

## **Cabinet – 14 December 2022**

### **Corporate Financial Performance 2022/23**

**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 2022/23, based on the position to October 2022 and actions being taken to address this position 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 and the impact of the employee pay award resulting in a forecast overspend of £11.33m, an increase of £5.21m since last reported to Cabinet in October 2022. The section 151 Officer requested that all budgets be reviewed and that services identify mitigating actions to address the position. Following a review £11.28m of mitigating actions have been identified to address this, resulting in a marginal revenue forecast overspend of £0.05m. The impact of any on-going pressures or undelivered savings not addressed in year will be considered 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 4.16 of the report. The forecast for the capital programme is currently predicted to be on budget after the expected carry forward of £92.64m 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 revenue overspend of £0.05m and progress against delivery of approved savings, and approve in year mitigation actions totalling £11.28m as set out in this report and **Appendix 2**.
- 3.2 Note that £1.19m of adult social care discharge fund has been confirmed to support hospital discharge pressures in Adult Social Care. The grant is required to be pooled into the local Better Care Fund (BCF) and a spending plan is being developed.
- 3.3 Approve the use of £175k of Covid-19 funding from unringfenced grant as referenced in section 4.15 relating to additional costs of children in care due to delays in court proceedings.
- 3.4 Note that there is further risk in terms of fluctuating demand and prices in Children's Social Services; data issues in Adult Social Care; and increased cost of living demands, which may impact the forecast further, and therefore agree that all '*contractually*' uncommitted grants and earmarked reserves not included as mitigating actions by services are corporately risk assessed and subjected to a 'test and challenge process' and centralised as appropriate as a first call on any further deterioration in the 2022/23 position and that no further commitments are made against any grants or reserves until this process is complete;
- 3.5 Approve amendments to the capital programme as set out in section 4.16.
- 3.6 Note that the forecast for the capital programme is currently predicted to be on budget after the expected carry forward of £92.64m into 2023/24, as set out in sections 4.17 and 4.18.
- 3.7 Note financial health indicator performance as set out in section 4.20 and **Appendix 4**.
- 3.8 Note the prudential indicators as set out in section 4.26 and **Appendix 5**.
- 3.9 Approve the delegation of authority to the Interim Executive Director of Resources and Transformation, in consultation with the Portfolio Holder for Transformation and Finance (Leader of the Council) to negotiate and enter into the appropriate grant agreement/s with the Black Country Consortium Ltd to manage and deliver the Black Country Growth Hub, within the budgets and durations allocated for its use, as detailed in section 4.29.

### 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 track record of managing financial pressures and action has been taken to mitigate current and future cost pressures. The council is experiencing ongoing 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 variance of c£0.05m against budget, as summarised by directorate in **Table 1**. This includes in year mitigation actions totalling £11.28m to ensure we are on track to outturn within budget by year end. Work is in hand to identify further actions should they be required. This represents a variance of £5.21m to the previous (August) position reported to Cabinet on 18 October 2022. The S151 Officer requested that all budgets be reviewed and that services identify further mitigating actions to address the gross position. These are set out within this report and detailed in **Appendix 2**.

<b>Table 1 Revenue Forecast 2022/23 by Directorate After Mitigating Agreed Actions</b>					
<b>Directorate</b>	<b>Net Budget</b>	<b>Year End forecast</b>	<b>Year End Variance</b>	<b>Additional Mitigating Actions</b>	<b>Revised Year End Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adult Social Care, Hubs and Public Health	60.16	66.75	6.59	(0.33)	<b>6.26</b>
Children's Services					
- Children's and Education	60.72	68.93	8.20	(0.38)	<b>7.83</b>
- Customer Engagement	3.44	3.15	(0.29)	(0.40)	<b>(0.69)</b>
Economy, Environment & Communities	36.66	36.32	(0.34)	(0.59)	<b>(0.93)</b>
Resources & Transformation	32.46	32.72	0.26	(0.25)	<b>0.01</b>
<b>Services Position</b>	<b>193.44</b>	<b>207.87</b>	<b>14.42</b>	<b>(1.95)</b>	<b>12.48</b>
Capital Financing	24.93	21.84	(3.09)	(3.21)	<b>(6.30)</b>
Public Health reserve and Risk (PH)	0	0.00	0	(1.58)	<b>(1.58)</b>
Central Reserves – Pay and Risk	(79.94)	(79.95)	0.00	(4.54)	<b>(4.55)</b>
<b>Total Budget (Council Tax Requirement)</b>	<b>138.43</b>	<b>149.76</b>	<b>11.33</b>	<b>(11.28)</b>	<b>0.05</b>

- 4.4 The year-end forecast includes the use of earmarked reserves of £56.17m and transfers to earmarked reserves of £6.19m, 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 £167.19m 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	(8.85)	0.66	(8.20)	18.93
Grant / Contributions received in advance	26.65	(9.22)	1.18	(8.04)	18.62
Improvement projects	39.52	(6.48)	1.62	(4.86)	34.66
Cost Pressures	11.38	(2.42)	0.00	(2.42)	8.96
Council Liabilities	53.87	(5.44)	2.74	(2.70)	51.17
Covid-19 grants	20.42	(15.58)	0.00	(15.58)	4.84
Public Finance Initiatives	22.04	(4.16)	0.00	(4.16)	17.88
Risk	8.73	(3.84)	0.00	(3.84)	4.89
Other	7.43	(0.19)	0.00	(0.19)	7.24
<b>Total</b>	<b>217.17</b>	<b>(56.17)</b>	<b>6.19</b>	<b>(49.98)</b>	<b>167.19</b>

Reserves are categorised for the purposes of reporting as follows:

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

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

#### 4.5 Adults Social Care, Public Health and Hub (£6.26m forecast net overspend after use of and transfers to reserves and mitigating actions)

The forecast position is a variance of £6.59m above budget, after planned transfers to and from reserves prior to any additional mitigating actions.

The main reasons for the increase of £4.58m are:

- £1.90m relates to intermediate care costs including discharge to assess beds and reablement hours, based on additional demand of circa 60 beds and 1,800 reablement hours per week and that this continues for the remainder of the year. This arises from assessment delays, the ongoing impact of Covid-19 and the expected impact of the upcoming winter period. The council has been allocated £1.93m of the newly announced adult social care discharge fund which should be able to support pressures in this area;
- £1.97m - increase in client placement costs (based on August data), predominantly due to an increase in backdated client costs and an increase in client projections;
- £168k – increase in forecast over spend of Integrated Community Equipment Store (ICES);
- (£186k) – additional joint funding arrangement income in relation to client package costs;
- (£122k) – a decrease in staffing costs as a result of revised recruitment dates and vacant posts;
- £281k – re-validation of current cost reductions and future projections associated with STPs;
- £570k – service pressure arising from the pending pay award, mitigated by a central allocation of £487k.

The service have already included mitigating actions in year of £5.25m and a further £325k of actions have been identified as set out in **Appendix 2**. Therefore the net revised overspend is £6.26m.

Public Health remains on budget after the utilisation of Public Health grant and available reserves.

#### 4.6 Children's and Education (£7.83m forecast overspend after use of and transfers to reserves and mitigating actions)

The forecast position is a variance of £8.20m above budget, after planned transfers to and from reserves and prior to any additional mitigating actions.

The main reasons for £4.51m increase are:

- £3.51m - placement moves and an increase in the number of children in care. £2m of this had previously been reported as high risk whilst further data was being gathered and assessed. Based on this data, which suggests it is prudent to plan for an ongoing rather than one-off increase for the remainder of the year, then this is now fully reflected in the monitoring position;
- £500k - increase in use of Educational Psychology agency team, partly offset by use of DSG high needs funding (£0.12m);
- £200k increase in use of agency within Special Education Needs team in Education and Health Care Plan assessments due to new interim seniors to cover vacant posts now in place to February 2023 and others being extended to December 2022. This has been fully offset by DSG high needs funding;

The service have already included mitigating actions in year of £2.07m and a further £377k of actions have been identified as set out in **Appendix 2**. Therefore the net revised overspend is £7.83m.

4.7 Customer Engagement (£690k forecast underspend after use of and transfers to reserves and mitigating actions)

The forecast position is a variance of £290k under budget, after planned transfers to and from reserves and prior to any additional mitigating actions.

The main reason for the increase is due to movements in staffing costs across the directorate. Mitigating actions of £400k have been identified as set out in **Appendix 2** resulting in a revised net underspend of £690k.

4.8 Economy, Environment and Communities (£930k forecast underspend after use of and transfers to reserves and mitigating actions)

The forecast position is a variance of £340k under budget, after planned transfers to and from reserves prior to any additional mitigating actions.

The main reasons for the increase of £470k are:

- Communities and Partnerships - increase in staffing costs due to further delay in restructure;
- Regulatory Services - £124k reduction in income following a detailed demand review part offset by reserve (£100k) for unauthorised encampment costs;
- Planning and Building control – an increase in 5 fixed term staffing posts to support the backlog of applications and under recovery of income, offset by use of reserve;
- Clean and Green Services – (£212k) underspend relating to waste disposal costs and underspend within fleet services;
- £1.28m service pressure arising from the pending pay award, mitigated by a central allocation of £856k.

Mitigating actions of £595k have been identified as set out in **Appendix 2** resulting in a revised net underspend of £930k.

4.9 Resources and Transformation (£10k forecast overspend after use of and transfers to reserves and mitigating actions)

The forecast position is a variance of £260k above budget, after planned transfers to and from reserves and prior to any additional mitigating actions.

The main reason for the increase is due a review of staffing costs across the directorate and part offset by additional rental income. Mitigating actions of £250k have been identified as set out in **Appendix 2** resulting in a revised net overspend of £10k.

4.10 Capital Financing (£6.30m forecast underspend after use of and transfer to reserves and mitigating actions)

The forecast position is a variance of £3.09m under budget, after planned transfers to and from reserves and prior to any additional mitigating actions. This is as previously reported to Cabinet in October 2022.

This position assumed a transfer of £3.21m to reserves at year end to smooth future years calls on the budget. A review has been undertaken and it is considered that this can be released to support the corporate position for 2022/23, with some risk resulting in a net underspend including mitigating actions of £6.30m.

#### 4.11 Central budgets (£4.55m forecast underspend after use of and transfer to reserves and mitigating actions)

The forecast position is on budget, after planned transfers to and from reserves and prior to any additional mitigating actions. This has reduced by £3.40m to that previously reported to Cabinet as the forecast overspend relating to the employee pay award is now included in directorate forecasts.

A review of corporate reserves has been undertaken and has resulted in the following:

- Pay award – there remains a shortfall against the proposed 2022/23 pay award of £2.10m. The council holds a pay and pension reserve to smooth the cost of the 3-year pensions valuations and pensions auto-enrolment. It is proposed to fund the £2.10m as a one-off from this reserve. The ongoing impact of this year's pay award has been incorporated into the 2023/24 budget assumptions.
- Risk Reserve – This was set aside to support the management of the impact of any delays to delivery of red savings. The reserves stand at £8.73m (red risks assessed as of 1 April 2022). Red risks have reduced in year therefore allows release of £3.84m of the reserve, **provided that there are no further delays or non-delivery of non-red savings**. £1.4m of the £3.84m relates to Public Health grants held, as such the Director of Public Health will be required to identify where this can be applied in 2022/23 to be able to release mainstream revenue budget.
- There is a further £182k of unallocated public health reserve (£1.58m less the £1.40m held in the Risk Reserve) and it is recommended that this also should be centralised and treated as the £1.4m.

The above mitigating action results in a net underspend of £4.55m after mitigating actions.

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

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

4.13 All benefits require a delivery plan with key milestones including any corrective action to be produced, where there are any reported variations to the saving being delivered. There are currently high risk benefits of £6.98m, as shown in **Appendix 3** along with the reason and proposed mitigating actions where applicable. These actions total £1.76m, and there is an expectation that actions are put in place to ensure full delivery in the following year.

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

4.14 There have continued to be additional costs associated with our response to Covid-19, including staffing, support to residents and council tax payers and businesses and support to the elderly and vulnerable particularly in relation to Adult Social Care and Children's Services. In addition, the council has faced reductions in sources of income.

4.15 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>Table 3: Covid-19 funding 2022/23</b>			
<b>Source of funding</b>	<b>Balance b/f 2021/22</b>	<b>Actual spend @ October 2022</b>	<b>Annual forecast 2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Covid-19 support package (unringfenced)*	2.97	1.73	2.79
New Burdens Funding - Business rates admin	0.45	0.27	0.45
Wellbeing for Education funding	0.02	0.02	0.02
Contain Outbreak Management Fund (COMF)	2.95	1.54	2.95
Omicron Support Fund	0.36	0.00	0.02
Clinically Extreme Vulnerable support grant	0.15	0.07	0.15
Community Champions	0.21	0.04	0.21
<b>Total Funding</b>	<b>7.11</b>	<b>3.67</b>	<b>6.59</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 *	(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>

There are ongoing pressures within Children’s Services which are directly related to Covid-19 and Cabinet are requested to approve the allocation of further unringfenced funding of £175k (referred to as ‘\*\*’ in table 4 above).

The funding is to cover additional costs of care due delays in court hearings leading to increased length of stay in remand facilities from an average of 10 weeks to 20 weeks. Courts have built up a backlog over the past year because of the ongoing impact of covid.

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

- 4.16 The revised capital programme for 2022/23, as approved by Cabinet on 18 October 2022 was £230.90m. **Table 5** summarises amendments made to date, resulting in a revised programme of £231.19m.



<b>Table 5: Amendments to Capital Programme 2022/23</b>	
<b>Project</b>	<b>£m</b>
<b>Capital programme 2022/23 per Cabinet 18 October 2022</b>	<b>230.90</b>
<b>Council Funded Resources</b>	
Fly tipping project for CCTV	0.14
Funding from pipeline investment	(0.14)
<b>Externally Funded Resources</b>	
Local Safety Scheme: Wednesbury Road A4148	0.18
Local Safety Scheme: Wednesbury Road (Bescot Rd-Bridgeman St)	(0.18)
Phoenix 10 Homes England	0.23
<b>Project</b>	<b>£m</b>
Changing places	0.07
Regenerating Walsall- Private Contributions	(0.01)
<b>Revised capital programme 2022/23</b>	<b>231.19</b>

- 4.17 **Table 6** summarises the 2022/23 predicted year end position, which is forecast to be on budget after the expected re-phasing of £92.64m into 2023/24.

<b>Table 6: Forecast capital analysis 2022/23</b>					
<b>Directorate</b>	<b>Budget £m</b>	<b>Predicted year end forecast £m</b>	<b>Variance before Carry forward £m</b>	<b>Carry Forward £m</b>	<b>Variance Over / (Under) £m</b>
Council funded	91.01	44.16	(46.85)	46.85	0
Externally funded	140.18	94.39	(45.79)	45.79	0
<b>Total</b>	<b>231.19</b>	<b>138.55</b>	<b>(92.64)</b>	<b>92.64</b>	<b>0</b>

- 4.18 The capital programme currently shows predicted re-phasing of £92.64m from 2022/23 to 2023/24 as shown in **Table 7**. Re-phasing occurs for a number of reasons such as late confirmation of grant approvals, timing of projects that may fall over more than one financial year, contract delays out of our control due to waiting for funding confirmation or Government approval.

<b>Table 7: Re-phasing of funded schemes 2022/23 to 2023/24</b>	
<b>Project</b>	<b>£m</b>
<b>Council Funded</b>	
Regenerating Walsall	0.22
Darlaston Strategic Development Area	0.01
Enterprise Zones	3.10
Future High Street fund	1.42
Council house smoke & heat detection fire alarm	0.33
My CMIS	0.01
Promotion of community health & safety	0.07
Willenhall Masterplan	2.24
My CMIS - 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	0.01
ICT – safe and secure environment	2.53

Proud - ICT	0.05
<b>Project</b>	<b>£m</b>
Enabling technology	4.65
Maintaining a safe and secure environment	0.12
Telephony cloud-based system	0.28
Smartphones	0.27
Civic centre heating	1.10
Council house windows	0.31
Council house general heating	2.12
Operation repair & maintenance of council buildings	0.15
Council house roof repairs	0.70
Willenhall Lane travellers site pumping station	0.01
Equity investment	10.32
Regional materials recycling facility	0.12
Middlemore Lane household waste recycling centre	9.55
Allotment boundary improvement works	0.13
Play areas & outdoor gym improvements	0.39
Yorks Bridge	0.75
Lighting invest to save	3.24
New Homes Bonus	0.08
Hatherton Road car park	0.06
Hatherton Road structural maintenance	0.20
<b>Externally funded</b>	
Purchase of dispersed temporary accommodation	1.26
Basic need	13.31
Capital maintenance	2.13
High Needs provision capital allocation	3.62
M6 Junction 10 highway improvements	2.68
West Midlands Strategic Transport Plan 'Movement for Growth'	1.15
Local Transport Plan – Yorks Bridge	0.13
Future High Street fund	1.42
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
Land and property investment fund	14.63
Growing Places fund	1.11
<b>Total</b>	<b>92.64</b>

### Pipeline Investment

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

**Table 8: Pipeline Investment 2021/22 to 2026/27 – planned allocations**

Scheme	Approval	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
<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	15.33	25.40	35.10	41.05
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)
Reedwood Land (risk)	Cabinet 16 June 2021	0.00	0.00	0.00	0.00	0.00	0.00
Street Lighting	Cabinet 16 June 2021	(0.22)	(6.97)	(4.28)	0.00	0.00	0.00
Children's Residential	Cabinet 16 June 2021	(0.97)	(0.10)	0.00	0.00	0.00	0.00
Transit site – part funding	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
Scheme	Approval	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
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>(10.73)</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>15.33</b>	<b>25.40</b>	<b>35.10</b>	<b>41.05</b>	<b>39.99</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**

4.20 **Appendix 4** contains financial health indicator performance as at 31 October 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*

4.21 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 October 2022 the average interest rate on all investments (excluding the property fund) shows at 1.09% 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*

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

### *Revenue performance*

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

### *Management of Resources*

- 4.24 This section details the outturn position for 2021/22 (pre audit) and 2022/23 year-end forecast for revenue and capital, which is based on the financial position as at 31 October 2022. The revenue forecast for 2022/23 shown is a potential overspend of £0.05m after use of and transfer to reserves, before any further action is taken.
- 4.25 The capital forecast as at the end of October is expected to be on budget after the re-phasing of £92.64m into 2023/24. Capital receipts are currently forecast to be on budget pending a review of available asset disposals which is fully dependent on timing and market conditions.

### *Prudential Indicators*

- 4.26 **Appendix 5** contains the prudential indicators as at 31 October 2022. The primary purpose of these is to provide assurance to Cabinet that the authority is borrowing and investing in a sound and prudent manner. Indicators are approved by Council on an annual basis.

### *National Indicators*

- 4.27 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. However, there are indicators below which are currently not being met:

- L5/L6 – Average interest rate of external debt (including/excluding Other Local Authority Debt). Average interest rates on borrowing shows a slightly adverse variance. This is mainly due to the repayment of borrowing maturities in April which were placed at a lower interest rate, resulting in the average borrowing rate to increase. Also 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 STI vs At Call rate. Short Term Interest showing at 1.15% is 11.65% higher than the at-call rate which shows as 1.03%.

However, the target rate for STI vs Call Rate shows at 807.00%. 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.

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*

4.28 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 16.68 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 11.06%, 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 7.50%, 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 3.00%. This has shown corresponding affect relation to Investment Yields. All investments are outperforming the 2022/23 target rate.

### ***Black Country Growth Hub***

4.29 The Growth Hubs were established in April 2015 by the Department of Business, Energy and Industrial Strategy (BEIS) in each Local Enterprise Partnership area, following a successful pilot in 2014. Growth Hubs are local public/private sector partnerships which join up national and local business support, so it is easy for businesses to find the help they need.

Walsall Council in its role as the Accountable Body for the Black Country Local Enterprise Partnership has received Growth Hub funding on behalf of the Black Country LEP since April 2016. Since April 2018 the Black Country Consortium Ltd has managed the funding in accordance with the Black Country assurance Framework. Walsall Council have received the £231,000 funding for 2022/2023 financial year from the Department of Business, Energy and Industrial Strategy (BEIS) and now need to proceed to enter into a grant agreement with the Black Country Consortium Ltd.

Cabinet is asked to approve delegated authority to the Interim Executive Director of Resources and Transformation, in consultation with the Leader of the Council (Transformation and Finance Portfolio Holder) to negotiate and enter into the appropriate grant agreement/s with the Black Country Consortium Ltd to manage and deliver the Black Country Growth Hub, within the budgets and durations allocated for its use.

### **Council Plan Priorities**

- 4.30 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**

- 4.31 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.
- 4.32 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.
- 4.33 There are also a number of increased risks emerging in 2022/23 as set out within this report. Financial forecasts have been included within this report 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.
- 4.34 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**

- 4.35 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.

- 4.36 Opening unallocated general reserves for 2022/23 are £17.69m. The medium term financial framework (MTFF) requires that a prudent levels of reserves is maintained. This was set at no less than £16.11m for 2022/23. The MTFF also sets a minimum level of reserves beyond which any use must be reported to Council. This is currently set at £6.6m. The potential gross overspend of £11.33m within this report would reduce available reserves to less than the minimum required. Mitigating actions have been identified and implemented to ensure that reserves are maintained at the recommended level.

### **Legal implications**

- 4.37 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.
- 4.38 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.
- 4.39 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**

- 4.40 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**

- 4.41 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**

- 4.42 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**

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

## **Reducing Inequalities**

- 4.44 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**

- 4.45 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**

- 4.46 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)**

14 December 2022

Signed:



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

14 December 2022

### Appendix 1 – 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.
Housing 21	(520,490)	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	(1,707,656)	90,085	Funding of various one-off projects i.e., Homelessness, Housing First and Mental Health. Transfer to reserve is mainly due to under spend on staffing and contracts.
IFRS	(571,610)	0	Relates to grant funding for Public Health projects – Better Mental Health, Adult Weight Management and Universal Drug / Crime
Social Care Grant – Doctor's assessments	(150,219)	0	To support back log of Best Interest Assessors / Deprivation of Liberty safeguard assessments.
Mediation	(327,526)	0	To cover council liabilities
Custom card credit balances	(61,690)	0	To cover council liabilities
Pay reserve	(82,932)	0	To fund pressures as a result of the pay award
Proud - Adult Social Care	(1,380,890)	0	To fund costs directly linked to Proud transformation
<b>Total Adult Social Care, Public Health and Hub</b>	<b>(10,912,146)</b>	<b>90,085</b>	
<b>Children's Services</b>			
Covid-19 – unringfenced funding	(957,920)	0	Primarily used to offset pressures relating to children and young people in care resulting from Covid-19.
IFRS	(2,072,724)	360,537	Relates to grant funding for School Improvements, Safeguarding Families, Protecting Children, Regional Recovery, Rough sleepers, Personal Advisors.
Children in care complex cases	(245,128)	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)	33,166	Use of Safeguarding Partnership contributions and transfer of underspend on Youth Justice Board to reserves. Both services are significantly funded by external partner contributions.
Children's demand	(268,386)	0	To fund demand related cost pressures
Truancy fine income	(26,864)	0	Used to fund an attendance officer post.
Pay reserve	(710,809)	0	To fund pressures as a result of the pay award

Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
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>(4,418,586)</b>	<b>393,703</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	(27,763)	3,041	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	0	47,064	Grant received in advance
New Burdens	(5,500)	0	Grant received in advance
Redundancy	(103,836)	0	Redundancy costs.
Crisis support	(427,339)	0	To fund costs related to the Crisis Support Scheme.
<b>Total Children's - Customer Engagement</b>	<b>(1,161,878)</b>	<b>50,105</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	(60,544)	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	(479,482)	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	(4,159,747)	0	Grant funding to be utilised over the life of the project. This is being utilised to fund the increase in energy costs for 2022/23.
On Street Car Parking income (ringfenced)	(9,975)	270,542	To fund key projects in line with the legislation.
Economic growth programme (EGP)	(47,142)	216,900	To support costs within service to continue functions as per Cabinet report October 2020. Extended to 2023.
IFRS	(964,911)	181,238	Primarily relates to grants / contributions carried forward where spend was delayed due to Covid-19 or spend spans more than 1 year.
Growth Deal - pipeline works	(131,307)	0	Support for research & development of future projects including Willenhall masterplan.

Reserve	Use of Reserve £	Transfer to Reserve £	Details of use of reserve
Phoenix 10	(52,835)	0	To fund professional fees
Town Centre Master Plan	(70,470)	0	Costs associated with the Town Centre Master Plan redevelopment
Feasibility / Options appraisals	(61,325)	0	To cover costs which cannot be coded to capital and abortive costs of schemes.
Black Country Core Strategy	(24,132)	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	(118,903)	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	(10,739)	0	Release of leather museum donations received
Enforcement income	(33,920)	0	Part release of enforcement income
Resilient Communities	(120,000)	0	Provision for tackling anti-social behaviour
Queens Jubilee	(35,000)	0	Community activities to celebrate queens Jubilee
Proud - Planning	(250,000)	0	To fund costs directly linked to Proud transformation
Mediation reserve	(100,000)	0	Unauthorised encampments
Regulatory - purchase of IT	(25,882)	0	Release of provision
Street cleansing	(164,950)	0	Enhancements to street cleansing service
Taxi driver training	(21,000)	0	Specific training for taxi drivers
Community Safety	(164,404)	0	For tackling domestic abuse as per grant conditions until 2025/26
<b>Total Economy, Environment &amp; Communities</b>	<b>(7,509,354)</b>	<b>668,680</b>	
<b>Resources &amp; Transformation</b>			
IFRS	0	18,534	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	(142,702)	86,918	To support costs within service to continue functions as per Cabinet report October 2020. Extended to 2023.
External partner contributions	(10,584)	0	Contributions to support Technical Assistance Programme.
Enterprise Zones	(851,781)	1,271,666	Generated from surplus business rates from across the Black Country to fund the costs of future capital schemes.
Growing Places Fund	(9,367)	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	(43,075)	0	To fund any necessary staff costs linked to closure of programme.
<b>Reserve</b>	<b>Use of Reserve</b>	<b>Transfer to Reserve</b>	<b>Details of use of reserve</b>

	£	£	
Cost of Living - Energy	(1,857,418)	0	To fund the additional costs of energy
Improvement projects	(345,697)	0	To fund costs associated with One Source.
Youth Employment Initiative (YEI) Overheads	0	103,411	15% overhead costs claimed on YEI, this is used to support any ineligible costs.
Proud Resource Plan	(1,672,687)	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>(6,566,610)</b>	<b>1,480,529</b>	
<b>Capital Financing</b>			
Borrowing re-scheduling	(8,269,507)	657,581	To fund borrowing re-scheduling costs dependent on market conditions and to manage risk / pressures for changes in interest rates and on-going impact of airport dividend shortfalls due to impact of changes in the business plan / Covid-19.
Minimum revenue provision (MRP)	(585,000)	0	To smooth minimum MRP costs as per approved MRP policy.
Pensions – upfront payment borrowing costs	(186,671)	0	To fund borrowing costs of funding pension payments upfront for 3 years to release savings.
<b>Total Capital Financing</b>	<b>(9,041,178)</b>	<b>657,581</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	1,446,225	Transferred to smooth pension increases in future years.
Project reserve (windfall income)	0	23,203	Windfall income transferred to fund future projects.
Covid-19 - Expanded retail discount	(7,754,211)	0	Reliefs to be used in 2022/23 to fund reductions in NNDR income
Business rates retention scheme	(2,366,950)	1,290,000	To fund volatility of business rates income due to the pandemic and any appeals. Also to smooth future changes to the scheme.
Public Health	(181,016)	0	Release of central provision
Risk	(4,267,901)	0	Release of central risk provision
<b>Total Centrally Held</b>	<b>(16,564,078)</b>	<b>2,850,205</b>	
<b>TOTAL RESERVES</b>	<b>(56,173,830)</b>	<b>6,190,888</b>	

## Appendix 2: Mitigation actions included within the report

<b>Table 1: Mitigating Actions already 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 ASC costs per conditions	2.49
	H21 reserves used as one off to fund inflated costs	0.51
<b>Total Mitigation already included for Adult Social Care, Hubs &amp; PH</b>		<b>5.25</b>
Children’s Services - Children’s and Education	High needs funding	0.32
	Supporting Families Programme	0.50
	CSC underspend on FDAC and Internal Residential ring fenced	0.25
	Covid reserve	1.00
<b>Total Mitigation already included for Children’s</b>		<b>2.07</b>
<b>Total Mitigation already identified and included in forecast outturn</b>		<b>7.32</b>

<b>Table 2: Additional New Mitigating Actions – by Directorate</b>		
Adult Social Care, Hubs & PH	Doctor Assessment remaining reserve balance	0.05
	Custom card reserve	0.06
	Charging reform balance reserve – no costs committed or planned	0.06
	Independent Living Centre Dilapidation costs reserve	0.15
<b>Total New Mitigation for Adult Social Care, Hubs &amp; PH</b>		<b>0.33</b>
Children’s Services - Children’s and Education	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’s Services – Customer Engagement	Crisis Support reserve	0.25
	New Burdens grant reserve	0.15
<b>Total new Mitigation for Children’s Services</b>		<b>0.78</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 PCC grant reserve	0.04
	Arts Council grant reserve	0.05
	Economic Growth Programme reserve	0.17
	Resilient Communities reserves	0.09
<b>Directorate</b>	<b>Detail of mitigating actions</b>	<b>£m</b>

Economy, Environment & Communities	Underspend on vacant post released - Highways	0.05
	Resilient Communities reserves	0.09
	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
<b>Total New Mitigation for Economy, Environment &amp; Communities</b>		<b>0.60</b>
Resources & Transformation	Redundant buildings reserve	0.25
<b>Total New Mitigation for Resources &amp; Transformation</b>		<b>0.25</b>
Corporate	Release of capital financing transfer to reserves	3.21
	Release of pay & pensions reserve	2.10
	Release of part of risk reserve	2.44
	Release of Public Health reserve	1.58
<b>Total New Mitigation for Corporate</b>		<b>9.33</b>
<b>Total New Mitigation included in forecast outturn</b>		<b>11.28</b>
<b>Total Mitigation included in forecast outturn</b>		<b>18.60</b>

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

Directorate / Area	Benefit	Original Full Benefit £	Value of benefit identified as at high risk of non delivery £	Value to be Mitigated In Year £	Reason	Mitigating Actions
<b>Adult Social Care, Public Health &amp; Hub</b>						
Adult Social Care	Older People & Front Door – Existing Clients	2,318,301	1,229,770	0	Delivery plans being finalised	No mitigation currently identified
Adult Social Care	Older People & Front Door – New Clients	4,540,550	1,415,988	0	Delivery plans being finalised	No mitigation currently identified
Adult Social Care	Implementation of All Age Disability approach	745,276	276,264	0	Delivery plans being finalised	Mitigating actions will be confirmed once delivery plans are finalised
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	Uncertainty around timing of benefits being realised	Full year effect of various 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 currently identified
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 currently identified
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>10,711,100</b>	<b>6,028,995</b>	<b>812,245</b>		
<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)



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	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	Currently evaluating if increase in fees and charges will equate to increased income - Currently mitigated by other underspends within the service
Economy, Environment & Communities	Efficiencies relating to Customer Access Management - Resilient Communities	83,766	2,552	2,552	Shortfall identified in savings relating to reduction in staffing	Currently mitigated by underspends elsewhere in the Directorate
Economy, Environment & Communities	Review of Libraries management	60,679	51,761	51,761	Delay in implementation, plan to take effect from January 2023	Underspends on current vacancies in Libraries service
<b>Total Economy, Environment &amp; Communities</b>		<b>830,524</b>	<b>597,798</b>	<b>597,798</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>12,289,444</b>	<b>6,976,793</b>	<b>1,760,043</b>		

#### Appendix 4: Financial Health Indicators – October 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%	7.50%
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%	1.09%

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

<b>Revenues Performance</b> % collected for financial year	<b>2020/21 Actual Collected in total as at 31.10.22</b>	<b>2021/22 Actual Collected in total as at 31.10.22</b>	<b>2022/23</b>	
			<b>Profiled 2022/23</b>	<b>Actual 2022/23</b>
Council tax %	96.4%	94.3%	58.6%	59.1%
Total Council Tax collected	£135,790,488	£144,654,512	£93,350,000	£94,160,809
National Non Domestic Rate %	96.2%	97.0%	60.3%	67.7%
Total NNDR collected	£45,934,841	£59,998,396	£43,850,000	£49,244,680

<b>Debtors and Creditors Performance</b>	<b>2021/22 Actual</b>	<b>2022/23</b>	
		<b>Target</b>	<b>Actual</b>
Sundry Debtors Collection – Average number of days to collect debt	24 days	24	24
Average number of days to process creditor payments*	8 days	8 days	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	60,160,881	66,344,227	6,183,346
Children's Services			
- Children's and Education	60,722,392	67,920,446	7,198,054
- Customer Engagement	3,442,963	2,521,791	(921,172)
Economy and Environment	36,655,803	35,302,627	(1,353,176)
Resources and Transformation	32,456,309	32,147,926	(308,383)
Council Wide	36,525,176	25,776,759	(10,748,417)
NNDR/Top Up	(91,538,275)	(91,538,275)	0
<b>Total Net Revenue Expenditure</b>	<b>138,425,249</b>	<b>138,475,500</b>	<b>50,251</b>
General Reserves	<b>Minimum £6.6m Maximum £16.5m</b>	<b>N/A</b>	<b>N/A</b>
Council Funded Capital Expenditure	91,005,640	44,155,869	(46,849,771)
External Funded Capital Expenditure	140,178,760	94,389,873	(45,788,887)
<b>Total Capital Expenditure</b>	<b>231,184,400</b>	<b>138,545,742</b>	<b>(92,638,658)</b>
Capital Receipts	2,500,000	2,500,000	0

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

## What this tells us

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

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

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

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

## Appendix 5: Prudential indicators – October 2022

Prudential Indicator		Actual 2021/22 £m	Target 2022/23 £m	Actual Position at 31 October 2022 £m	Variance to target	
					Numerical Variance	% Variance
<b>Pr1 1</b>	<b>Capital Expenditure</b>	78.385	231.19	<b>138.56</b>	-92.630	-40%
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>Prudential Indicator</b>		<b>Actual 2021/22 £m</b>	<b>Target 2021/22 £m</b>	<b>Actual Position at 31</b>	<b>Variance to target</b>	

				October 2022 £m	
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.					
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 2021/22	Actual Position at 31 October 2022
Prl 10	Fixed Interest Rate Exposure	95.00%	40.00%	89.47%	94.72%
Prl 11	Variable Interest Rate Exposure	45.00%	0.00%	10.53%	5.28%
Prl 12	<b>Maturity Structure of Borrowing</b>				
	Under 12 months	25.00%	0.00%	22.94%	15.19%
	12 months and within 24 months	25.00%	0.00%	10.53%	7.03%
	24 months and within 5 years	40.00%	0.00%	14.32%	26.20%
	5 years and within 10 years	50.00%	5.00%	2.07%	0.00%
	10 years and above	85.00%	30.00%	50.14%	51.58%

### Local Indicators as at 31<sup>st</sup> October 2022

Local Indicators	Actual 2021/22	Target 2022/23	Actual Position as at 31	Variance to target		Met
					%	



				October 2022	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	16.68	-	-	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%	11.06%	-8.94%	-44.70%	Y
L3b	Financing costs as a % of tax revenues	4.60%	12.50%	7.50%	-5.00%	-40.01%	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%	69.90%	-15.10%	-17.77%	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.							
Local Indicators		Actual 2021/22	Target 2022/23	Actual Position as at 31 October 2022	Numerical Variance	% Variance	Met

L8	<b>Average interest rate received on STI vs. At Call rate</b>	<b>280.00%</b>	807.00%	<b>11.65%</b>	-795.35%	-98.56%	<b>N</b>
L9a	<b>AT call investments</b>	<b>0.10%</b>	0.10%	<b>1.03%</b>	0.93%	930.00%	<b>Y</b>
L9b	<b>Short Term Investments</b>	<b>0.38%</b>	0.50%	<b>1.15%</b>	0.65%	130.00%	<b>Y</b>
L9c	<b>Long Term Investments</b>	<b>1.11%</b>	0.80%	<b>0.90%</b>	0.10%	12.50 %	<b>Y</b>
L9d	<b>Property Fund Investments</b>	<b>3.45%</b>	3.34%	<b>3.56%</b>	0.22%	6.45%	<b>Y</b>
L10	<b>Average interest rate on all ST investments (ST and AT call)</b>	<b>0.29%</b>	0.45%	<b>1.12%</b>	0.67%	148.89%	<b>Y</b>
L11a	<b>Average rate on all investments (ex. Property fund)</b>	<b>0.38%</b>	0.48%	<b>1.09%</b>	0.61%	129.01%	<b>Y</b>
L11b	<b>Average rate on all investments (inc. property fund)</b>	<b>0.74%</b>	0.91%	<b>1.41%</b>	0.50%	54.75%	<b>Y</b>
L12	<b>% daily bank balances within target range</b>	<b>100%</b>	99%	<b>99%</b>	0%	0%	<b>Y</b>
<p>This measures how good our daily cash flow prediction is. A figure of 98% and above indicates a high level of accuracy.</p>							