actions)

Use of pay reserves for unfunded pressures relating to the pay award for 2022/23 is now shown within the service. It was previously shown as a corporate mitigating action.

4.7 Customer Engagement (£340k) – increase in underspend from £690k to £1.03m after use of and transfers to reserves and mitigating actions)

The main reason for the increase in underspend is due to movements in staffing costs across the directorate and that the directorate is now showing use of pay reserves for unfunded pressures relating to the pay award for 2022/23, which was previously shown as a corporate mitigating action.

4.8 Economy, Environment and Communities (£780k) – increase in underspend from £930k to £1.71m after use of and transfers to reserves and mitigating actions)

The main reasons for the increase in underspend are:

- (£422k) - use of pay reserves for unfunded pressures relating to the pay award for 2022/23 now shown in the service;
- (£365k) – Clean and Green – reduction in co-mingled waste and landfill disposal costs partly offset by increased fuel costs;
- £149k – Bereavement Services – £50k additional cremator repairs, £25k additional software costs and £75k under recovery of bereavement income;
- (£76k) – Highways and Transportation – (£122k) decrease in contractual inflation on the HISC contract partly offset by £35k increased costs of road traffic schemes;
- (£32k) – Communities and Partnerships - net decrease in staffing costs due to a further delay in the restructure.

4.9 Resources and Transformation (£580k underspend, previously on budget after use of and transfers to reserves and mitigating actions)

The main reason for the movement of (£580k) are:

- (£247k) - use of pay reserves for unfunded pressures relating to the pay award for 2022/23 now shown in the service;
- (£250k) release of redundant building reserve;
- (£362k) underspends on salaries across the directorate;
- (£288k) additional rental income;
- £382k additional agency costs across the directorate;
- £136k additional locum costs within legal services.

4.10 Central budgets £4.55m reduction in underspend after use of and transfer to reserves and mitigating actions)

The main reasons for the changes are:

- Risk reserve – the use of reserve has been reduced by £2.45m due to the overall directorate forecast outturn position changing to the better, mainly due to the receipt of £2.18m government grant funding for hospital discharge income. It is considered prudent to maintain the reserve to cover any risks on savings for 2023/24 which are currently still awaiting a full implementation plan;
- The use of the pay and pension reserve of £2.10m has now been allocated to services and therefore is no longer shown as a central budget cost.

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

- 4.11 The 2022/23 budget approved by Council on 24 February 2022 includes £18.86m of benefits realisation (savings) against Proud activity plus a further £5.36m of 2021/22 benefits approved to be carried forward for delivery in 2022/23, giving a total benefit figure of £24.22m to be achieved. Directors are required to ensure that service delivery plans are developed to fully deliver these in year.
- 4.12 All benefits require a delivery plan with key milestones including any corrective action to be produced, where there are any reported variations to the saving being delivered. There are currently high-risk benefits of £6.02m, as shown in **Appendix 3** along with the reason and proposed mitigating actions totalling £1.81m. Action plans are being put in place to ensure full delivery in 2023/24.

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

- 4.13 There have continued to be some additional costs associated with our response to Covid-19, and increased impact from the cost of living, including staffing, support to residents and council taxpayers and businesses and support to the elderly and vulnerable, particularly in relation to Adult Social Care and Children's Services. In addition, the council has continued to face some reduction in sources of income.
- 4.14 This report provides detail on those grants impacting in 2022/23. £7.11m was approved to be carried over from 2021/22. These grants are summarised at **Table 3**. Of this, £4.14m relates to grants ringfenced to specific activity, which is expected to be maximised in accordance with respective grant conditions, with £338k of this for Omicron Support Fund expected to be spent beyond 2023/24. The balance of £2.97m relates to unallocated unringfenced Covid-19 grant funding from 2021/22 which is now fully committed as detailed in **Table 4**.

<b>Source of funding</b>	<b>Balance b/f 2021/22 £m</b>	<b>Actual spend @ December 2022 £m</b>	<b>Annual forecast 2022/23 £m</b>
Covid-19 support package (unringfenced)*	2.97	2.38	2.97
New Burdens Funding - Business rates admin	0.45	0.29	0.45
Wellbeing for Education funding	0.02	0.02	0.02
Contain Outbreak Management Fund (COMF)	2.95	2.50	2.95
Omicron Support Fund	0.36	0.00	0.02
Clinically Extreme Vulnerable support grant	0.15	0.12	0.15
Community Champions	0.21	0.06	0.21
<b>Total Funding</b>	<b>7.11</b>	<b>5.37</b>	<b>6.77</b>

<b>Table 4: Covid-19 unringfenced funding</b>	
<b>Details</b>	<b>£m</b>
Balance b/f from 2021/22	2.97
Adjustment for general fees and charges grant	(0.08)
Central - one-off investment – as approved as part of 2022/23 budget	(0.27)
Children’s – children in care placement costs related to Covid-19 (approved by Cabinet 20 July 2022)	(0.85)
Children’s – increase in complex need costs of children in care (approved by Cabinet 18 October 2022)	(0.07)
Children’s – increase in placement costs of children in care (approved by Cabinet 18 October 2022)	(0.12)
Children’s – increase in placement costs of children in care due to delays in court proceedings (approved by Cabinet 14 December 2022)	(0.18)
Adult Social Care - Access Team (approved by Cabinet 20 July 2022)	(0.14)
Adult Social Care - Learning Disability Team (approved by Cabinet 20 July 2022)	(0.26)
Adult Social Care – Service Transformation savings delivery / Demand (approved by Cabinet 20 July 2022)	(1.00)
<b>Balance remaining</b>	<b>0.00</b>

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

- 4.15 The revised capital programme for 2022/23, as approved by Cabinet on 14 December 2022 was £231.19m. **Table 5** summarises amendments made to date, resulting in a revised programme of £232.00m.

<b>Table 5: Amendments to Capital Programme 2022/23</b>	
<b>Project</b>	<b>£m</b>
<b>Capital programme 2022/23 per Cabinet 14 December 2022</b>	<b>231.19</b>
<b>Council Funded Resources</b>	
Gym Equipment Replacement	0.48
<b>Externally Funded Resources</b>	
Wednesbury footbridge	0.14
Construction of wall and footpath Hollyhedge Close	0.08
Limestone surveys	0.11
<b>Revised capital programme 2022/23</b>	<b>232.00</b>

- 4.16 **Table 6** summarises the 2022/23 capital programme and forecast outturn after the re-phasing of £121.06m into 2023/24, with the forecast summary of the net £652k underspend shown at **Table 7**.

<b>Table 6: Forecast capital analysis 2022/23</b>					
<b>Directorate</b>	<b>Budget £m</b>	<b>Predicted year end forecast £m</b>	<b>Variance before Carry forward £m</b>	<b>Carry Forward £m</b>	<b>Variance Over / (Under) £m</b>
Council funded	92.13	32.57	(59.56)	58.91	(0.65)
Externally funded	139.87	77.72	(62.15)	62.15	0.00
<b>Total</b>	<b>232.00</b>	<b>110.29</b>	<b>(121.71)</b>	<b>121.06</b>	<b>(0.65)</b>

<b>Table 7: Summary of Underspend 2022/23</b>	
<b>Project</b>	<b>£m</b>
M6/J10 Highway Improvements	0.65
<b>Total</b>	<b>(0.65)</b>

4.17 The capital programme currently shows predicted re-phasing of £121.06m from 2022/23 to 2023/24 as shown in **Appendix 5**. Re-phasing occurs for a number of reasons such as late confirmation of grant approvals, timing of projects that may fall over more than one financial year, contract delays out of our control due to waiting for funding confirmation or Government approval.

### Development Investment

4.18 A provision of £40m was approved by Council in February 2021, with a further £30m approved by Council in February 2022, a total of £70m set aside over the 5-year period 2021/22 to 2025/26 for council 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 8**.

<b>Table 8: Development Investment 2021/22 to 2026/27 – planned allocations</b>							
<b>Scheme</b>	<b>Approval</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>
<b>Budget Allocation</b>		<b>28.00</b>	<b>0.00</b>	<b>22.00</b>	<b>10.00</b>	<b>10.00</b>	<b>0.00</b>
Balance c/f		0.00	26.05	15.08	25.15	34.85	40.81
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)	(6.42)	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 prog	Cabinet 9 February 2022	0.00	(0.15)	(0.15)	(0.15)	0.00	0.00
Nottingham Car Park	Business case endorsed by SIB 8th November 2022	0.00	(0.24)	0.00	0.00	0.00	0.00
Fly Tipping project for CCTV	Business case endorsed by SIB 8th March 2022	0.00	(0.14)	(0.15)	(0.15)	0.00	0.00
<b>Total Allocated</b>		<b>(1.95)</b>	<b>(10.97)</b>	<b>(11.93)</b>	<b>(0.30)</b>	<b>(4.04)</b>	<b>(1.07)</b>
<b>Unallocated Balance c/f</b>		<b>26.05</b>	<b>15.08</b>	<b>25.15</b>	<b>34.85</b>	<b>40.81</b>	<b>39.74</b>

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

### **Financial Health Indicators**

4.19 **Appendix 6** contains financial health indicator performance as at 31 December 2022. 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*

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

It is expected Investment Income will exceed targets set for 2022/23. As at December 2022 the average interest rate on all investments (excluding the property fund) shows at 1.29% in comparison to the budgeted average rate of 0.48%. This is due to an increase in interest rates over all our investments, which is primarily due to the rising Bank of England interest rates.

### *Balance Sheet*

- 4.21 This details ratios for the last 4 financial years 2017/18 to 2020/21 and also draft figures for 2021/22 (awaiting audit sign off of accounts) which show the liquidity of the authority.

### *Revenue performance*

- 4.22 This section shows collection rates for council tax and business rates, the average number of days to collect sundry debt and the number of days to process creditor payments for 2022/23 and the performance against profile for 2022/23. Sundry debt collection is below target by 1 day with performance in relation to the processing of creditor payments better by 1 day. Council tax is slightly below target, and NNDR collection rates are above target.

### *Management of Resources*

- 4.23 This section details the outturn position for 2021/22 and 2022/23 year-end forecast for revenue and capital, which is based on the financial position as at 31 December 2022. The revenue forecast for 2022/23 shown is a potential underspend of £57k after use of and transfer to reserves, before any further action is taken.
- 4.24 The capital forecast as at the end of December is expected to underspend by £121.71m, of which £121.06m is expected to be re-phased into 2023/24, leaving a capital underspend of £652k. 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*

- 4.25 **Appendix 7** contains the prudential indicators as at 31 December 2022. The primary purpose of these is to provide assurance to Cabinet that the authority is borrowing and investing in a sound and prudent manner. Target indicators were approved by Council in February 2022.

### *National Indicators*

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

All of these indicators were met in 2021/22 and are forecast to be met in 2022/23.

The targets that these prudential indicators are monitored against have been taken from the Treasury Management and Investment Strategy for 2022/23 onwards.

### *Local Indicators*

- 4.27 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 16.51 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 10.73%, 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 7.28%, 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 3.50%. 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 2021/22 and are forecast to be met in 2022/23 except the following:

- L5/L6 – Average interest rate of external debt (including/excluding Other Local Authority Debt). Average interest rates on borrowing shows a slightly adverse variance. Main reasoning for this is because it had been budgeted to take out borrowing in this financial year at lower interest rates, however Treasury Management Panel decided in year not to undertake this borrowing as it is more prudent to utilise cash balances and reduce the cost of carry as well as reducing counterparty risk.

- L8 – Average interest received on short term investment vs at call rate. At the time of these targets were set, short term interest rates were significantly higher than call rate, therefore providing a huge % difference between the rates. However, there are still active short-term investments placed over the past 12 months which are providing a much lower yield in comparison to the current Short Term rates. Once these investments have matured (and potentially re-invested), it should show as an improvement for this indicator.

### **Write off of debt**

- 4.28 The following write offs (as they are over £10,000) requires the approval of Cabinet;
- £10,229.69 relating to benefits-based contributions up to 2015 and community based contributions from 2015 to 2022. The debt is recommended for right off as the client has now passed away and there is no recourse to pay.
  - £14,835.33 relating to community-based charges from 2016 to 2022. The debt is recommended for right off as the client has now passed away and there is no recourse to pay.

### **Council Plan Priorities**

- 4.29 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**

- 4.30 The 2022/23 budget and level of operating reserves were set following a robust financial risk assessment. The level of reserves can only be set based on a set of realistically foreseeable or predicted parameters. Due regard is made to the strategic and operational risks facing the council. Some of these relate to the current economic condition, others to potential regulatory or national issues, which may have a local impact. Best professional judgement and estimates were applied in terms of the continuing impact of the global pandemic and there is therefore a risk that reserves are insufficient if costs continue to increase without the corresponding allocation of funding to meet this from Government.
- 4.31 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.
- 4.32 There are also a number of increased risks in 2022/23 as set out within this and previous reports. Financial forecasts have been included where known or are estimated. Actions have been taken to address these risks and reduce the forecast overspend caused by these pressures. Mitigating actions are set out within this report.
- 4.33 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 2022/23.

## **Financial Implications**

- 4.34 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 2022/23 to Cabinet.
- 4.35 Opening unallocated general reserves for 2022/23 were £17.69m. The medium-term financial framework (MTFF) requires that a prudent level of reserves is maintained. This was set at no less than £16.11m for 2022/23. The MTFF also sets a minimum level of reserves beyond which any use must be reported to Council. This is currently set at £6.6m. The current forecast is expected to be on budget after use of reserves and use of mitigating actions. Any variation to this will be transferred to general reserves at year-end, dependent on the actual outturn position. Mitigating actions have been identified and implemented to ensure that reserves are maintained at the recommended level.

## **Legal implications**

- 4.36 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.
- 4.37 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.
- 4.38 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**

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

## **Property Implications**

- 4.40 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'.

## **Health and Wellbeing Implications**

- 4.41 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**

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

## **Reducing Inequalities**

- 4.43 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**

- 4.44 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**

- 4.45 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 2022/23, including an update on risks and impact on the budget for 2023/24 and beyond.

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

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Signed:



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

8 February 2023

Signed:



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

8 February 2023

## **Appendix 1 - Directorate Forecast Positions 2022/23 prior to mitigating actions**

### **Adults Social Care, Public Health and Hub overspend of £10.10m prior to any mitigating actions**

The main reasons for the £10.20m overspend can be split into 'Business as usual (BAU)' of £6.02m and 'Impact of Service Transformation Plan (STP)' of £4.08m.

The reasons for the BAU position are as follows:

- £0.20m – Intermediate care costs including discharge to assess beds and reablement hours. This current projected overspend reflects the use of recently confirmed government funding relating to hospital discharges of £2.08m. The forecast position is based on additional demand over budgeted clients and the assumption that this demand continues for the remainder of the financial year. This is as a result of assessment delays and the ongoing impact of Covid-19;
- (£0.14m) – rapid response costs based on current demand;
- £4.76m – increase in client package costs and associated income contributions (based on data until the end November) and an increase in future projections based on current trends;
- £1.72m – additional bad debt provision to cover 50% of outstanding client debt (The current total outstanding debt is £7.31m as at end of November, this will increase the bad debt provision to £3.65m). This is dependent on the outcome of a review currently led by Adult Social Care;
- (£1.92m) – additional income from joint funding arrangements including Continuing Healthcare and Section 117;
- £0.62m - contractual inflation on the Housing 21 unitary charge is higher than originally included in the MTFO - it is based on February RPIx prior to the charge year;
- £0.07m – Integrated Community Equipment Store (ICES) because of additional demand and increased equipment costs;
- £0.56m - additional cost of the interim management and staffing arrangements across the directorate;

The reasons for the STP position are as follows:

- £800k - delays in the delivery of savings related to the review of existing older people's care packages. Based on current delivery to date and projection assumptions this project is estimated to deliver the full year effect of £2.6m in 2023/24;
- £990k - delays in the delivery of savings to reduce new demand through the 'front door' including the provision of alternative support. Based on current delivery to date and projection assumptions, this project is estimated to deliver the full year effect of £1.30m in 2023/24. ASC are working through a needs assessment analysis on inflow to inform front door modelling assumptions, and to articulate what services form the key drivers to prevent inflow e.g., resilient communities, disabled facilities funding and digital technology;
- £1.43m - shortfall in funding from the Learning Disability Joint Funding arrangements. On-going discussions with the ICB regarding the joint funding arrangements remains in progress;
- £870k – delay in the saving relating to Better Care Finance due to future-proofing and integration with other systems;
- £82k remaining pressure arising from the pay award 2022/23.

### Children's and Education overspend of £10.28m prior to any mitigating actions

The main reason for the £10.28m overspend are:

- £9.00m children in care (CIC) costs. The total forecast for 2022/23 is £36.43m against a budget of £27.43m. This forecast is based on the current mix of children in care and the projected future demand for the remainder of the financial year.
  - £1.60m on-going impact of price increases above the previous years approved budget;
  - £1.43m on-going impact of increases in placement costs and the number/mix of young people in care;
  - £2.74m placement moves to date as at the end of November 2022;
  - £1.11m further placements moves and changes in costs expected for the remainder of the financial year;
  - £650k increase in starters and leavers. The number of starters of new children in care are less than budgeted for, however, the cost of the placements are higher than anticipated;
  - £1.21m increased costs in remand and external residential placements linked to court delays and placement sufficiency following Covid-19;
  - £260k placements costs relating to complex cases.

CIC benefits of £1.8m have also been achieved to date. These are currently reducing the CIC pressure - they are avoidance costs without which there would have been a further increase in the current forecast overspend.

- £680k (offset by £0.20m of Dedicated Schools Grant (DSG) High Needs funding) overspend on use of agency within the Special Education Needs team, relating to clearing a backlog of Education and Health Care Plan cases and meeting the ongoing demand;
- £540k (offset by £0.12m of DSG High Needs funding) overspend on the use of agency within the Educational Psychologists team. There are 6.91FTE vacant posts within a team of 10.71FTE, generating an underspend of £0.52m. However, projected assessments to the end of March 2023 are 205 which need to be covered by agency, resulting in a full year projected cost of £1.01m;
- £350k (offset by reserves) unachieved savings relating to recruitment and retention of social workers due to delays in fully recruiting new ASYEs to replace agency staff;
- £610k remaining pressure arising from the pay award 2022/23.

### Customer Engagement (£400k) underspend prior to mitigating actions of £630k

The main reason for the £400k underspend is due to underspends on salary costs arising from receipt of additional grant contributions to cover staff costs relating to the administration of grants on behalf of central government.

### Economy, Environment and Communities (£690k) – underspend prior to mitigating actions

The main reasons for the underspend are:

- Clean & Green (£1.06m) – £302k staffing overspends due to a delay in the planned restructure, a net £161k markets income under recovery and a £232k vehicle fuel overspend (cost of living) offset by (£1.54m) reduced waste disposals costs,



(£148k) staffing underspends due to vacant posts, (£190k) over recovery trade waste income and recyclable materials income and (£137k) underspends in vehicle hire;

- Highways and Transportation £231k – Street lighting electricity costs offset with £4.1m use of earmarked reserves (£3.6m of this relates to the cost of living impact), £110k Tarmac highways infrastructure contract overspend (due to cost of living) on contractual inflation, £52k traffic lights electricity costs overspend (due to cost of living) on contractual inflation, additional £26k Highways maintenance due to excess gully threats and (£45k) over recovery of permit income and staffing underspends;
- Leisure (£109k) – underspend on staffing due to vacant posts and casuals;
- Bereavement Services £165k - £70k overspend on cremator repairs, £22k on digital autopsies, £15k on body removals, £23k registrar office electronic calendar software and £35k Sandwell coroner's joint service;
- Emergency Planning (£40k) - staff underspend due to delay in recruitment to vacant posts;
- Cultural Services (£116k) – underspend in staffing costs due to vacancies and an underspend on routine maintenance;
- Planning and Building control £189k – under recovery of planning applications income and overspend on agency staff and fixed term staff to support demand;
- Regeneration and Development £51k – overspend on staffing costs due to pay award;
- Library Services (£175k) – staffing underspends due to vacant posts;
- Regulatory Services £199k – net under recovery in income (taxis and licencing);
- Communities & Partnerships (£168k) – underspend on staffing due to a delay in the Resilient Communities restructure;
- £422k pressures relating to the pay award for 2022/23 across the directorate.

#### Resources and Transformation (£80k) underspend prior to mitigating actions

The main reasons for the underspend are:

- £247k - pressures relating to the pay award for 2022/23 across the directorate;
- (£362k) underspends on salaries across the directorate;
- (£288k) additional rental income;
- £382k additional agency costs across the directorate;
- £136k additional locum costs within legal services.

#### Capital Financing (£3.09m) underspend prior mitigating actions

Borrowing planned to be taken out to cover the prior year capital programmes during 2022/23 will no longer take place as, following a review of cash balances, it is considered more prudent to internally borrow, which will reduce interest costs as well as reducing counterparty risk. This, together with the early repayment of two loans, has resulted in a saving against budget of £3.09m.

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

Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
<b>Adult Social Care, Public Health and Hub</b>			
Covid-19 – unringfenced funding	(1,402,171)	0	Primarily used to offset the delay in achieving approved savings, and the ongoing impact on demand within the Access and Learning Disabilities teams.
Covid-19 – Contain Outbreak Management Fund	(2,823,321)	0	Costs to support local test, trace and contain activities as well as wider measures to protect public health and local economies.
Covid-19 – Omicron	(19,642)	0	Costs associated with the plan to strengthen the Carers strategy across the borough following Covid-19
Housing 21	(622,340)	0	Used to fund the increase in unitary charge above that included in the budget due to higher RPI being applied than expected.
Better Care Fund (BCF) / Improved Better Care Fund 2 (iBCF2)	(1,883,641)	0	Costs associated with social care activity/intermediate Care.
Public Health	(1,475,906)	307,046	Relates to grant funding for Public Health projects – Better Mental Health, Adult Weight Management and Universal Drug / Crime
IFRS	(571,610)	159,506	Funding of various one-off projects i.e., Homelessness, Housing First and Mental Health. Transfer to reserve is mainly due to under spend on staffing and contracts.
Social Care Grant – Doctor's assessments	(195,869)	0	To support back log of Best Interest Assessors / Deprivation of Liberty safeguard assessments.
Mediation	(327,526)	0	Released as part of the mitigating actions
Custom card credit balances	(61,690)	0	Released as part of the mitigating actions
Pay reserve	(82,932)	0	To fund pressures as a result of the pay award
Proud resource plan	(1,349,678)	0	To fund investment and resources to deliver Proud workstream activity
<b>Total Adult Social Care, Public Health and Hub</b>	<b>(10,816,326)</b>	<b>466,552</b>	
<b>Children's Services</b>			
Covid-19 – unringfenced funding	(1,213,386)	0	Primarily used to offset pressures relating to children and young people in care resulting from Covid-19.
IFRS	(2,041,230)	261,343	Relates to grant funding for School Improvements, Safeguarding Families, Protecting Children, Regional Recovery, Rough sleepers, Personal Advisors.
Children in care complex cases	(255,265)	0	To fund pressures, including social workers and placement costs, of complex cases relating to young people in care.
Children's external partner contributions	(114,648)	91,820	Use of Safeguarding Partnership contributions and transfer of underspend on Youth Justice Board to reserves. Both services are significantly funded by external partner contributions.

Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
Children's demand	(268,386)	0	To fund demand related cost pressures
Truancy fine income (ring-fenced)	(28,306)	34,364	Used to fund an attendance officer post.
Pay reserve	(710,809)	0	To fund pressures as a result of the pay award
Covid-19 - Wellbeing for education	(22,107)	0	Grant funding that seeks to better equip education settings to support children and young people's wellbeing, resilience, and recovery in the context of Covid-19.
<b>Total Children's Services</b>	<b>(4,654,137)</b>	<b>387,527</b>	
<b>Children's - Customer Engagement</b>			
Covid-19 – Business rates administration	(437,440)	0	To cover the additional Covid-19 related admin work to be completed for audit of the grants.
Houses in multiple occupation (HMO) licences	(12,957)	0	To fund staff support costs relating to HMO licences in future years.
IFRS	(100,000)	0	Grant funding for Housing First scheme, homelessness, citizens advice bureau, refugee costs and other smaller projects.
Discretionary Housing Payments funding (DHP)	(60,000)	0	To fund pressures in reduction in Discretionary Housing Payments funding (DHP).
Regional adoption agency	0	47,064	Contributions received in advance
DWP new burdens funding	(5,500)	0	Grant received in advance
Redundancy	(106,614)	0	Redundancy costs.
Crisis support	(392,064)	0	To fund costs related to the Crisis Support Scheme.
Housing Services – c/f request	0	101,924	Surplus income in year expected to be c/f to fund costs in 2023/24.
<b>Total Children's - Customer Engagement</b>	<b>(1,114,575)</b>	<b>148,988</b>	
<b>Economy, Environment &amp; Communities</b>			
Covid-19 – Clinically extremely vulnerable	(148,407)	0	Covid-19 funding used to support clinically extremely vulnerable residents during the pandemic.
Covid-19 – Community Champions	(151,279)	0	Costs of supporting residents who are most at risk of Covid-19.
Building control fees – statutory account	(50,424)	0	Required to breakeven over a 3-year period which is reviewed annually. Any under/over recovery transferred to/from reserves.
Bus lane enforcement ring fenced income	(472,074)	0	Funding key projects in line with the legislation. - Install Bridge Street bus gate; - District signage - Rolling programme to refresh street name plates; - Road lines; - Introduction of Moving Traffic Enforcement legislation.
Street Lighting PFI	(4,112,901)	0	Grant funding to be utilised over the life of the project. This is being utilised to fund the increase in energy costs for 2022/23.

Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
On Street Car Parking income (ringfenced)	(9,975)	263,902	To fund key projects in line with the legislation.
Economic growth programme (EGP)	(55,577)	216,900	To support costs within service to continue functions as per Cabinet report October 2020. Extended to 2023.
IFRS	(958,529)	182,923	Primarily relates to grants / contributions carried forward where spend was delayed due to Covid-19 or spend spans more than 1 year.
Phoenix 10	(151,285)	0	To fund professional fees.
Town Centre Master Plan	(491,307)	0	Costs associated with the Town Centre Master Plan redevelopment
Feasibility / Options appraisals	(115,000)	0	To cover costs which cannot be coded to capital and abortive costs of schemes.
Black Country Core Strategy	(23,873)	0	Walsall's share of the costs associated with the review of the Black Country Core Strategy
Shannon's Mill (commuted sum)	(3,000)	0	To cover the ongoing maintenance with a set proportion released each year.
Levelling Up Fund	(119,285)	0	Government funding to level up north/south divide to be used in 2022/23
Enforcement – one off investment	(100,000)	0	One-off funding carried forward for staffing costs due to delays in restructure.
Donations (ring fenced)	(10,739)	0	To cover costs linked with the donations received.
Enforcement income (ring fenced)	(33,920)	0	To cover costs relating to enforcement activity.
Resilient Communities	(120,000)	0	Used to fund tackling anti-social behaviour activity.
Queens Jubilee	(35,000)	0	Community activities to celebrate queens Jubilee
Mediation reserve	(100,000)	0	To fund cost for unauthorised encampments activity.
Regulatory - purchase of IT	(25,882)	0	Released as part of the mitigating actions
Taxi driver training	(21,000)	0	Released as part of the mitigating actions
Pay reserve	(422,124)	0	To fund pressures as a result of the pay award
<b>Total Economy, Environment &amp; Communities</b>	<b>(7,731,581)</b>	<b>663,725</b>	
<b>Resources &amp; Transformation</b>			
IFRS	(54,901,0	0	Primarily relates to grants carried forward in relation to the Black Country LEP that span more than 1 financial year.
Appointeeships – one off investment	(16,739)	0	Funding of agency to continue with the implementation of charging.
Delivery of Connected Gateway	(1,249,225)	0	To fund closure costs during delivery of Connected Gateway scheme and income shortfalls on Saddlers Centre.
Economic growth programme	(67,471)	57,615	To support costs within service to continue functions as per Cabinet report October 2020. Extended to 2023.

Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
External partner contributions	(9,707)	0	Contributions to support Technical Assistance Programme.
Enterprise Zones	(790,531)	1,299,853	Generated from surplus business rates from across the Black Country to fund the costs of future capital schemes.
Growing Places Fund	(9,209)	0	Funding received to support the Growing Places LEP programme management costs.
Growing Places Fund – Underwriting	(120,000)	0	Ringfenced to LEP to support programme management costs and other revenue costs.
Growth Deal Programme	(44,209)	0	To fund any necessary staff costs linked to closure of programme.
Cost of Living - Energy	(1,857,418)	0	To fund the additional rising costs of energy.
Improvement projects	(95,697)	0	To fund costs associated with One Source.
Youth Employment Initiative (YEI) Overheads	0	95,164	15% overhead costs claimed on YEI, this is used to support any ineligible costs.
Proud Resource Plan	(1,990,054)	0	To fund investment and resources to deliver Proud workstream activity.
Pay reserve	(247,335)	0	To fund pressures as a result of the pay award
<b>Total Resources and Transformation</b>	<b>(6,552,496)</b>	<b>1,452,632</b>	
<b>Capital Financing</b>			
Borrowing re-scheduling	(8,132,0007)	907,085	To fund borrowing re-scheduling costs dependent on market conditions and to manage risk / pressures for changes in interest rates and on-going impact of airport dividend shortfalls due to impact of changes in the business plan / Covid-19.
Minimum revenue provision (MRP)	(585,000)	0	To smooth minimum MRP costs as per approved MRP policy.
Pensions – upfront payment borrowing costs	(324,178)	0	To fund borrowing costs of funding pension payments upfront for 3 years to release savings.
<b>Total Capital Financing</b>	<b>(9,041,178)</b>	<b>907,085</b>	
<b>Centrally Held</b>			
Proud	(290,000)	0	Funding of one-off investment in relation to Proud programme.
Covid-19 – unringfenced funding	(274,000)	0	To fund one off Covid-19 related investment in 2022/23.
Brexit	0	72,439	Return of unused grant funding given to CA to fund costs associated with Brexit.
Irrecoverable losses income (collection fund)	(1,430,000)	0	Government grant used to fund collection fund losses arising from Covid-19.
Enterprise Zones – part of section 31 grant	0	18,338	Transfer of business rates income relating to the Enterprise Zone.
Pay / Pensions	0	1,558,205	Transferred to smooth pension increases in future years.
Project reserve (windfall income)	0	28,720	Windfall income transferred to fund future projects.

<b>Reserve</b>	<b>Use of Reserve £</b>	<b>Transfer to Reserve £</b>	<b>Details of use of reserve</b>
Covid-19 - Expanded retail discount	(7,754,211)	0	Reliefs to be used in 2022/23 to fund reductions in NNDR income
Business rates retention scheme	(2,366,950)	1,290,000	To fund volatility of business rates income due to the pandemic and any appeals. Also to smooth future changes to the scheme.
Public Health	(181,016)	0	Released as part of the mitigating actions
Risk	(1,401,504)	0	Released as part of the mitigating actions
<b>Total Centrally Held</b>	<b>(13,697,681)</b>	<b>2,967,702</b>	
<b>TOTAL RESERVES</b>	<b>(53,607,974)</b>	<b>6,994,205</b>	

*\*There are a number of use of reserves which are in part being used as part of the mitigating actions as detailed in Appendix 3.*

### Appendix 3: Mitigation actions included within the report

<b>Table 1: Mitigating Actions included in position - by Directorate</b>		
<b>Directorate</b>	<b>Detail of mitigating actions</b>	<b>£m</b>
Adult Social Care, Hubs & PH	IBCF surplus balance taken	0.85
	Covid general fund – utilised for demand costs	1.40
	Covid COMF fund – utilised for various adult social care costs per conditions	2.49
	Housing 21 reserves used as one off to fund inflated costs	0.52
	Doctor Assessment remaining reserve balance	0.15
	Custom card reserve	0.06
	Charging reform balance reserve – no costs committed or planned	0.06
	Independent Living Centre Dilapidation costs reserve	0.15
	Release of pay & pensions reserve	0.08
	Surplus of mediation reserve no longer required	0.33
<b>Total Mitigation included for Adult Social Care, Hubs &amp; PH</b>		<b>6.09</b>
Children’s Services - Children’s and Education	High needs funding	0.32
	Supporting Families Programme	0.50
	Children’s social care underspend on Family Drugs and Alcohol Court and Internal Residential ring fenced	0.25
	Covid reserve	1.00
	Access & Achievement £46k grant and £6k unused revenue	0.05
	Children’s Social Care - £60k grant, £5k reserve	0.07
	Early Help - £45k reserve, £215k grant	0.26
	Children in Care reserve	0.13
	Release of pay & pensions reserve	0.48
Children’s Services – Customer Engagement	Crisis Support reserve	0.25
	New Burdens grant reserve	0.15
	Release of pay & pensions reserve	0.23
<b>Total Mitigation included for Children’s</b>		<b>3.69</b>
Economy, Environment & Communities	Release of various small residual reserves i.e.; parking income, bus lane income, building control, engineers assistants time etc	0.11
	Unallocated Police and Crime Commissioner grant reserve	0.04
	Arts Council grant reserve	0.05

<b>Directorate</b>	<b>Detail of mitigating actions</b>	<b>£m</b>
Economy, Environment & Communities	Economic Growth Programme reserve	0.17
	Resilient Communities reserves	0.09
	Underspend on vacant post released - Highways	0.05
	Reduction in highways contract overspend due to review of inflation rates and resulting reduction in payments to Tarmac	0.05
	Clean and Green release of underspend on supplies & services	0.04
	Release of pay & pensions reserve	0.42
<b>Total Mitigation included for Economy, Environment &amp; Communities</b>		<b>1.02</b>
Resources & Transformation	Redundant buildings reserve	0.25
	Release of pay & pensions reserve	0.25
<b>Total Mitigation for Resources &amp; Transformation</b>		<b>0.50</b>
Corporate	Release of capital financing transfer to reserves	3.21
	Release of Public Health reserve	1.58
<b>Total Mitigation for Corporate</b>		<b>4.79</b>
<b>Total Mitigation included in forecast outturn</b>		<b>16.09</b>



**Appendix 4: Benefits 2022/23 currently identified as at risk of delayed delivery**

Directorate / Area	Benefit	Original Full Benefit £	Value of benefit at high risk of non-delivery £	Value to be Mitigated In Year £	Reason	Directorate Mitigating Actions
<b>Adult Social Care, Public Health &amp; Hub</b>						
Adult Social Care	Older People & Front Door – Existing Clients	4,540,550	934,114	0	Delivery plans being finalised	No mitigation
Adult Social Care	Older People & Front Door – New Clients	2,318,301	988,947	0	Delivery plans being finalised	No mitigation
Adult Social Care	Review for learning disabilities joint funding tool	1,757,270	1,757,270	327,526	Currently in negotiation with Health colleagues	Part mitigated in 2022/23 by use of reserve
Adult Social Care	Benefit maximisation project – 2021/22 cfwd	184,719	184,719	184,719	Delay in delivery due to future proofing of systems for reform and integration with other systems to take place	Full year effect of various 2021/22 benefits
Adult Social Care	Efficiencies from the implementation of Bettercare Finance System	770,905	770,905	0	Delay in delivery due to future-proofing of systems for reform and integration with other systems to take place	No mitigation
Adult Social Care	Staffing impact following the implementation of Bettercare Finance System	94,079	94,079	0	Delay in delivery due to future-proofing of systems for reform and integration with other systems to take place	No mitigation
Adult Social Care	Paperless council meetings	9,276	9,276	9,276	Currently insufficient reduction to meet saving	Mitigated by underspends in supplies and services
Adult Social Care	Increased income from Print & Design service to external bodies	30,000	30,000	30,000	As yet have been unable to attract further external work. Review of future opportunities ongoing	Mitigated by underspends in supplies and services
Public Health	Review of existing public health transformation fund	300,000	300,000	300,000	Details of efficiency savings to be finalised by 31 March 2023	One-off use of reserve in 2022/23
<b>Total ASC, Public Health &amp; Hub</b>		<b>10,005,100</b>	<b>5,069,310</b>	<b>851,521</b>		

Directorate	Benefit	Original Full Benefit £	Value of benefit identified as at high risk of non-delivery £	Value to be Mitigated In Year £	Reason	Directorate Mitigating Actions
<b>Economy, Environment &amp; Communities</b>						
Economy, Environment & Communities	Clean, Green & Leisure restructure and delivery model review	601,728	459,134	459,134	Work to redesign service delivery models is still ongoing - report expected later in the year	Mitigation by general underspends within Clean and Green (largely waste disposal costs)
Economy, Environment & Communities	Premium bulky waste collection service (as recommended in cabinet paper 15/12/2021).	15,000	15,000	15,000	Demand for bulky waste collections has declined since late 2021 hence income figure not met	General underspends within Clean and Green (largely waste disposal costs)
Economy, Environment & Communities	Offer residential gardening service	30,000	30,000	30,000	Business case has highlighted this benefit cannot be achieved	General underspends within Clean and Green (largely waste disposal costs)
Economy, Environment & Communities	Income generation from bookable gyms	30,000	30,000	30,000	Business case determined that this service was not feasible and is unlikely to be taken forward	New scheme in place (Oak Park virtual instructor). Service manager to monitor income received month by month
Economy, Environment & Communities	Heritage and culture / Arts and events - increase fees and charges	9,351	9,351	9,351	No increase in fees and charges for Arts and Events, Leather Museum and NAG	Forecast suggests increased income achievable in Arts & Events therefore benefit likely to be mitigated this year
Economy, Environment & Communities	Review of Libraries management	60,679	60,679	60,679	Delay in implementation, plan to take effect from April 2023	Underspends on current vacancies in Libraries service
<b>Total Economy, Environment &amp; Communities</b>		<b>746,758</b>	<b>604,164</b>	<b>604,164</b>		
<b>Children's Services</b>						
Children's Services	Review of current establishment and reduction in the use of agency staff	747,820	350,000	350,000	Delay in recruitment of social workers needed to reduce spend on agency	Use of reserve one off in year to offset delay in achievement of benefit
<b>Total Children's Services</b>		<b>747,820</b>	<b>350,000</b>	<b>350,000</b>		
<b>Total</b>		<b>11,499,678</b>	<b>6,023,474</b>	<b>1,805,685</b>		

## Appendix 5 - Re-phasing of capital funded schemes 2022/23 to 2023/24

Project	£m
<b><i>Council Funded</i></b>	
Regenerating Walsall	0.22
Children in Care - out of borough placements	0.13
Council House internal decoration	0.03
Civic Centre plumbing	0.04
Walsall Town Centre Public Realm improvements	0.36
Darlaston Strategic Development Area (DSDA)	0.01
Enterprise Zones	3.10
Future High Street Fund	1.42
Council House smoke & heat detection fire alarm	0.33
MyCMIS	0.01
Promotion of community health & safety	0.05
Willenhall Masterplan	2.24
MyCMIS - asset management tracking system	0.00
Bloxwich Town Deal	1.03
Walsall Town Deal	1.00
Social housing decarbonisation	0.28
Essential Microsoft upgrades & foundation for Office 365	0.00
ICT – safe and secure environment	2.84
Proud - ICT	0.08
Enabling technology	4.79
Maintaining a safe and secure environment	0.12
Telephony cloud based system	0.33
Smartphones	0.27
Civic Centre heating	1.10
Council House windows	1.29
Council House general heating	2.12
Operation repair & maintenance of council buildings	0.15
Council House roof repairs	1.47
Willenhall Lane travellers site pumping station	0.01
Equity investment	14.82
Regional materials recycling facility	0.12
Challenge block	0.03
Middlemore Lane household waste recycling centre	9.70
Allotment boundary improvement works	0.17
Play areas & outdoor gym improvements	0.44
Yorks bridge	0.75
Lighting invest to save	3.24
New Homes Bonus	0.08
Capital investment earmarked reserve	4.47
Hatherton Road car park	0.06
Hatherton Road Mscp structural maintenance	0.20
<b><i>Externally funded</i></b>	
Purchase of dispersed temporary accommodation	1.38
Basic need	20.00
Capital maintenance	2.13
High Needs Provision Capital allocation (HNPCA)	5.73
M6 Junction 10 highway improvements	0.94

<b>Project</b>	<b>£m</b>
West Midlands Strategic Transport Plan (Stp) 'Movement for Growth'	1.03
Local Transport Plan – Yorks bridge	0.13
Future High Street Fund	2.20
Bloxwich Town Deal	0.17
Barr Beacon security & infrastructure works	0.06
Walsall Town Deal	3.44
Off gas scheme	0.07
Social housing decarbonisation	0.61
Academies	0.30
Electric vehicle charging point installation	0.25
Land & property investment fund	22.19
Growing Places Fund	1.38
Limestone surveys	0.12
<b>Total</b>	<b>121.06</b>

## Appendix 6: Financial Health Indicators – @ December 2022

<b>Treasury Management</b>	<b>2021/22 Actual</b>	<b>2022/23 Target</b>	<b>2022/23 Actual</b>
Average Interest Rate (Borrowing)			
- Excluding other local authorities	3.59%	3.52%	3.69%
- Including other local authorities	3.65%	3.62%	3.77%
Gearing Effect on Capital Financing Estimates	3.69%	5.00%	3.81%
Net Borrowing Costs / Council Tax Requirement and NNDR contribution	4.60%	12.50%	7.28%
Capital Financing Requirement (£m)	417.36	411.85	374.49
Authorised limit for external Debt (£m)	498.30	474.38	474.38
Investment Rate Average (excl Property fund)	0.38%	0.48%	1.29%

<b>Balance Sheet Ratios</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22 (draft)</b>
Current Assets: Current Liabilities	1.03	1.68	2.39	2.01	1.96
Useable Reserves: General Revenue Expenditure	0.65	0.72	0.73	1.02	1.07
Long Term Borrowing: Tax Revenue (Using both council tax and NNDR for tax revenue)	1.20	1.36	1.43	1.83	1.49
Long Term Assets: Long Term Borrowing	2.34	2.05	1.86	1.83	2.14
Total School Reserves: Dedicated School Grant	0.05	0.06	0.05	0.08	0.08

<b>Revenues Performance</b> % collected for financial year	<b>2020/21 Actual Collected in total as at 31.12.22</b>	<b>2021/22 Actual Collected in total as at 31.12.22</b>	<b>2022/23</b>	
			<b>Profiled 2022/23</b>	<b>Actual 2022/23</b>
Council tax %	96.5%	94.6%	75.1%	75.2%
Total Council Tax collected	£13,596,163	£145,130,809	£120,000,000	£119,866,740
National Non Domestic Rate (NNDR) %	96.4%	97.5%	77.6%	83.6%
Total NNDR collected	£45,999,630	£60,120,990	£56,350,000	£60,724,375

<b>Debtors and Creditors Performance</b>	<b>2021/22 Actual</b>	<b>2022/23</b>	
		<b>Target</b>	<b>Actual</b>
Sundry Debtors Collection – Average number of days to collect debt	24 days	24	25
Average number of days to process creditor payments*	8 days	8 days	7 days

<b>Management of Resources</b>	<b>2022/23</b>		
<b>Service Analysis</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Adult Social Care, Public Health and Hub	60,182,241	64,197,453	4,015,212
Children's Services			
- Children's and Education	60,728,165	67,953,062	7,224,897
- Customer Engagement	3,442,963	2,410,102	(1,032,861)
Economy and Environment	36,666,429	34,957,985	(1,708,444)
Resources and Transformation	32,544,535	31,969,727	(574,808)
Council Wide	36,399,191	28,417,743	(7,981,448)
NNDR/Top Up	(91,538,275)	(91,538,275)	0
<b>Total Net Revenue Expenditure</b>	<b>138,425,249</b>	<b>138,367,797</b>	<b>(57,452)</b>
General Reserves	<b>Minimum £6.6m Maximum £16.5m</b>	<b>N/A</b>	<b>N/A</b>
Council Funded Capital Expenditure	92,135,640	32,572,253	(59,563,387)
External Funded Capital Expenditure	139,865,797	77,717,720	(62,148,077)
<b>Total Capital Expenditure</b>	<b>232,001,437</b>	<b>110,289,973</b>	<b>(121,711,464)</b>
Capital Receipts	2,500,000	2,600,000	0.00

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

## What this tells us

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

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



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

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

## Appendix 7: Prudential indicators – December 2022

Prudential Indicator		Actual 2021/22 £m	Target 2022/23 £m	Actual Position at 31 December 2022 £m	Variance to target	
					Numerical Variance	% Variance
<b>Pr1 1</b>	<b>Capital Expenditure</b>	78.385	232.010	<b>110.29</b>	-121.72	-52%
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.						
<b>Pr1 2</b>	<b>Ratio of financing costs to net revenue stream</b>	<b>7.23%</b>	9.76%	<b>4.10 %</b>	-5.66%	-58%
<b>Financing costs - Divided by</b> (Interest charged on loans Less Interest earned on investments)		<b>Budget requirement</b> (Revenue Support Grant + NNDR +Council Tax)		<b>The ratio of financing costs to net revenue stream (General Fund) as a %</b>		
<b>Pr1 3</b>	<b>Estimates of the incremental impact of new capital investment decisions on Council Tax</b>	<b>£52.43</b>	£43.02	<b>£43.02</b>	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.						
<b>Pr1 4</b>	<b>Capital Financing Requirement</b>	<b>417.360</b>	411.850	<b>374.499</b>	-37.351	-9%
This represents the underlying level of borrowing needed to finance historic and future capital expenditure. It is updated at end of the financial year.						
<b>Pr1 5</b>	<b>Authorised Limit for external debt</b>	<b>498.300</b>	474.380	<b>474.380</b>	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.						
<b>Pr1 6</b>	<b>Operational Limit for external debt</b>	<b>453.00</b>	431.25	<b>431.25</b>	0.00	0%
This has been set at the level of the capital financing requirement less the CFR items relating PFI and finance leases.						
<b>Pr1 7</b>	<b>Gross Borrowing exceeds capital financing requirement</b>	<b>No</b>	<b>No</b>	<b>No</b>		
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.						
<b>Pr1 8</b>	<b>Authority has adopted CIPFA Code of Practice for Treasury Management</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>		
To ensure that treasury management activity is carried out within best professional practice.						
<b>Pr1 9</b>	<b>Total principle sums invested for longer than 364 days must not exceed</b>	<b>5.0</b>	<b>25.0</b>	<b>0.0</b>		
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 2021/22	Actual Position at 31 December 2022
Prl 10	Fixed Interest Rate Exposure	95.00%	40.00%	<b>89.47%</b>	<b>98.24%</b>
Prl 11	Variable Interest Rate Exposure	45.00%	0.00%	<b>10.53%</b>	<b>1.76%</b>
Prl 12	<b><i>Maturity Structure of Borrowing</i></b>				
	Under 12 months	25.00%	0.00%	<b>22.94%</b>	<b>16.95%</b>
	12 months and within 24 months	25.00%	0.00%	<b>10.53%</b>	<b>10.55</b>
	24 months and within 5 years	40.00%	0.00%	<b>14.32%</b>	<b>20.92%</b>
	5 years and within 10 years	50.00%	5.00%	<b>2.07%</b>	<b>0.00%</b>
	10 years and above	85.00%	30.00%	<b>50.14%</b>	<b>51.58%</b>

## Local Indicators as at 31 December 2022

Local Indicators		Actual 2021/22	Target 2022/23	Actual Position as at 31 December 2022	Variance to target		Met
					Numerical Variance	% Variance	
L1	Full compliance with prudential code	Yes	Yes	Yes	-	-	Y
L2	Average length of debt	16.44	Lower Limit 15 years, Upper limit 25 years	16.51	-	-	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	7.15%	20.00%	10.73%	-9.27%	-46.35%	Y
L3b	Financing costs as a % of tax revenues	4.60%	12.50%	7.28%	-5.22%	-41.80%	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	72.62%	85.00%	65.14 %	-19.86%	-23.36%	Y
This assists the monitoring of the authority's debt position.							
L5	Average interest rate of external debt outstanding excluding OLA	3.59%	3.52%	3.69%	0.17%	4.93%	N
L6	Average interest rate of external debt outstanding including OLA	3.65%	3.62%	3.77%	0.15%	4.04%	N
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	3.69%	5.00%	3.81%	0.04% This would increase the average interest rate payable from 3.81% shown in L6 to 3.85%		Y
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.							
L8	Average interest rate received on STI vs. At Call rate	280.00%	807.00%	-2.21%	-809.21 %	-100.27%	N
L9a	AT call investments	0.10%	0.10%	1.36%	1.26%	1,260%	Y
L9b	Short Term Investments	0.38%	0.50%	1.33%	0.83%	166.00%	Y

Local Indicators		Actual 2021/22	Target 2022/23	Actual Position as at 31 December 2022	Numerical Variance	% Variance	Met
L9c	Long Term Investments	1.11%	0.80%	0.83%	0.03%	3.75 %	Y
L9d	Property Fund Investments	3.45%	3.34%	3.80%	0.46%	13.63%	Y
L10	Average interest rate on all ST investments (ST and AT call)	0.29%	0.45%	1.34%	0.89%	197.78%	Y
L11a	Average rate on all investments (ex. Property fund)	0.38%	0.48%	1.29%	0.81%	171.03%	Y
L11b	Average rate on all investments (inc. property fund)	0.74%	0.91%	1.62%	0.71%	77.80%	Y
L12	% daily bank balances within target range	100%	99%	99%	0%	0%	Y

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