

Agenda Council

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You are hereby summoned to attend a meeting of the Sandwell Metropolitan Borough Council, to be held on Tuesday, 20 February 2024 at 6.00 pm for the purpose of transacting the following business:-

The Mayor of Sandwell, Councillor Bill Gavan , In the Chair

1 Apologies for Absence

To receive apologies for absence (if any).

2 Declarations of Interest

Members to declare any interests in matters to be discussed at the meeting.

3 Minutes

7 - 20

To confirm the minutes of the meeting of Council held on 30 January 2024 as a correct record.

4 Announcements

To receive announcements from the Chief Executive and the Mayor.

5 Written Questions

21 - 22

To consider written questions in accordance with Standing Order No. 9 of the Council Procedure Rules, from -

- (a) Elected Members
- (b) Members of the Public

6 Improvement Plan Progress - Grant Thornton Follow-up Report 2023

23 - 86

To receive Grant Thornton's Value for Money Governance Review Follow Up Review Report of December 2023

Decisions

- 7 **General Fund and Housing Revenue Account (HRA) Budget and Capital Programme & Council Tax Resolution 2024/25** 87 - 440

To approve the general fund and housing revenue account budget, capital programme and Council Tax for 2024/25.

- 8 **Cabinet Recommendations to Council** 441 - 486

To consider the recommendation arising from the meeting of Cabinet on 17 January 2024.

Access to minutes of other meetings and member bodies

For information purposes, minutes of the following meetings are confirmed and included on the Modern.Gov website:-

- [Audit and Risk Assurance Committee;](#)
- [Budget and Corporate Scrutiny Management Board;](#)
- [Cabinet;](#)
- [Ethical Standards and Member Development Committee;](#) and
- [General Purposes and Arbitration Committee.](#)



Shokat Lal
Chief Executive
Sandwell Council House
Freeth Street
Oldbury
West Midlands

Distribution

Councillors Abrahams, Akpoteni, Allcock, M Allcock, Anandou, Ashraf, H Bhullar, Carmichael, Chambers, Chapman, Chidley, Choudhry, Crompton, Davies, Dhariwal, Dhatt, Dunn, Fenton, Fisher, Fitzgerald, Gavan MBE, J Giles, L Giles, E M Giles, S Gill, W Gill, Hackett, Hartwell, Hemingway, Hinchliff, Hughes, A Hussain, Jalil, Johnston, Kalari, Kalebe-Nyamongo, Kaur, Khan, Khatun, Kordala, Lewis, Loan, Maycock, Mayo, Melia, Millard, Millar, Moore, Muflihi, Owen, Padda, Pall, Piper, Preece, Rahman, Randhawa, Rollins, Shaeen, J Singh, N Singh, V Smith, Taylor, Tipper, Tromans, Trumpeter, Uddin, Uppal, J Webb, Weston, Wilkes, Williams and Younis

Contact: democratic_services@sandwell.gov.uk

Information about meetings in Sandwell



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Minutes of Council

**Tuesday 30 January 2024 at 6.03pm
at Sandwell Council House, Oldbury**

Present: His Worshipful The Mayor, Councillor Gavan (Chair);
Deputy Mayor, Councillor E M Giles;

Councillors, Akpoteni, K Allcock, M Allcock, Carmichael, Chidley, Davies, Dhariwal, Dunn, Dhatt, Fenton, Fisher, Fitzgerald, E M Giles, J Giles, L Giles, S Gill, W Gill, Hackett, Hartwell, Hinchliff, Hughes, Jalil, Johnston, Kalebe-Nyamongo, Kaur, Khan, Khatun, Kordala, Lewis, Loan, Maycock, Mayo, Melia, Millar, Millard, Moore, Muflihi, Owen, Padda, Pall, Preece, Rahman, Randhawa, Rollins, J Singh, Shaeen, N Singh, Smith, Tipper, Tromans, Trumpeter, Uddin, Webb, Wilkes, Williams and Younis.

Officers: Shokat Lal – Chief Executive; Mike Jones – Assistant Director Legal and Assurance and Monitoring Officer; Suky Suthi-Nagra – Democratic Services Manager; Stephnie Hancock - Deputy Democratic Services Manager, Connor Robinson – Democratic Services Officer, Anthony Lloyd – Democratic Services Officer and Ruth Darby – Lead Officer – Mayoralty and Member Development.



1/24 **Minute Silence**

The Council observed a minute silence to mark the passing of former councillor, Alderman Mohinder Singh Tagger. Former Councillor Mohinder Singh Tagger served on Sandwell Metropolitan Borough Council for 26 years, he had served as the Deputy Mayor for the Municipal Year 2006 - 2007, had held the position of Vice-Chair for Licensing Committee and was a member of a variety of Scrutiny Boards for a number of years.

2/24 **Apologies for Absence**

Apologies for absence were received from Councillors Anandou, Abrahams, Ashraf, Bhullar, Crompton, Choudhry, Crompton, Hussain, Piper, Taylor, Uppal and Weston.

3/24 **Declarations of Interest**

There were no interests declared at the meeting.

4/24 **Minutes**

Resolved that the minutes of the extraordinary and ordinary meetings of Council held on 12 December 2023 are approved as a correct record and signed by the Chair.



Announcements

The Mayor gave details of Mayoral and Deputy Mayoral engagements that had taken place.

The Council was informed that Councillor Bill Gavan had been awarded an MBE in recognition of the passionate work he had carried out during and after the HIV epidemic in the early 1980s. continuously campaigning for equality culminating in being co-founder of Birmingham Pride.

The Mayor had attended several engagements relating to supporting young people in the borough such as the New Year/New Start event which was provided by Connexions Sandwell. Additionally, the Mayor presented graduation certificates to 14 multi-utility graduate apprentices from the Doocey Group.

It was also highlighted that Sandwell had recently received a visit from His Royal Highness, The Duke of Edinburgh, for the formal opening of the brand new Shireland CBSO Academy. The Academy was committed to ensuring every young person had access to a high-quality music education.

The Mayor and Deputy Mayor had attended the Holocaust Memorial Day Service which was held at Highfields.

The Mayor expressed his gratefulness following donations to the Mayor's chosen charities: Age UK Supporting Dementia in Sandwell and BUDS.

The Chief Executive announced the decision of Cabinet on 17 January 2024 to commit the Council to work towards gaining Child Friend Borough accreditation from UNICEF. The Cabinet Member



for Children and Education also addressed the Council in relation to the commitment.

Finally, the Chief Executive expressed his sadness in response to the sudden passing of West Midlands Chief Fire Officer, Wayne Brown. Following tributes from the Council's representative on the West Midlands Fire Authority, a one-minute silence was observed.

5/24 **Written Questions**

Questions received under Standing Order No. 9. were asked of the relevant members and responses were received.

6/24 **Treasury Management Mid-Year Review 2023/2024**

The CIPFA Code of Practice on Treasury Management - revised 2021 (The Code) required the Council to receive reports on Treasury Management including the Annual Treasury Management Strategy and MRP Policy Statement before the start of each financial year as well as a Mid-Year Review and an Annual Outturn Report detailing activities during the previous year.

Resolved that Council approve the Treasury Management Mid-Year Review 2023/24, as set out in [Appendix A](#), including revisions to the following indicators:

- (1) Authorised Limit from £913.142m to £891.638m;
- (2) Operational Boundary from £544.113m to £573.252m;
and
- (3) Capital Financing Requirement from £896.581m to £876.638m



Appointment of Independent Person for Standards Matters

In accordance with the Localism Act 2011, arrangements were required to put in place the appointment by the Council of at least one Independent Person whose views had to be sought and taken into account by the Council before it made its decision on an allegation against an elected member that it had decided to investigate.

The appointment of Mr Richard Phillips was due to expire on 10 March 2024. Mr Phillips had indicated that he was happy to continue in the role for a further four-year period. Any future extensions to existing Independent Person appointments would be delegated to the Monitoring Officer for approval.

Resolved:-

- (1) that the extension of the appointment of Mr Richard Phillips as Independent Person for Standards Matters is approved for a further four-year period ending 11 March 2028;
- (2) that the Assistant Director Legal and Assurance and Monitoring Officer is given delegated authority to approve any further extensions to contracts for Independent Persons for Standards Matters.



Proposed departure from the Development Plan at Land West Of Bridge Street North, Smethwick, B66 2BJ

Planning Committee had granted conditional approval at its meeting held on 29 November 2023 in relation to planning application DC/23/67863 - Proposed change of use from general industrial to treatment, remediation and recovery facility for contaminated soils, construction, demolition and excavation of waste with 1 No. soil treatment shed and 4 No. office/meeting rooms, 1 No. mess drying room, toilet block, store, weighbridge unit, picking station, decontamination unit, clean material area and 2 No. holding tanks and covered post treatment areas, oversized processing area, parking and the creation of a new vehicular access - Temporary planning permission for 3 years.

The site was initially allocated for housing; therefore, it was necessary for the Council to consider whether or not to grant an exception to adopted policy to allow the application to proceed.

Resolved that approval is given to an exception to the local development plan in respect of planning application DC/23/67863 - Proposed change of use from general industrial to treatment, remediation and recovery facility for contaminated soils, construction, demolition and excavation of waste with 1 No. soil treatment shed and 4 No. office/meeting rooms, 1 No. mess drying room, toilet block, store, weighbridge unit, picking station, decontamination unit, clean material area and 2 No. holding tanks and covered post treatment areas, oversized processing area, parking and the creation of a new vehicular access - Temporary planning permission for 3 years at Land West Of Bridge Street North, Smethwick, B66 2BJ.



9/24

Political Balance of Committees and Boards

Council considered the political balance of the committees, boards and other fora for the remainder of the 2023-2024 municipal year.

Resolved that the political balance of the committees, boards and other fora for the remainder of 2023-24 as set out in [Appendix A](#) is approved

10/24

Revisions to Committees, Boards and Other Bodies

Council considered revisions to the appointments to committees, boards and other bodies.

Resolved that the revisions to appointments to committees, boards and other bodies, as set out in [Appendix A](#), is approved with immediate effect.

11/24

Notices of Motion

The Council proceeded to consider the following motions received under Standing Order No. 12.



11/24(a) **Support the introduction of Bus Franchising in the West Midlands**

It was moved by Councillor Hackett and seconded by Councillor Millard:-

“Council notes that bus passengers in Sandwell are rightly frustrated with many bus services operated by various providers across Sandwell, with many services proving to be unreliable.

Council further notes that trust in local transport is at an all-time low with passenger numbers and satisfaction falling and prices rising.

Council welcomes the opportunity bus franchising in the West Midlands presents, which could see the West Midlands Combined Authority given powers to decide routes, fares, frequency, hours and days of operation providing greater control over our bus services for communities right across Sandwell and the wider West Midlands.

Council therefore calls on the Combined Authority Mayor or any successor to commit to exploring all options for bringing in bus franchising across the whole West Midlands region to ensure our bus services are run in the interests of passengers and not solely based on profit.”

The motion was put to the vote and was carried.



11/24(b) **Dependent Carers Allowance**

It was moved by Councillor Smith and seconded by Councillor Hemingway:-

“Council notes the increasing challenge seen locally and nationally at increasing and maintaining the diversity of elected members in local government. This requires a consistent approach to resolving the challenges different groups of people face. The payment of allowances to elected members who are parents and carers helps to bring a wider range of people into public office and supports them in remaining there.

Council further notes that data from The Fawcett Society report Does Local Government Work for Women? and the Local Government Information unit (LGiU) makes clear that women councillors experience more barriers to holding office. These barriers include unpaid caring responsibilities, the timing of meetings and a lack of flexibility in how councils do business. Women councillors experience these barriers much more than their male counterparts. This has created an imbalance in local government throughout the country.

Council is justly proud of our record in supporting diversity and inclusion and encouraging people from all backgrounds to aspire to and assume public office and positions of leadership.

Council notes the recent report and recommendations from the Independent Remuneration Panel that Sandwell Council extend our existing member allowances scheme to include wider dependent carer responsibilities as well as removing the requirement to use the Council House Workplace Nursery.



Council therefore resolves to call on the Governance and Constitution Review Committee to bring forward proposals to amend and update our Dependent Carers Allowance Scheme, taking note of the recommendations from the Independent Remuneration Panel and in line with the recommendation from the Fawcett Society as well as best practice from existing schemes around the country.”

The motion was put to the vote and was carried.



11/24(c) **Re-instating of a Justice Centre in Sandwell**

It was moved by Councillor Webb and seconded by Councillor Tipper:-

“Council considers the justice system a fundamental pillar of democracy that works to protect and advance the principles of justice, and should work for everyone in Sandwell as well as for the wider Black Country.

Council notes the 2016 decision of Government to close the Justice Centre in Sandwell. Sandwell residents are disproportionately affected by this, not having direct public transport to each of the other Black Country authority’s remaining justice centres. Other more direct forms of transport are made difficult through financial and social circumstances.

Council notes with concern that there are record number of cases being delayed in the West Midlands in the Criminal Courts but there are also cases are mounting up in the Family Courts. Wolverhampton Crown Court has 900 cases waiting to be heard including cases of murder and manslaughter.

Council further notes with concern that a range of other cases such as work-related death and causing death and injury through dangerous driving are not being scheduled to be heard until 2025. This means meaning that some families could have had to wait 8 years for their cases to be heard. This is too long, and families should have access to justice in a timely manner.

Council therefore calls on the Leader and Chief Executive to write to the Lord Chancellor and Secretary of State for Justice setting out the terms of this Motion and calling on the Secretary of State to take



steps to reopen a justice centre within Sandwell at the earliest opportunity.”

The motion was put to the vote and was carried.

11/24(d) **A borough of Six Equal Towns!**

It was moved by Councillor W Gill and seconded by Councillor Fisher:-

“Council recognises that Sandwell is made up of 6 towns and whilst each town is unique and distinct, we share far more that unites us than divides and are stronger together. In turn, residents across the Borough need to be assured that all towns of our Borough are always treated equally.

Council notes that the towns of West Bromwich and Smethwick have received far more investment than all other towns in our Borough. Tipton, in particular, has received particularly less investment funding compared to the other towns as evidenced on the Council's regenerating Sandwell website.

Council recognises that all of our High Streets and Town Centres require balanced funding and attention to prosper. Council therefore calls on the Leader and Cabinet to level up our towns and support our high streets and town centres by considering introducing a policy that ensures all Council-owned car-parks near town centres, or High Streets like Great Bridge, have free parking for a period of 3 hours to support small businesses and make it even easier for people to shop in Sandwell.”



The motion was put to the vote and was lost.

Meeting ended at 8.40pm following an adjournment between 6.18pm and 6.54pm

Contact: democratic_services@sandwell.gov.uk



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Report to Council

20 February 2024

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| Subject: | Written Questions |
| Director: | Brendan Arnold – Interim Director of Finance Mike Jones – Assistant Director Legal and Assurance |

The following written questions have been received: -

5(a) From Councillor Kordala to the Cabinet Member for Children, Young People and Education

What strategies are in place to support parents of SEND children and children with hidden disabilities without school placement or inclusion support in place for the last 12 months, and how does the Council support parents in this difficult situation?

Are there any specific key performance indicators (KPI's) for how the Council supports these key areas and can these be shared with the public for transparency and scrutiny? If not, why not?

5(b) From Councillor William Gill to the Cabinet Member for Environment and Highways

Will the Cabinet Member please acknowledge the concerns of local residents of Highfield Road regarding the speed of vehicles, given that there is a local primary school on this road?

Can the Cabinet Member please advise what measures are being taken to reduce the risk of collision and injury?



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Report to Council

20 February 2024

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| Subject: | Improvement Plan Progress – Grant Thornton Follow-up Report 2023 |
| Director: | Chief Executive Shokat Lal |
| Contact Officer: | Strategic Lead – Service Improvement Kate Ashley Kate1_ashley@sandwell.gov.uk Lead Officer – Service Improvement Dawn Webster Dawn_webster@sandwell.gov.uk |

1. Recommendations

- 1.1. That Council receive Grant Thornton’s Value for Money Governance Review Follow Up Review Report of December 2023.


2. Reasons for Recommendations

- 2.1 Grant Thornton conducted a Value for Money Review of the council’s governance arrangements in Autumn 2021. Their report was received by Cabinet on 15 December 2021 and Council on 18 January 2022. Their report made three statutory recommendations, which the council are legally required to respond to and address. These were incorporated into the council’s Improvement Plan, approved in June 2022.
- 2.2 As part of the council’s assurance framework for the Improvement Plan, Grant Thornton reviewed progress in a follow-up review in Autumn 2022. At that point, Grant Thornton retained the three statutory recommendations and made four new key recommendations and improvement recommendations against the Key Lines of Enquiry of the Value for Money Governance Review. These recommendations were



built into the refreshed Improvement Plan approved by Cabinet in March 2023.

- 2.3 Grant Thornton have conducted a further follow-up review in Autumn 2023 to determine the council's progress in addressing the statutory recommendations made in 2021, as well as the key and improvement recommendations of their 2022 follow-up review. This external perspective is a key source of evidence of the council's improvement journey under government intervention.
- 2.4 The Improvement Plan is a 'live' document and is updated on a quarterly basis to reflect progress and incorporate new activities. The recommendations made by Grant Thornton in their 2023 follow-up review will be incorporated into the Improvement Plan to ensure that the council's improvement journey continues to address the key issues arising.
- 3. How does this deliver objectives of the Corporate Plan?**

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|  | <p>Sandwell Council's Improvement Plan focuses on the governance arrangements of the council and areas of improvement across the organisation. The underpinning objective of the Improvement Plan is to ensure that the council is able to deliver on the aims and priorities as set out in the Corporate Plan. The deliverables set out in this Improvement Plan will achieve long-term sustainable improvements in how the council operates and is able to make effective decisions focused on improving outcomes for residents and experiences of service users. Therefore, this impacts on the council's ability to deliver all the objectives in the Corporate Plan.</p> |
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4 Context and Key Issues

4.1 Governance Review – Background and Scope

4.1.1 Grant Thornton's Value for Money Governance Review was conducted in the Autumn of 2021. The scope of the review covered seventeen key lines of enquiry, split into two categories:

- Services and Management; and
- Meetings, Complaints and Relationships.

4.1.2 In their original report, Grant Thornton made a series of 45 recommendations, made up of:

- 3 Statutory Recommendations
- 5 Key Recommendations
- 37 Improvement Recommendations

4.1.3 These recommendations, along with those from the LGA Corporate Peer Challenge and CIPFA's Financial Management Review, were incorporated into the council's single overarching Improvement Plan.

4.1.4 At the time of publishing the original report in late November 2021, Grant Thornton had not completed their investigation into the line of enquiry relating to the 'Governance and Legal Support to Director of Public Health'. This line of enquiry was concluded in Autumn 2022, and Grant Thornton reissued their full report in December 2022 to include four additional improvement recommendations to the council.

4.1.5 In their first follow-up review in Autumn 2022, Grant Thornton recognised the significant progress made on a number of their original recommendations. At this point, the statutory recommendations remained in place with a further four Key Recommendations and 25 improvement recommendations. In some cases, these recommendations built on those made in 2022 and recognising the progress made on the council's improvement journey to date. The council's response to these 29 new recommendations and the four additional recommendations from the updated 2021 report (a total of 33 recommendations in 2022) was reported to Cabinet in March 2023. The actions required to address the recommendations were incorporated into the refresh of the Improvement Plan at the same time.

4.1.6 The follow-up review of December 2023 considered progress against the three statutory recommendations and the 33 key and improvement



recommendations made in 2022. The scope of Grant Thornton’s review included 13 of the 18 original key lines of enquiry (KLOEs) – five KLOEs had been considered concluded in 2022 and therefore were not reported in the follow-up review of Autumn 2023.

4.2 Key Findings and Recommendations

4.2.1 From their follow-up review in Autumn 2023 (Appendix 1), Grant Thornton have determined that they are “*satisfied that the Council has made appropriate progress against the three statutory recommendations, and these can now be lifted*”.

4.2.2 With regards to the 13 KLOEs reviewed at this point, Grant Thornton found “*no evidence of any significant weaknesses for ensuring that the Council makes informed decisions and properly manages risk*”.

4.2.3 In their December 2023 report, Grant Thornton have made four key recommendations. Context for these recommendations are included in Grant Thornton’s report, and are set out here for ease of reference:

1. The Council must ensure that the changes in train relating to transformation are concluded so that the transformation strategy, transformation business cases, and associated cultural and behavioural changes become successfully embedded and result in identifying and realising the organisational changes and savings required, so that the Council remains financially sustainable in the medium-term. This includes ensuring that the Property Transformation Programme leads to decisions being taken on asset disposals that ensure associated savings targets in the MTFP are realised.
2. The Council should place renewed focus on its efforts to improve the full customer experience, and this is demonstrated by improved customer metrics, and having appropriate data available to measure all customer related KPIs.
3. The Council should retain corporate focus and attention on key service and operational risks, in particular the implementation of Oracle Fusion, place based working with SCT and the effective



management of SCT's operational and financial challenges, industrial action in the waste service, putting a clear plan in place for the subsidy to SLT being eliminated, financial statement production and reducing reliance on the level of interim appointments in the finance team.

4. The Council will need to manage the risks associated with the Senior Management restructure, including organisational change fatigued and resistance, the loss of corporate memory and the retention of key staff during this period of change. The successful appointment of the new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure.

4.2.4 Grant Thornton's findings and the lifting of the Statutory

Recommendations represents a significant milestone in the council's improvement journey towards ending government intervention, and is further evidence that the council continues to improve over time.

- 4.2.5 The key recommendations and the further 26 improvement recommendations made by Grant Thornton in their 2023 report will be integral to reframing the council's improvement journey to ensure it continues to focus on key issues and that improvements made remain sustainable. These recommendations will be incorporated into the refresh of the Improvement Plan and will provide further direction for the next stage of the council's improvement journey.

4.3 Risk Management

- 4.1.1 The Improvement Plan Risk Register underpins the council's strategic risk relating to the council's Improvement Plan (59a 02/22) and is currently rated as an overall Amber risk. The risk register is reported monthly to Leadership Team and quarterly to Cabinet and Audit & Risk Assurance Committee.

- 4.1.2 Within the Improvement Plan Risk Register, a number of risks identified Grant Thornton's follow up report as part of the assurance as to the likelihood of those risks materialising. The Risk Register will be reviewed as part of the regular programme management of the Improvement Plan,



and the impact of the follow-up report on risk scores will be reported to Cabinet as part of the next quarterly update

5 Implications

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| <p>Resources:</p> | <p>Resources to deliver the Improvement Plan have been allocated from within existing commitments in the majority of cases. Where one-off funding is required to deliver improvements, this will either be funded from the Improvement and Capacity Fund or from earmarked reserves created from 2021/22 underspend position. Allocation of this funding was approved by Council with the Improvement Plan on 7 June 2022.</p> <p>Where funding is required for longer-term change, this will be incorporated into the Medium-Term Financial Strategy.</p> <p>There are no land or building implications associated with the Improvement Plan as a whole.</p> |
| <p>Legal and Governance:</p> | <p>The Governance Review was conducted under Sections 20 and 21 of the Local Audit and Accountability Act 2014, and the council is legally required to demonstrate that action is being or will be taken to address issues raised in the report.</p> <p>On 22 March 2022, The Secretary of State for Levelling Up, Housing and Communities issued Directions under Section 15(5) and (6) of the Local Government Act 1999 (the 1999 Act) in order to ensure that the council can comply with the requirements of Part 1 of the 1999 Act. Failure to comply with these Directions may lead to further intervention measures for the council.</p> <p>The delivery of the Improvement Plan and achievement of the desired outcomes will meet the remainder of the Directions.</p> <p>Ultimately, the changes made through the Improvement Plan will enable the council to effectively</p> |



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| | deliver its strategic priorities and ensure it is delivering value for money for Sandwell. |
| Risk: | <p>If the Council fails to take appropriate action to meet the requirements set out in the government Direction, or the Commissioners appointed by the Secretary of State do not have sufficient confidence that appropriate actions are being taken to implement and sustain the required improvements, then the council risks not having appropriate arrangements in place to comply with its best value duty under Part 1 of the 1999 Act. This could lead to further government intervention, increased costs and damage to reputation.</p> <p>A risk register is being maintained for the duration of the Improvement Plan which will underpin the council's strategic risk relating to the council's Improvement Plan (59a 02/22). This is reported monthly to Leadership Team, quarterly to Cabinet, and will be regularly reported to Audit and Risk Assurance Committee.</p> |
| Equality: | The successful delivery of the Improvement Plan will require the development and review of many of the council's policies and procedures. These changes will be built in consideration of the impact on equalities throughout the development and will include an Equality Impact Assessment where appropriate. |
| Health and Wellbeing: | The underpinning objective of the Improvement Plan is to ensure the council is able to achieve the strategic priorities as set out in the Corporate Plan. These priorities focus on improving the health and wellbeing of our residents and tackling health inequalities in a multi-faceted way. Therefore, any improvements to the council's governance structures will strengthen the council's ability to deliver services that will improve the health and wellbeing of Sandwell. |
| Social Value: | Within the Improvement Plan, the council is committed to developing its Social Value Policy in conjunction with the refresh of the Procurement & Contract Procedure Rules. Through strengthening our asks of contractors through this Social Value Policy |



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| | and linking them to the Corporate Plan objectives, the council will be able to maximise its social value return. |
| Climate Change: | The underpinning objective of the Improvement Plan is to ensure the council is able to achieve the strategic priorities as set out in the Corporate Plan. Green in everything we do is one of the Fairer Sandwell principles running throughout the Corporate Plan. Any improvements to the council's governance structures will strengthen the council's ability to embed this principle and further the climate change agenda. |
| Corporate Parenting: | There are no Corporate Parenting implications of this report. |

6. Appendices

Appendix 1 - Grant Thornton Value for Money Governance Review Follow-up Report, December 2023

7. Background Papers

- [Sandwell Council Improvement Plan](#)
- Approval of Sandwell Council Improvement Plan [Report to Council 7 June 2022](#)
- Reports to the Secretary of State for Levelling up Housing and Communities:
 - June 2022 Reports
 - [Sandwell Council Report to Secretary of State for Levelling up, Housing and Communities, June 2022](#)
 - December 2022 Reports:
 - [Sandwell Council Report to Secretary of State for Levelling up, Housing and Communities, December 2022](#)
 - [Sandwell Council Commissioners: second report to Secretary of State for Levelling up, Housing and Communities, December 2022 \(published March 2023\)](#)
 - [Ministerial response to second letter \(March 2023\)](#)
 - June 2023



- [Sandwell Council Commissioners: third report to Secretary of State for Levelling up, Housing and Communities, June 2023](#) (published July 2023)
- [Ministerial response to third letter](#) (July 2023)
- Improvement Plan Progress Reports:
 - To Council:
 - [12 December 2023](#)
 - [13 June 2023](#)
 - [13 December 2022](#)
 - To Cabinet:
 - [December 2023](#)
 - [September 2023](#)
 - [June 2023](#)
 - [March 2023](#)
 - [December 2022](#) including LGA Corporate Peer Challenge Progress Review Report Nov 2022
 - [September 2022](#)
 - To Audit and Risk Assurance Committee
 - [September 2023](#)
 - [June 2023](#)
 - [March 2023](#)
 - [January 2023 \(External Review Reports\)](#)
 - [November 2022](#)
 - [September 2022](#)
 - [June 2022](#)
 - To Budget and Corporate Scrutiny Management Board
 - [September 2023](#)
 - [June 2023](#)
 - [March 2023](#)
 - [November 2022](#)
 - [September 2022](#)
- External Review Reports
 - [Grant Thornton Value for Money Governance Review Follow-up Report 2022](#)
 - [Grant Thornton Value for Money Governance Review December 2021 – reissued October 2022](#)
 - [LGA Corporate Peer Challenge Progress Review Report 2022](#)



- [LGA Corporate Peer Challenge Report February 2022](#)
- [CIPFA Financial Management Report January 2022](#)





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Sandwell Metropolitan Borough Council: Value for Money Governance Review – follow up

Year ended 31 March 2023

15 December 2023



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Context, background and scope of the review (Cont'd)

Our approach

Our work in relation to this review was undertaken between September and November 2023.

Stage 1 – Review of key documents

We submitted an information request for key documents and then undertook a desk top review to reach an initial conclusion on the nature of further work required.

Stage 2 – Further Analysis and Clarifications

We then undertook interviews with key stakeholders in relation to each recommendation to clarify issues identified during stage one and to undertake more detailed analysis. A total of 27 stakeholders have been met during this follow up review.

Our approach is designed to assess:

- Governance arrangements in place in relation to our scope;
- Council performance against these arrangements; and
- Identify any significant weaknesses and risks.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by council officers, council members, and external stakeholders with whom we have engaged during the course of our review.

Additional VfM Code Work

We have identified governance arrangements as an audit risk. This requires additional work to inform our auditor's judgement on VfM.

The work has been undertaken in line with the requirements of the Code and associated auditor guidance. This review helps us discharge our responsibilities under the Code and will include the reporting of any significant weaknesses in arrangements and other points for improvement identified during the review.

Any fee variation is subject to approval from Public Sector Audit Appointments Ltd (PSAA) which is responsible for appointing auditors and setting audit fees for relevant authorities that have chosen to opt into its national scheme of auditor appointments.



Key findings

Context, background and scope of the review

Context to our VfM approach

Sections 20 and 21 of the Local Audit and Accountability Act 2014 (the Act) require auditors to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM work is carried out in line with the Code of Audit Practice (the Code) which is prepared by the National Audit Office (NAO) under the Act, and its supporting statutory guidance: Auditor Guidance Note 3 (AGN 03).

A revised Code came into force on 1 April 2020, after being approved by Parliament. The Code requires auditors to structure their VfM commentary on arrangements under three specified reporting criteria:

- Improving economy, efficiency and effectiveness: how the Council uses information about its costs and performance to improve the way it manages and delivers its services;
- Governance: how the Council ensures that it makes informed decisions and properly manages its risks; and
- Financial sustainability: how the Council plans and manages its resources to ensure it can continue to deliver its services.

Background to this review

On the 3 December 2021 we published our report setting out the findings of our review of the Council's governance arrangements, which formed part of our 2020/21 VfM audit.

Our report set out significant weaknesses in the Council's governance arrangements, and was presented to full Council on 18 January 2022, along with the Council's Improvement Plan which set out the Council's response to our recommendations. The Grant Thornton report and the Improvement Plan were approved by the Council at this meeting. On the same day the then Local Government Minister at the Department for Levelling Up, Homes and Communities (DLUHC) announced the government was mindful to intervene in the Council because of the findings set out in our governance report.

The Council commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a review of the Council's financial management and governance arrangements using the CIPFA Financial Management Model. CIPFA reported their findings and recommendations in January 2022. In addition, the Local Government Association (LGA) undertook a Corporate Peer Challenge review for the Council, reporting its findings and recommendations in February 2022.

On 22 March 2022 the Secretary of State for DLUHC issued statutory directions under section 15(5) and (6) of the Local Government Act 1999. These directions appointed two Commissioners who will oversee all functions associated with the governance and scrutiny of strategic decision making by the Council. The directions will be in force until March 2024, unless the Secretary of State considers it appropriate to amend or revoke them at an earlier date. These directions are in addition to the ones that led to the creation of Sandwell Children's Trust.

The Council expanded its Improvement Plan developed in response to our December 2021 governance report to incorporate its response to the findings of the CIPFA and LGA reviews. Both the Commissioners and the Council provide updates on progress on delivering the Implementation Plan to the Secretary of State for DLUHC every six months.

On 2 December 2022 we published our follow up report, which related to our 2021/22 VfM audit. This considered the progress made by the Council against the recommendations set out in our 2021 report. The 2022 report noted significant progress being made by the Council in many areas, but also included new key and improvement recommendations.

This 2023 follow up review, which relates to our 2022/23 VfM audit, considers what further progress has been made by the Council on our most recent recommendations. This does not represent a review of the Council's Improvement Plan which, as already noted, draws on a wider set of actions than those relating to the recommendations set out in our reports.

This further review, along with other VfM related activity including a high-level review of Oracle Fusion implementation, has been undertaken in order for us to consider whether there are any significant weaknesses in the Council's arrangements. Our overall VfM conclusions for 2022/23 will be set out in a separate Auditor's Annual Report.

Overview

Introduction

A range of different recommendations can be raised by a council's auditors as follows:

- **Statutory Recommendations:** written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.
- **Key Recommendations:** the NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.
- **Improvement Recommendations:** these recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.

Further detail on the scope of auditor's work on VfM arrangements can be found at Appendix A.

Our December 2021 report included the following:

- 3 statutory recommendations,
- 5 key recommendations, and
- 37 improvement recommendations.

A further 3 improvement recommendations were added when this report was published in October 2022 incorporating KLOE A8.

Our December 2022 report included:

- 4 key recommendations, and
- 25 improvement recommendations.

This report also retained the three statutory recommendations made in our December 2021 report.

Key Lines of Enquiry

The scope of our original 2021 review covered 17 Key Lines of Enquiry (KLOEs):

| SERVICES & MANAGEMENT | |
|-----------------------|---|
| A1 | The Children's Trust |
| A2 | Sandwell Leisure Trust |
| A3 | Providence Place |
| A4 | Special Educational Needs Transport |
| A5 | Sandwell Land and Property Company |
| A6 | MADE festival |
| A7 | Waste service |
| A8 | Governance and legal support re DPH |
| A9 | Lion Farm |
| A10 | Introduction of new ERP system (Oracle) |

| MEETINGS, COMPLAINTS & RELATIONSHIPS | |
|--------------------------------------|------------------------------------|
| B1 | Chief Officers |
| B2 | Senior Leadership |
| B3 | Complaints |
| B4 | Officers and members relationships |
| B5 | Standards Committee |
| B6 | Audit Committee |
| B7 | Financial Reporting |

As part of the 2022 follow up review we also considered how the Council engaged with residents and community stakeholders (KLOE B8).

Our findings in relation to KLOE A8 were not included in our December 2021 report, instead they were included in an update to this original report published on 17 October 2022. As a result, our follow up review in 2022 did not consider progress against KLOE A8 recommendations, and these have been considered as part of this 2023 follow up review.

In this section we summarise our key findings on the Council's progress. Our detailed findings relating to each Key Line of Enquiry are set out in a separate section. The following KLOEs were judged in our 2022 report to have appropriate arrangements in place with no improvement recommendations, and so are not reported as part of this follow up: KLOEs, A5, A6, A9, B1 and B3.

Key Findings

This section provides a summary update of the Council's progress in relation to the key findings and statutory and key recommendations in our December 2021 and December 2022 reports.

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Statutory Recommendation 1: It is imperative that senior officers and senior members take effective corporate grip of long-standing service issues highlighted by the findings in this report: (including SLT, SCT, the waste service, the ERP system, and Lion Farm) and prioritise corporate effort in managing the issues identified, and embed the solutions into the Council.

Key Findings

Our 2022 report noted that the Council had demonstrated a greater corporate grip over improvement, performance and decision making.

This progress has continued over the following twelve months and includes:

- Refreshing the Improvement Plan to reflect further external reviews and align it to the refreshed Corporate Plan.
- The Performance Management Framework has been rationalised to reduce the number of metrics to allow better focus and alignment to strategic priorities.
- Conclusion of the final phase of a widespread review of the Council's governance arrangements and constitution.
- Members have demonstrated their ability to take difficult decisions, such in relation to garden waste and the decision relating to the former Brandhall golf course site.
- Demonstrating agile and decisive decision making to not proceed with the LATC and instead extend the contract with SLT
- Introduction of a Transformation Strategy and Transformation Programme Board, and a Programme Management Office is being created and a programme management framework has been designed to ensure consistency of practice in project management and project governance across the Council.
- Evidence of greater rigour to financial planning and the identification of savings.
- The direction of travel with key partners, such as with Serco and SLT, remains positive.

Corporate grip has continued to improve on some of the service and management issues identified in our original report, including Oracle Fusion, and managing the risk of industrial action in the waste service. There has been less progress in some areas. In particular, there has been slow progress in improving the financial statement process and the finance team continues to rely on interim appointments.

Also, the Council needs to place greater emphasis is required working with SCT on area partnership working, including greater clarity on system leadership, continue to monitor the social worker vacancy rate tolerance, and use of agency staff at the Trust, in particular the impact and effectiveness of the Sandwell Deal in improving recruitment and retention rates, and that SCT realises the planned Invest to Save savings targets which will be critical to the Trust meeting its planned revenue budget returning the invest to save payments to the Council .

In addition, there needs to be continued focus on transformation activity to support Medium-Term Financial Planning. The scale of the savings required over the medium-term, alongside plans to provide better value services and enhancing the customer journey, means that the Council's new approach to corporate transformation is critical to the financial sustainability of the Council over the medium-term, and its ability to deliver high quality services. The Council must ensure that these recent changes are concluded and become embedded so that the transformation strategy, transformation business cases, and associated cultural changes planned, successfully result in identifying and realising the organisational changes and savings required.

Good progress has been made in relation to customer journey with a particular focus on the Council "front door". The Council should place renewed focus on its efforts to improve the full customer journey so that this is demonstrated by improved customer metrics and should ensure that appropriate data is available to measure all customer related KPIs.

Statutory Recommendation 2: The Council must ensure that the learning in relation to commercial decisions, procurement and contract management highlighted in this report are understood through the organisation.

Key Findings

The Council now incorporates lessons learnt in its annual business planning process and has been effective in sharing the lessons from the SEND Transport procurement. The contract management of major contracts with Serco, SLT and SCT is now more effective and lessons have been learned in relation to the initial Oracle Fusion decision being made with no full business case.

Key Findings

This section provides a summary update of the Council's progress in relation to the key findings and statutory and key recommendations in our December 2021 and December 2022 reports.

Statutory Recommendation 2 Key Findings (cont'd)

The Council has demonstrated greater awareness and responsiveness to identifying and responding to contract management weaknesses, such as those recently identified in housing services.

The development and implementation of a commercial strategy forms part of the Improvement Plan. The Council acknowledges that it needs to organise many of its activities along more commercial lines, including plans to adopt a Corporate Landlord Model for the management of its property estate, and changes to the way some services are managed such as leisure. Progress on an overarching commercial strategy has not progressed and from our stakeholder meetings there appears to be confusion over what the term commercial means. The Council should consider developing an agreed definition of commercial as a way of revitalising the progress of the commercial strategy. Once the strategy has been adopted it will need to align the Council's transformation strategy and MTFP assumptions. Given the difficulties that other councils have encountered with their commercial strategies, where for some it has led to significant financial distress, the Council should be proportionate in setting its commercial strategy and should not expose the Council to significant risk.

Statutory Recommendation 3: Senior leadership, both officers and members, must demonstrate that they can continue to work together effectively, that they operate in line with the Council's values, codes, policies and procedures, and that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints so that they restore balance and proportionality.

Key Findings

The Cabinet and Leadership Team are continuing to work well both collectively and via their individual Director and Portfolio Lead roles. There continues to be a more mature engagement between the Leader, Cabinet, Committee Chairs and senior officers, supporting good planning and work programming across different Council committees and a greater level of professionalism in how business is conducted by these committees.

The Leadership Team has continued to demonstrate a corporate approach to managing key issues and challenges but on medium-term financial planning there still remains work to do. The Cabinet is increasingly demonstrating its ability to take hard decisions, and will need to continue to do this, given financial and other challenges ahead.

The introduction of the One Team Framework provides clarity on how the Council should deliver its organisational values and behaviours to support its ongoing improvement journey.

The Current Position

The themes set out our December 2021 report illustrated how the Council's then behaviours and legacy issues were impacting on good governance and decision making. This report noted that the Council's leadership had started to make some necessary changes and that "green shoots" were in place to deliver the widespread transformation and changes required.

Our December 2022 report noted the Improvement Plan had been key for creating and maintaining a focus on the required improvements, and the Council had made significant progress on many of the recommendations made in our 2021 report, supported by the creation of additional capacity in some key areas. The Council had put in place the foundations to deliver the sustainable improvements that were needed, and significant improvements were already being made.

Those foundations have been built on over the past twelve months and the Council remains on a positive improvement trajectory. The Council will need to demonstrate bold and charismatic leadership to manage its next phase of improvement, with the planned Senior Management restructure presenting some significant opportunities as well as risks to be managed.

The Council has plans to bring in strategic leadership capacity, reduce the number of Directorates and to delayer the number of Director roles to reduce silos and hierarchies, improve joint working and decision making across service lines. It is hopeful that in making these changes that it will accelerate the pace of the implementation of the Council's improvement plan.

These plans appear reasonable. However, we note that this type of change brings risk. These include the use interim Directors during the transition period to the new structure, possible change fatigue and resistance, the loss of corporate memory, and difficulties in retaining key staff during this period of change.

Key Findings (Cont'd)

This section provides a summary update of the Council's progress in relation to the key findings and statutory and key recommendations in our December 2021 and December 2022 reports.

The Current Position (Cont'd)

The management of these issues and the successful appointment of new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure

The Council's new transformation arrangements will be essential for identifying and realising savings and improving customer value and service quality. The success of the Council's transformation plans are integral to its medium-term financial sustainability. Of equal importance is the embedding of the cultural and behavioural change set out in the One Team Framework.

The Council has made good progress on the customer journey and now needs to expand its focus from first customer contact (the "front door") to measure the full customer experience. The Council should retain corporate focus and attention on key service and operational risks, in particular the implementation of Oracle Fusion, place-based working with SCT, industrial action in the waste service, financial statement production, and reducing reliance on the level of interim appointments in the finance team.

We note that the Council's procedures for the production of its financial statements still require significant improvement. As at 6 December 2023 we had not been provided with the draft financial statements. The Council should take urgent steps to resolve the issues relating to delays in providing and the quality of financial statements production. If the 2021/22 accounts are not made available for audit by 31 December 2023 or are of poor quality we will need to consider the further use of our statutory powers.

The Council retains a challenging agenda of delivering business as usual alongside improvement and transformation and it must maintain the pace of change so that progress does not plateau or fall backwards. The external environment remains challenging for all councils, including uncertainty on the level of future government funding, a potential change in national government with a general expected sometime during 2024, alongside the impact of the ongoing cost of living crisis on businesses and communities.

Members and the senior leadership have responded to government intervention in a commendable way, and the Council is now more responsive and has a much better understanding of what good looks like. Intervention may conclude at the end of March 2024, which would require the Commissioners to make this recommendation to government, and the Minister to agree. It is therefore imperative that the arrangements now in place ensure continued improvement should intervention cease, and the Commissioners depart their roles.

With changes planned to senior management during 2024, and potential changes to Cabinet during the year ahead, the Council must provide confidence to the Commissioners and to the government that their improvement plans for the coming twelve to eighteen months will be delivered.

Conclusions and recommendations

We are satisfied that the Council has made appropriate progress against the three statutory recommendations, and these can now be lifted.

We found no evidence of any significant weaknesses in relation to 13 of the 18 KLOES that we have reviewed. There therefore remain some matters that represent significant weakness for ensuring that the Council makes informed decisions and properly manages its risks, and we have made four key recommendations, which are set out on the following page. This is followed by our summary findings for each KLOE.

Our detailed findings are set out in the next section of the report. We have identified various improvement recommendations throughout the report, which are summarised at Appendix B.

Key recommendations

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Improvement recommendations are made throughout this report, and these are summarised at Appendix B. Our key recommendations are summarised below.

| # | Key Recommendation |
|----|---|
| 1. | The Council must ensure that the changes in train relating to transformation are concluded so that the transformation strategy, transformation business cases, and associated cultural and behavioural changes become successfully embedded and result in identifying and realising the organisational changes and savings required, so that the Council remains financially sustainable in the medium-term. This includes ensuring that the Property Transformation Programme leads to decisions being taken on asset disposals that ensure associated savings targets in the MTFP are realised. |
| 2. | The Council should place renewed focus on its efforts to improve the full customer experience, and this is demonstrated by improved customer metrics, and having appropriate data available to measure all customer related KPIs. |
| 3. | The Council should retain corporate focus and attention on key service and operational risks, in particular the implementation of Oracle Fusion, placed based working with SCT and the effective management of SCT's operational and financial challenges, industrial action in the waste service, putting a clear plan in pace for the subsidy to SLT being eliminated, financial statement production, and reducing reliance on the level of interim appointments in the finance team. |
| 4. | The Council will need to manage the risks associated with the Senior Management restructure, including organisational change fatigue and resistance, the loss of corporate memory, and the retention of key staff during this period of change. The successful appointment of new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure. |

Management responses to these and the improvement recommendations are included in a separate Council report.

KLOEs: Summary Findings

This section provides a summary of the key findings on each KLOE.

| KLOE | Summary Findings |
|---|---|
| A1: The Children's Trust | The Council is now much more effective in its approach to and relationships with the Trust, including more effective contract management. The recent Ofsted inspection of adoption services demonstrates a continued positive direction of travel. However, there remain some significant challenges in relation to SCT's ability to deliver planned savings and manage its finances within the contract sum, and for both the Council and SCT in wider system and partnership working. |
| A2: Sandwell Leisure Trust | The Council now has improved governance arrangements in place, and should continue to monitor SLT's operational and financial performance to ensure that SLT meets its 2023/24 contractual targets and planned changes and efficiencies result in agreeing a management funding agreement for 2024/25 that is in line with the Council's MTFP assumptions. |
| A3: Providence Place | Our 2022 report noted that this matter had now been actioned and resolved with improved governance arrangements in place. A recommendation was made in relation to the asset management strategy and system whilst good progress has been made, the Council needs to fully implement to realise the planned benefits. |
| A4: SEND Transport | Our 2022 report noted that this matter has now been actioned and resolved with improved governance arrangements in place. There was one improvement recommendation for the Council to ensure that the lessons learned are shared across other council services so that this learning becomes embedded across the organisation. Our 2023 review has confirmed that appropriate arrangements are now in place, with one improvement recommendation made. |
| A5: SLaP | Our 2022 report noted that this matter had now been actioned and resolved with improved governance arrangements in place. There were no recommendations to follow up as part of our 2023 review. |
| A6: MADE Festival | Our 2022 report noted that this matter had now been actioned and resolved with improved governance arrangements in place. There were no recommendations to follow up as part of our 2023 review. |
| A7: Waste Service | Our 2023 review found no evidence of any significant weaknesses in arrangements. The relationships between the Council and Serco remain on an upward trajectory, with how they jointly responded to the industrial action a recent positive example. The Council has taken steps to work more effectively with Serco on areas such as collection policies, and Serco has demonstrated a more effective approach to the annual service delivery planning process. The Council should ensure that it concludes the fleet review and Serco confirm that they are content with the value for money of the fleet maintenance undertaken by the Council, and the Council must work with Serco to ensure that the risk of future industrial action is effectively mitigated. |
| A8: Governance and legal support to DPH | Our 2022 report did not follow up on this KLOE due to it being reported in October 2022. Our 2023 review found no evidence of any significant weaknesses in the Council's arrangements. The Council should conclude its plans to introduce a policy for working with local MPs and associated guidance. |

KLOEs: Summary Findings (Cont'd)

This section provides a summary of the key findings on each KLOE.

| KLOE | Summary Findings |
|-------------------------------------|--|
| A9: Lion Farm | Our 2022 report noted that the Council had taken all possible actions to resolve this matter and has a clear way forward. There were no recommendations to follow up in our 2023 review. |
| A10: Introduction of new ERP System | The Council has continued to pay careful attention to the Oracle Fusion implementation, undertaking revisions to timescales and resources where required. Specialist external resources have been scaled up during the year to fill identified roles alongside ring-fencing Council staff to assist with implementation tasks. However, there have been further delays and associated increased costs resulting in the decision to phase the go live dates. The risks associated with poor and ineffective implementation remain significant. |
| B1: Chief Officers | Our 2022 report noted that we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. There were no recommendations to follow up as part of our 2023 review. |
| B2: Senior Leadership | Our 2022 report noted that we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. A new Chief Executive has been appointed and has made a positive impact. The impact of the senior management restructure, including the introduction of interim Directors, is a prelude of the instability and uncertainty resulting from the significant changes planned. The Council will need to manage the risk of change fatigue, the loss of corporate memory, and the retention of key staff during this period of change. The successful appointment of new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure. |
| B3: Complaints | Our 2022 report noted that this matter had now been actioned and resolved with improved governance arrangements in place. There were no recommendations to follow up as part of our 2023 review. |
| B4: Office and Member Relationships | The Cabinet and Leadership Team are continuing to work well both collectively and via their individual Director and Portfolio Lead roles. There continues to be a more mature engagement between the Leader, Cabinet, Committee Chairs and senior officers, supporting good planning and work programming across different Council committees and a greater level of professionalism in how business is conducted by these committees. The Leadership Team has continued to demonstrate a corporate approach to managing key issues and challenges but on medium-term financial planning there still remains work to do. The Cabinet is increasingly demonstrating its ability to take hard decisions, and will need to continue to do this, given financial and other challenges ahead. |

KLOEs: Summary Findings (Cont'd)

This section provides a summary of the key findings on each KLOE.

| KLOE | Summary Findings |
|--|---|
| B5: Standards Committee | Our 2022 report noted that we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks, and made one improvement recommendation. Our 2023 review identified one improvement recommendation confirmed that appropriate arrangements continue to be in place and no improvement recommendations are made. |
| B6: Audit Committee | Our 2022 report noted that we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks, and made one improvement recommendation. Our 2023 review has confirmed that appropriate arrangements remain in place and no improvement recommendations have been made. |
| B7: Financial Reporting | The CIPFA follow up Financial Management review identified improvement across various areas of financial management, but significant progress remains for the finance team to become fully effective. In particular, the Council's procedures for the production of its financial statements still requires significant improvement. |
| B8: Engagement with Residents and Community Groups | Our 2022 report noted that we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. Our 2023 review identified appropriate arrangements remain in place, and the Council should continue to build on the progress that has been made in engaging with residents so that it continues to support greater corporate focus on service quality and customer outcomes. |

Detailed Findings

Progress on 2022 Key Recommendations

Before setting out our findings on each KLOE we set out our findings on key corporate actions taken by the Council since our previous review.

Governance Review

The Council instigated a review of its governance arrangements following issues identified by our 2021 VfM governance review, the LGA Corporate Peer Challenge review and the CIPFA Financial Management review. Our 2022 report provided an update on the first two phases of this review.

The third and final phase was concluded with a report to full Council on 13 December 2022, with changes agreed to the Budget and Policy Framework Procedure Rules, Financial Regulations and Procedure Rules, Remaining Articles, and Responsibility for Functions.

Going forward an annual review of the Constitution will take place.

Phase 3 included an amendment to the key decision threshold which has increased the threshold for delegated decisions, with the virement threshold now £500k for chief officers, between £500k and £1m relevant Cabinet members and over £1m Cabinet. Any delegated decisions still require a report and decision notice. All significant spending decisions, determined as impacting on two or more wards, remains a decision for full Cabinet. We have been advised that this has reduced the number of decisions going to Cabinet, allowing more effective conducting of Cabinet business.

Training on changes to the constitution has been undertaken with officers and members. This has included updates on procurement, contract management and financial regulations.

The Council is also progressing improvements to the workflow of report drafting and approval, using the Modern.Gov system, to ensure that decision making is timely and draft reports receive appropriate reviews.

A change to the approach for electing the Mayor has been agreed. Previously this was decided by the controlling administration, and will now be based on the longest serving councillor, with the deputy mayor being the next longest serving councillor.

The Council has now concluded a comprehensive review of the constitution and governance arrangements with plans in place for an annual review.

Improvement Plan

The Council developed an improvement plan in response to our original VfM Governance review which, as already noted, has been expanded to incorporate the recommendations from the LGA Corporate Peer Challenge review and the CIPFA Financial Management review.

The Improvement Plan was also developed in line with the Secretary of State for DLUHC's Statutory Direction

This single Improvement Plan was agreed by full Council on 7 June 2022 and structured around the following six themes:

- Organisational Culture
- Corporate Oversight
- Strategic Direction
- Decision Making
- Procurement and Commercial
- Partnership and Relationships

Each theme has a clear set of deliverables, milestones and responsibilities which will be used to track our progress against expected timescales.

Grant Thornton, CIPFA and the LGA undertook follow up reviews during Autumn 2022. The Improvement Plan was updated to reflect the findings of these follow up reviews in January 2023 and was reported to Cabinet in 2023 as phase 2 of the Plan, which incorporated the recently concluded work on corporate values and behaviours

An Improvement Plan Monitoring Tool has been developed to include both a risk rating for each main action within the Improvement Plan and a progress status rating for all actions, and these form part of the quarterly reporting approach.

The Improvement Plan is monitored monthly, and updates are provided to the Leadership Team and Cabinet on a quarterly basis. An annual report on progress is produced, most recently in May 2023.

The Improvement Plan is intended to be a live document updated to take account of progress and relevant changes. Changes to the Improvement Plan are tracked through programme management mechanism.

The Cabinet approved a revised Corporate Plan and a new Young People's Corporate Plan on 7 June 2023. The Council reviewed and updated the Improvement Plan ensure alignment with the updated Corporate Plan.

Progress on 2022 Key Recommendations (Cont'd)

Before setting out our findings on each KLOE we set out our findings on key corporate actions taken by the Council since our previous review.

The Improvement Plan (Cont'd)

The first theme of the Improvement Plan is organisational culture and during Autumn 2022 a series of listening sessions were undertaken with staff, with over 500 engaging via attendance at events or the completion of surveys. Feedback was consolidated during November and December 2022, to support the development of the Council's One Team Framework, which sets out the values and behaviours expected. This was approved by Cabinet on 15 March 2023 and the agreed values were:

- We are one team: united and working together with the shared purpose of achieving great results.
- We are customer focused: caring about providing the best possible public service.
- We are inclusive: treating each other with respect and knowing our diversity is our strength.
- We are ambitious: striving for excellence, always looking to get better and making sure everyone can take pride in our borough.
- We are accountable: delivering what we say we will.

The One Team Framework aims to provide clarity on how the Council should deliver its organisational values and ensure that values and behaviours form an integral part of the Council's People/Workforce Strategy. The Framework sets out the expected behaviours from everyone and from leaders, with an ambition that everyone will behave as leaders.

A network of culture champions has been established to support the launch of the Framework and its ongoing delivery. The Chief Executive met over 400 managers as part of launch across eight staff engagement sessions.

The introducing of clear expectations on values and behaviours is a positive step taken by the Council, and will be critical to support its ongoing improvement journey. Embedding cultural and behavioural change is not straight forward and takes considerable time, focus and effort. [The Council has not yet concluded introducing a "golden thread" that aligns corporate plans to individual's annual performance reviews, and this approach should be progressed to include the behaviours set out in the One Team Framework, so that expected values and behaviours can be monitored and measured \(Improvement Recommendation\).](#)

Medium-Term Financial Planning

The Council has continued the "star chamber" approach to support budget setting, which took place during Summer 2023. This exercise resulted in a basket of savings options being put forward to Cabinet for approval and to consult on further, prior to making formal decisions on the budget in February 2024. These initial savings options amounted to £18m in 2024/25.

For the first time, the Cabinet and Senior Leadership Team held an away day during September 2023 to discuss the MTFP and options for savings and discussed key financial principles, such as council tax levels. We have been advised that members of Cabinet have responded very favourably to the away day and how it has improved their understanding of the financial challenges facing the Council and the options available to manage these challenges. Further budget workshops were taking place at the time of our review.

The Cabinet approved the Medium-Term Financial Strategy (MTFS) for the period 2024/25 to 2026/27, and the associated Medium-Term Financial Plan (MTFP), at its meeting on 15 November 2023, reflecting an estimate of the Council's financial position as at October 2023, and noting that the figures will change as further updating takes place. The Council has commenced a resident engagement exercise through the summer of 2023 and this, together with the Consultation and Engagement Plan forms the Council's proposed approach to consulting during the 2024/25 budget setting process. This was underway at the time of our review. The MTFS and MTFP will be further updated for the meetings of the Executive, Budget Scrutiny and Full Council in January and February 2024.

A new business planning approach has been introduced for 2024-27 which aims to better align service and financial planning to the Corporate Plan and MTFS, drive consistency and continuous improvement across the Council including incorporating lessons learnt, better integrate performance metrics and resident feedback, and embed One Council Values and Behaviours. Business planning workshops were taking place in November and December 2023 to support the budget setting process.

Progress on 2022 Key Recommendations (Cont'd)

Before setting out our findings on each KLOE we set out our findings on key corporate actions taken by the Council since our previous review.

Medium-Term Financial Planning (cont'd)

The senior leadership team have demonstrated a much greater grip of medium-term financial planning, but there remains further work to do in order to fully understand and agree the principles that underpin the MTFs, for example the approach to reserve levels. The senior leadership team should make time to agree clear objectives for financial planning, and the financial, organisational and behavioural actions required to achieve these objectives (Improvement Recommendation).

The position of the MTFP as at October 2023 forecast funding gaps, which represent savings requirements, of 3.8% of the revised net revenue budget in 2024/25 rising to 10.3% of the revised net revenue budget in 2026/27.

| | 2024/25 | 2025/26 | 2026/27 |
|-------------------------------------|----------------|----------------|---------------|
| | £m | £m | £m |
| Current net budget | 317.103 | 317.103 | 317.103 |
| Budget pressures and adjustments | 28.272 | 49.723 | 66.727 |
| Revised net budget | 345.375 | 366.826 | 383.83 |
| Funding | -332.412 | -338.158 | -344.476 |
| Net deficit before savings | 12.963 | 28.668 | 39.354 |
| Savings required as % of net budget | 3.8 | 7.8 | 10.3 |

These are significant savings targets to identify and deliver, in the context of existing budgetary pressures, and will inevitably require difficult political decision to be made. The majority of the £13m saving required to balance the 2024/25 budget will need to be recurring in nature.

The importance of the Council's transformation programme, alongside its improvement plan, will be critical to ensuring these medium-term financial challenges are effectively managed. The Council's approach to transformation is discussed in the section that follows.

Corporate Transformation

The Council is developing a transformational approach to delivering savings, and a Transformation Strategy has been produced – called Creating a Council for the Future - with the objective of providing better value services and enhancing the customer journey.

The transformation strategy is a blend of key directorate projects and some critical corporate cross-cutting projects. The corporate projects include Oracle Fusion implementation and a review of business support services, a digital strategy, and a customer journey programme. Key directorate projects include SEND, leisure review, waste review, housing repairs, and asset and estate rationalisation. The Council's new values and behaviours are integral to the transformation strategy.

A corporate PMO framework was agreed by the Senior Leadership Team in August 2023. Local Partnerships supported the Council in the framework's development, including sharing best practice adopted by other councils. The framework has been designed to ensure consistency of practice in project management and project governance across the Council.

A corporate transformation board has been established to oversee all transformation projects and monitor the transformation project pipeline, with the Director of Finance as the Senior Responsible Officer (SRO). There are plans to establish sub-programme boards relating to the key transformation themes (corporate, people, assets and place), that will report to the corporate transformation board. Transformation activity will form part of the business planning and performance management workshops that were being undertaken at the time of our review. Quarterly reporting to Cabinet and the Leadership Team is planned.

The Council established a Corporate Programme Management Office (PMO), following slippage to the original timescale, in September 2023. This includes a corporate transformation office to support transformation activity and project assurance across the Council, and new roles have been created which were being recruited to at the time of our review. The Council is further considering how it could augment the skills and capacity of the PMO by the use of external consultants.

The Council has purchased licences to Verto, a project management software system, which at the time of our review had been through user testing and was in the process of being rolled out to those in the Council involved in project management. Verto is expected to support the PMO Framework by providing a standard approach to project management and reporting. The Council's learning and development team are putting in place a training programme for users of Verto, with the go live date for its use planned for April 2024.

Progress on 2022 Key Recommendations (Cont'd)

Before setting out our findings on each KLOE we set out our findings on key corporate actions taken by the Council since our previous review.

Corporate Transformation (cont'd)

The PMO has introduced a project threshold tool, which assesses the value, risk, capacity and complexity of a project to determine the level of PMO support and governance required across four levels (intense, high, medium or low). All projects, regardless of this level, will be reported on Verto.

The Council has made positive steps to introduce a clear structure, resources, governance arrangements, and related processes to manage its transformation activity, which at the time of our review had not fully concluded.

The scale of the savings required over the medium-term, alongside plans to provide better value services and enhancing the customer journey, means that this new approach to corporate transformation is critical to the financial sustainability of the Council and its ability to deliver high quality services. **The Council must ensure that these changes are concluded and become embedded so that the transformation strategy, transformation business cases, and associated cultural changes planned, successfully result in identifying and realising the organisational changes and savings required (Key Recommendation).**

There is currently no over-arching framework on the use and appointment of external consultants, with services independently making such appointments. **As part of the new transformation arrangements the Council should ensure there is corporate oversight of the use of external consultants, including how such commissions align to the Council's transformation strategy (Improvement Recommendation).**

Performance Management Framework

On 12 April 2022 the Council approved a Corporate Performance Management Framework (PMF) to monitor delivery of the Corporate Plan. Our previous report set out the structure of the PMF. On a quarterly basis, the Council gathers and analyses a wide range of data and information to understand how effectively its plans are being implemented and whether the strategic outcomes contained in the Corporate Plan are being achieved.

As already noted, the Cabinet approved a revised Corporate Plan on 7 June 2023, and the PMF was reviewed and updated to align to the new Corporate Plan. There were 244 measures in the corporate performance indicator set, and these were revised to 208. The intention is that by having a smaller, more aligned, and focused number of corporate performance indicators, reporting of the PMF will better highlight performance matters in the key areas of strategic importance and what action is being taken, or needs to be taken, in response.

The new corporate performance indicator set will be reported quarterly to the Leadership Team and Cabinet in a corporate performance report alongside the quarterly Corporate Plan monitoring reports. Each directorate business plan contains a set of Corporate Plan commitments and each directorate business plan has also been realigned to support the revised Corporate Plan.

A new role of corporate performance manager has been created and filled. There is now much greater organisational and leadership focus and understanding of service and financial performance and associated risks. The rationalisation of the corporate performance indicator set should help improved this focus as the PMF continues to embed across the organisation.

Commercial Strategy

The development and implementation of a commercial strategy forms part of the Improvement Plan. The Council acknowledges that it needs to organise many of its activities along more commercial lines, including plans to adopt a Corporate Landlord Model for the management of its property estate, and changes to the way some services are managed such as leisure.

The Council commissioned C.Co to draft a commercial strategy, which has resulted in a narrow focus, covering three specific service areas where commercial income opportunities may exist. Progress on an overarching commercial strategy has not progressed and from our stakeholder meetings there appears to be confusion over what the term commercial means.

Other councils that have developed a commercial strategy have often first worked to agree a generally accepted definition of commercial, recognising the term can have different interpretations. For example, for some commercial means being business-line in relation to all council activity, however mundane, such as the efficient conducting of meetings, whilst for others it has a more specific meaning such as being entrepreneurial with a focus on commercial investments and/or trading activity. It is important that the Council has a shared understanding of what commercial means for Sandwell.

The Council should consider developing an agreed definition of commercial as a way of revitalising the progress of the commercial strategy. Once the strategy has been adopted it will need to align the Council's transformation strategy and MTFP assumptions (Improvement Recommendation).

Given the difficulties that other councils have encountered with their commercial strategies, where for some it has led to significant financial distress, the Council should be proportionate in setting its commercial strategy and should not expose the Council to significant risk.

Progress on 2022 Key Recommendations (Cont'd)

Before setting out our findings on each KLOE we set out our findings on key corporate actions taken by the Council since our previous review.

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Customer Journey

A customer journey programme board was established in early 2023, supported by the corporate transformation office. The board provides updates to Cabinet on customer performance and progress on customer journey activity, alongside PMF updates on customer focussed metrics which are reported quarterly.

During 2023 the Council refreshed its website to make it more user friendly, including usability on mobile devices and the provision of more up-to-date content. Enhancements to the website include:

- My Sandwell: for residents and businesses to register a My Sandwell account. This account can be used to council tax, benefits, business rates or housing balances, make payments, request services, report problems and track any enquiries made to the Council, together with information on key Council services.
- Citizen Space: a new consultation hub where residents can subscribe to news on Council consultations and other engagement activity, and a section called “we asked, you said, we did” which provides updates on the outcomes of how consultation and engagement activity informed Council decisions.

Members use the My Councillor portal as their case management system to manage queries and complaints from residents. There is target to respond to complaints in 10 days and performance remains variable. The Council’s complaints team have undertaken work on the timeliness and quality of responsiveness and the information governance team are working with services where performance and responsiveness to complaints need to improve.

The Leadership Team and informal Cabinet have developed customer standards reporting on service areas such as call waiting times and responsiveness to complaints, and for those services where there is a high volume of customer engagement such as responsiveness to fly tipping, pot-hole repairs, benefits claims, homeless triage and general repairs. The 2023/24 quarter one report covered 13 KPIs and of these the performance was rated red for seven, amber for three, green for two, and for one (housing applications) there was no data available.

Whilst good progress has been made to improve how the Council engages with its residents and businesses and improves the customer journey and experience, these key customer standards metrics indicate that there is more work required by the Council to improve its performance in relation the customer journey.

The Council should place renewed focus on its efforts to improve the full customer journey so that this is demonstrated by improved customer metrics, and should ensure that appropriate data is available to measure all customer related KPIs (Key Recommendation).

The Council is considering further improvements to the customer journey, including introducing a new telephony system and rationalising customer contact centres. We note that customer journey related performance metrics currently focus on the Council’s “front door” - the responsiveness to an initial customer contact - and the Council should consider enhancing these metrics to measure its performance through full customer journeys including the customer experience and satisfaction (Improvement Recommendation).

Asset Management Strategy

The Corporate Asset management strategy (CAMS) was approved by Cabinet in November 2022. The strategy acknowledges that the Council is committed to maintaining an effective and efficient property portfolio which supports the delivery of services to residents, provides value for money, reduces environmental impact and maximises opportunities to generate value.

Workstreams have been established to oversee delivery of the strategy on groupings that include community centres, office rationalisation, commercial estate, climate change, corporate landlord, and regeneration.

The strategy is underpinned by the disposal of surplus assets and the associated savings and, as at October 2023, the £1.6m savings target for 2022/23 is expected to be achieved. This includes the disposal of Providence Place to the Department for Levelling Up, Homes and Communities. There are further savings targets of £2.5m in both 2024/25 and 2025/26.

The Council acknowledges the need to organise many of its activities along more commercial lines, including adopting a Corporate Landlord Model for the management of its property estate. As part of this a Property Transformation programme is being developed to develop further options for asset disposals.

The savings plan relating to assets is dependent on the Council taking decisions on assets identified for disposal, and at the time of our review there was a savings target variance of £1.86m for 2024/25 and £2.05m for 2025/26. The Council should ensure that the Property Transformation Programme leads to decisions being taken to realise the balance of these planned savings and appropriate ambition is taken on asset disposal plans (Key Recommendation).

Progress on 2022 Key Recommendations (Cont'd)

Before setting out our findings on each KLOE we set out our findings on key corporate actions taken by the Council since our previous review.

Asset Management System

At the time of our review the implementation and roll out of the Council's new corporate asset management information system (Techforge), which will replace the Atrium system, was in final project closedown stage.

Phase 1 is due to go live in December 2023. Phase 2 of the asset management system implementation includes consideration of modules relating to capital accounting, and a fixed asset register, to support accounts production. An initial meeting is due to place in January 2024 to agree workstreams, leads and timescales for this phase.

The new system should provide a single, dedicated database for asset information, system linkage to Oracle Fusion and improved creation and monitoring of capital accounting reporting. The Council plans to identify workstreams, leads and timescales in January 2024. It is unclear if there is a definitive go live for phase 2.

The Council must ensure that the new asset management system is fully implemented and planned benefits are realised and both phases are operational for 1 April 2024. (Improvement Recommendation).



KLOE A1: Sandwell Children's Trust

The purpose of this KLOE was to consider actions undertaken by the Council to secure improvement in children's social care outcomes.

Background

The Service Delivery Contract (SDC) between the Council and Sandwell Children's Trust (SCT) went live on 1 April 2018. The total contract period was for 10 years with an option to exercise a break after 5 years of operation.

Our December 2022 report recommended the Council:

- Will need to ensure that SCT accelerates its progress on its improvement trajectory so that the position does not plateau, including sharing good practice on case work across various SCT social work teams.
- Will need to continue to closely monitor the implementation of the early help strategy to ensure planned objectives and outcomes are realised.
- Must continue to work with SCT to mitigate and reduce the level of vacancies and use of agency staff, and take steps to ensure the associated KPI does not lead to contract failure.
- Should continue to monitor the progress of SCT against the invest to save activities to ensure that SCT is able to generate the savings and efficiencies required for the contract sum to be reduced.

KEY FINDINGS

Ofsted inspections

Our previous report noted that the July 2022 Ofsted inspection report on children's services rated services as 'require improvement to be good', an improvement on the previous inspection which rated services as inadequate. At that time Ofsted reported that the pace and trajectory of improvement had increased over the year preceding the inspection, and we noted that children's services in Sandwell have been rated inadequate for over a decade, so this inspection reflected a positive direction of travel.

In February 2023 Ofsted published their report on the voluntary adoption agency managed by SCT, with the inspection having taken place in December 2022. The overall rating was 'good', compared to the previous inspection in January 2019, which rated the service 'requires improvement to be good'. We note that the most recent Ofsted inspection on fostering services, from 2021, also provided a rating of 'good', following a 'requires improvement to be good' from the previous inspection in 2019.

In July 2023 Ofsted and the Care Quality Commission (CQC) undertook an area inspection of children and young people with special educational needs and/or disabilities (SEND), which was reported in September 2023..

The Council, SCT and NHS Black Country Integrated Care Board are jointly responsible for the planning and commissioning of services for children and young people with SEND in Sandwell.

These area inspections do not provide an overall rating, and the report noted a number of areas of positive progress, but the overall conclusion was that the local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with SEND, and the local area partnership must work jointly to make improvements set out in the report. The areas for improvement identified were:

- strengthening of multi-agency working across the partnership,
- develop co-production so that children and young people play a key role in developing improvement strategies and plans, and
- there should be an increase in the number and range of short break opportunities to support the needs of children and young people with SEND.

Multi-agency early intervention and prevention strategy

The early years strategy, developed by the Council working with SCT and other key stakeholders from the public and third sectors, had been launched in March 2022. It was recognised that it would take up to 18 months to embed across the early help system.

A year on event for all partners in the system was held in March 2023 and it is recognised by the Council and SCT that there is work still to be undertaken across the partnership before all partners fully recognise their responsibilities in relation to the strategy. Our work identified that some tensions have emerged between the Council and the SCT on system leadership responsibility for driving effective system working.

The early intervention and prevention strategy is critical to all key partners including the Council and SCT, including a strong inter-dependency with the early help invest to save savings target of the Trust, which is discussed later in this section.

Considering the outcome of the recent Ofsted and CQC area SEND review and the multi-agency early intervention and prevention strategy challenges, it is clear that there is greater emphasis required by the Council and SCT on progressing area partnership working, including greater clarity on system leadership.

KLOE A1: Sandwell Children's Trust (Cont'd)

The purpose of this KLOE was to consider actions undertaken by the Council to secure improvement in children's social care outcomes.

Workforce challenges

The Strategic Partnership Board (SPB), at its meeting on 22 September 2023 noted that about one of the Trust's 15 Key Performance Indicators (KPIs) were within contract tolerance, with the exception being the vacancy rate of social workers which in March 2023 was a 42%. Sickness rates had dropped to the lowest they have been since the Trust was established and stood at 7%. The vacancy rate across SCT as a whole was 20-29%.

The recruitment rate was not at a net gain and the Trust continues to find it difficult to stabilise teams, and an ongoing strategy was in place to slow the rate of leavers, but this had not stopped people wanting and choosing to leave. The Trust reported that ongoing workforce pressures are a symptom of a national crisis relating to the recruitment and retention of social workers, with a stated view that this issue can only be solved at a national level.

In February 2023, the government published a new strategy to transform children's social care: Stable Homes, Built on Love. This strategy included the government's response to the MacAlister Independent Review of Children's Social Care. The strategy recognised the national challenges facing social worker recruitment and retention. At the time of this VfM review, the government had not published its response to its consultation on the child and family social worker workforce, which is due to set out plans for national rules on the use of agency social workers, with the intention that these rules will help mitigate children's social care workforce challenges nationally.

Notwithstanding this national context, the Council's Cabinet agreed at its meeting on 12 July 2023 to increase the contract sum to SCT in relation to the Sandwell Deal. The Sandwell Deal is expected to provide an incentive for children's social workers to apply to roles in Sandwell and sets out career pathways and associated support to help manage retention. Incentives include market supplements and retention payments for all case holding social workers. The additional contract sum comprised a maximum of £260k to pay market supplements, the cost of retention payments of a maximum of £310k in 2023/24 rising to £1.1m in 2025/26, and a maximum of £556k to recruit overseas social workers in 2023/24. This was to be funded from the Council's Social Care Earmarked Reserve. This decision followed an options appraisal that included consideration of a regional benchmarking exercise undertaken in March 2023 which identified that without these recruitment and retention policies Sandwell would be in the lowest quartile of the 14 local authorities / children's trusts that were benchmarked.

At the Operational Partnership Board (OPB) meeting on 5 December 2023 it was reported that the social worker vacancy rate had been on a reducing trend during 2023/4 and stood at 23% at October 2023.

The report further noted that for first time in many years, the vacancy rate KPI had been met, however some of the permanent staff were non-qualified social workers.

The Council should continue to monitor the vacancy rate tolerance, and use of agency staff at the Trust, in particular the impact and effectiveness of the Sandwell Deal in improving recruitment and retention rates.

Invest to Save

The contract between the Council and SCT allows SCT to make invest to save proposals to increase the contract sum in the short term, to be paid back to the Council via a reduction in a future contract sum. SCT has submitted two invest to save proposals which the Council approved in September 2021.

These related to Early Help and Strategic Commissioning and a total £287.5k investment in 2021/22 and 2022/23 with this amount being returned to the council by SCT in 2023/24 and 2024/25 by a reduction in the contract sum.

These two invest to save areas are monitored via the Operational Partnership Board (OPB) and SPB, with the later chaired by Council's Chief Executive. The Council and SCT finance directors have regular informal discussions including on financial and operational challenges, and monitor the impact of invest to save investments.

The Strategic Commissioning Invest to Save savings target for 2023/24 is £269k. This focuses on strengthening and developing an evidenced based commissioning programme to improve value for money. At the meeting of SPB on 22 September 2023 it was reported £21k savings had been confirmed by the end of July 2023 with plans in place to realise the balance of the savings target.

The Early Help Invest to Save savings target for 2023/24 is £229k. This focuses on fewer referrals into the Trust which in turn will lead to a reduction in children in need and children in care. £20k savings had been confirmed by the end of July 2023, with plans in place for the realisation of the balance of the savings target. The challenges, already noted, in relation to the multi-agency early help and intervention strategy will impact on this invest to save target if the planned system changes do not become effectively embedded.

In summary, progress to date across both Invest to Saves indicates £41k had been delivered by the end of July 2023. Other actions taken are expected to deliver a total of £225k of savings during 2023/24, due to the timing of the savings being implemented not resulting in a full year effect until 2024/25. This leaves a further £273k of savings to be delivered during 2023/24.

Realising these planned savings will be critical to the Trust meeting its planned revenue budget and the contract sum increases relating to the invest to save can be paid back to the Council.

KLOE A1: Sandwell Children's Trust (Cont'd)

The purpose of this KLOE was to consider actions undertaken by the Council to secure improvement in children's social care outcomes.

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Contract sum and financial performance

The contract sum agreed between the Council and SCT for 2022/23 was £70.4m, an increase on the prior year of £2.4m or 4%. The original budget set for the Trust for 2022/23 was £68.527m, so the contract sum agreed was intended to create an in-year surplus of £1.9m. The Council's Medium-Term Financial Plan (MTFP) for 2022/23 incorporated the planned surplus to be off-set against the cumulative over-spend from previous financial years.

The forecast 2022/23 outturn was an overspend of £1.9m compared to the annual budget for the Trust and breakeven position when compared to the contract sum received. The cumulative deficit including prior year deficits was forecast to be £7.3m as at 31 March 2023. This was against a MTFP forecast position of £5.3m, because the forecast surplus during 2022/23 was not realised. The Trusts latest MTFP indicates that the deficit will be fully repaid by 2027/28.

The budget for 2022/23 incorporated the impact of the Trust's Cost Savings Action Plan which required the Trust to achieve savings of £2.3m in year. The Trust had fully identified and commenced actions that were expected to deliver £1.8k of savings. The remaining £538k related primarily to the stepping down of high-cost placements and the increase in internal foster carers. The Trust had developed a further cost saving plan which has identified specific actions designed to deliver fully against the shortfall in the delivery of the original plan by the end of the year.

The contract sum agreed for 2023/24 totalled £74.5m and the SCT revenue budget assumed a year end surplus of £742k. The contract sum is an increase of £2.5m of 3.5% and reflected the ongoing impact of inflation. As at September 2023 the forecast outturn was an overspend of £797k, resulting in a £1.539m variance to budget. The reasons given for this variance include:

- Continued pressure within the placement market due to a high demand for places and the impact of inflation.
- Higher than anticipated increase to Regional Fostering Framework prices for 2023/24.
- Continued pressures within the social worker labour market and the consequent over reliance on high costs agency staff.
- Complexity and co-ordination associated with delivering the savings programme and associated transformation of services.

SCT has implemented a Budget Accountability Framework with accountability to the Trust's Finance and Infrastructure Committee where there is scrutiny and challenge on a quarterly basis. The Trust Board provides direction and oversight with regard to the overall financial position of the Trust.

At the time of our review the Council and SCT had commenced discussions on the 2024/25 contract sum, but these discussions had not been concluded. The Council has also begun considering the options for investing capital expenditure in the construction or acquisition of assets to be used as a residential children's home, in discussion with SCT, as part of broader plans to reduce placement costs.

The KPIs used to monitor the performance of SCT were being reviewed at the time of our audit, but had not been approved. It is anticipated new KPIs will be in place from January 2024.

Conclusions and recommendations

Following the 2022 Ofsted inspection Sandwell entered a period of 'transition from intervention', but the current statutory direction will remain in place until DfE is assured of the long-term trajectory of sustainable improvement.

Senior stakeholders from the Council and SCT are generally positive about working relationships and the governance arrangements in place, and the Council is now much more effective in its approach to and relationships with the Trust, including more effective contract management. The recent Ofsted inspection of adoption services demonstrates a continued positive direction of travel.

However, there remain some significant challenges in relation to SCT's ability to deliver planned savings and manage its finances within the contract sum, and for both the Council and SCT in wider system and partnership working.

We have made the following improvement recommendations:

- Greater emphasis is required by the Council and SCT on progressing area partnership working, including greater clarity on system leadership.
- The Council should continue to monitor the vacancy rate tolerance, and use of agency staff at the Trust, in particular the impact and effectiveness of the Sandwell Deal in improving recruitment and retention rates.
- Realising the planned Invest to Save savings will be critical to the Trust meeting its planned revenue budget and the invest to save payments can be repaid to the Council.

KLOE A2: Sandwell Leisure Trust

The purpose of this KLOE was to consider the Council's management of the contract with SLT and to understand the impact of recent industrial action.

Background

Sandwell Leisure Trust (SLT) was formed by the Council in 2004 due to underperformance of the in-house leisure service. SLT was contracted via a Management and Funding Agreement (MFA) for a 30-year period: 2004 to 2034. SLT operate all council leisure facilities, other than West Bromwich Leisure Centre, which is operated by Places Leisure under a separate agreement.

At the time of our 2022 review the Council was progressing the establishment of a local authority trading company (LATC) to take over responsibility for leisure provision delivered by SLT.

Our December 2022 report recommended that the Council will need to:

- ensure a business case is produced for the new leisure LATC so that there is a clear financial case for the commercial viability of the new arms' length company.
- be clear how it effectively discharges its role whilst allowing the company the freedoms and flexibilities to operate and to deliver the planned financial and service benefits
- effectively manage the transition of the Aquatics Centre so that it is operational to the planned timescale and that there is a clear business case which sets out how the centre will be managed to become commercially viable and provide financial returns to the Council as part of the leisure LATC arrangements.

KEY FINDINGS

Local Authority Trading Company

At their meeting 9 February 2022, Cabinet resolved to not approve SLT's business plan and to serve notice of termination; this notice was served for SLT's operation of the leisure centres to cease on 1 May 2023. At their meeting 22 June 2022, Cabinet resolved to progress the establishment of a Local Authority Trading Company (LATC) to operate the Council's leisure facilities.

The Chief Operating Officer of the proposed LATC started in role in January 2023, and LiveWell Leisure Limited, the LATC, was incorporated on 6 February 2023 as a company limited by guarantee, with the Council as the sole member. At that time the new LATC was due to commence operations on 1 May 2023.

Business planning was undertaken in relation to the LATC, with the Council engaging Continuum and Prominent Leisure Services to support this work. This included costing the transfer of the Aquatics centre to the LATC and the impact of the closure of the Langley and Smethwick leisure centres.

The Council also progressed due diligence and planning for the overall transfer of service delivery from SLT to the new LATC, including the TUPE of staff from SLT to the LATCO, and contract novation.

Recognising that leisure centres are large consumers of energy, and in the context of UK wide increases in utility costs, the Council decided to pause their plans to better understand the impact of these increased costs. It was established that in 2021 – pre-energy cost increases – that SLT had entered longer-term energy supply contracts, which insulated them from the increases in energy tariffs: gas to September 2026 and electricity to March 2027.

A legal options appraisal was undertaken that identified that the SLT energy tariffs could not be novated to the LATC without significant risk. The cost pressure of losing the fixed tariffs for the nine centres in the SLT portfolio (reducing to seven centres during 2023) was estimated in January 2023 as £3.42m over the next two years. It was also recognised that utility tariff stability is beneficial over the coming three years, given market instability and the scale of Sandwell's leisure estate.

Based on the cost pressure identified, and an improved relationship with SLT, the termination notice with SLT was extended for the period covered by SLT's fixed tariffs; an extension of 3 years and 11 months from 1 May 2023 to the end of March 2027.

A Deed of Variation (DoV) to the MFA with SLT has been agreed to formalise the change in governance arrangements. A key change in the DoV is that any operating surplus achieved by SLT will be retained by the Council rather than SLT. The Council obtained counsel opinion in relation to the Subsidy Control Act 2022 (the replacement to EU State Aid regulations) and, based on this advice, Council officers determined that no subsidy or economic advantage would accrue from the extension to their contract with SLT.

Regular briefings took place with informal Cabinet prior to Cabinet taking the decision to extend arrangements with SLT. Progress continues to be reported, most recently at to the Safer Neighbourhoods and Active Communities (SNAC) Scrutiny Board on 12 Sept 2023 and to Cabinet on 13 October 2023.

SLT amended its Articles of Association that coincided with the DoV. This has resulted in a change to the requirements of the composition of the SLT Board. Previously there was a requirement for a member of the Council to be a board member which has been removed.

KLOE A2: Sandwell Leisure Trust (Cont'd)

The purpose of this KLOE was to consider the Council's management of the contract with SLT and to understand the impact of recent industrial action.

Relationships with SLT

Our 2021 report noted that relationships between the Council and SLT had broken down. Since our 2022 review there have been changes to some key roles at both SLT and the Council. This includes the departure of the SLT Chief Executive, some changes to the SLT Trustees including a new acting Chair, and the Chief Operating Officer appointed for the LATC has been seconded to the role of Chief Executive at SLT from 1 May 2023 for the duration of the extended contract period. The Council's lead officer responsible for leisure services has also seen a change in personnel.

Senior representatives of the Council and SLT have had their first joint strategy day, which took place in August 2023, and are demonstrating much more effective collaborative working and mutual understanding, for example SLT's understanding of Council funding pressures, and the Council's understanding of SLT's charitable regulations and challenges with their leisure estate.

The Council and SLT are promoting a culture of open dialogue, no surprises, and honest conversations, which if successfully embedded will be a step change from previous relationships.

A shared goal of service transformation has been agreed, which has provided an opportunity to reset the relationship. Stakeholders from the Council and SLT have advised that the culture of the relationship is now one of partnership with more informal contact beyond the formal governance related meetings, with much more effective engagement and, from SLT's perspective, greater clarity on Council lines of responsibility and it will be important that there is now continuity in these Council roles.

SLT Finances

The management funding agreement for SLT has been agreed for 2023/24 of £3.4m. This was based on financial modelling undertaken as part of the annual business planning process and the planning for the new LATC. This included benchmarking, which identified that Sandwell spends more on leisure per capita than neighbouring councils, which is considered to relate to the number of leisure facilities in operation in Sandwell, compared to other councils.

The agreed 2023/24 management fee, whilst lower than the original sum proposed by SLT, is an increase compared to 2022/23 and reflects additional costs relating to the launch of Sandwell Aquatics Centre. The Council's business planning modelled a number of scenarios based on risk and ambition. The £3.4m agreed represented the low-risk scenario, with the medium-risk scenario modelling costs of £2.5m.

We have been advised that SLT is operating marginally under forecast budget in 2023/24, and at the time of this review SLT were agreeing restructure proposals to improve the organisation's commercial experience, alongside ongoing technology and system enhancements, and operational changes, including a review of the leisure estate. To support plans for meeting user number and income targets and improving cash flow.

The Council should continue to monitor SLT's operational and financial performance to ensure that SLT meets its 2023/24 contractual targets and planned changes and efficiencies result in agreeing a management funding agreement for 2024/25 that is line with the Council's MTFP assumptions. Furthermore, the Council should ensure that SLT builds on its more commercial approach and sets out a plan for the timeframe when the Trust's financial position requires no subsidy from the Council.

Governance arrangements

There are monthly contract meetings, quarterly finance meetings, and quarterly operational performance meetings between the Council and SLT. The governance framework has been updated:

- Quarterly Leisure Contract Review Board the strategy forum for the services which will agree the strategic development of the service, based on requirements of Cabinet and SLT Board.
- The Quarterly Finance Reconciliation to review the SLT accounts and commentary from the previous quarter, identify any substantial variances to budget and – in partnership with the Monthly Contract Management Meeting – propose corrective action.
- The Quarterly Property / Estates Update to review property and estates issues including compliance works, planned preventative maintenance, significant defects and energy consumption.
- The Monthly Contract Management the principal forum to support the effective and efficient operation of the service.

The Council has continued to improve its contract management of SLT and the interim CEO of SLT has introduced greater rigour in relation to performance management alongside a greater commercial focus.

KLOE A2: Sandwell Leisure Trust (Cont'd)

The purpose of this KLOE was to consider the Council's management of the contract with SLT and to understand the impact of recent industrial action.

Sandwell Aquatics Centre

Following the hosting of the Commonwealth Games during the Summer of 2022, the Council became responsible for adapting the Aquatics Centre before it was due to be transferred to the new LATC when it would become open to public use. This formed part of the Commonwealth Games legacy arrangements

Following the hosting of the Commonwealth Games during the Summer of 2022, the Council became responsible for adapting the Aquatics Centre before it was due to be transferred to the new LATC when it would become open to public use. This formed part of the Commonwealth Games legacy arrangements.

Due to the decision to not proceed with the LATC, the aquatics centre was transferred to SLT. The centre opened to the public on 23 July 2023, a week after the centres in Langley and Smethwick closed, providing users of these centres the opportunity to use the new aquatics centre. The Council are considering plans for the disposal or alternative use of the two former leisure centres.

The aquatics centre, at the time of conducting this review, had 4,600 gym members, more 2,000 learn to swim programme members, and 15,500 weekly attendances, which has exceeded forecast KPIs.

The launch outcome demonstrates effective arrangements being in place for project and transition management and pre-sales and marketing activity.

Whilst the aquatics centre is a community resource, its facilities mean that it can be used for national events, for example it is due to host the British Diving Championships in 2024.

Notwithstanding membership and activity following the launch, the current business plan for the aquatics centre forecasts operational losses for its first ten years of operation, of approximately £1m per annum, with some forecast fluctuations over each of these ten years. **The Council must ensure that SLT sets out a clear and deliverable plan to eliminate this deficit.**

Conclusion and recommendations

The Council has demonstrated that it was able to pause and review a key decision in light of changed circumstances. It demonstrated agility in changing its decision to introduce the LATC by extending its contact with SLT, with value for money being a key driver.

Relationships between the Council and SLT have significantly improved, leading to much greater mutual understanding and respect. These relationships, and the new leadership of SLT provide optimism that leisure services in Sandwell are now on an improved footing, which was reflected in the successful opening of the aquatics centre.

The Council must ensure that the more commercial approach of SLT is further developed and there is a clear plan in place so that SLT requires no subsidy, and that the aquatics centre trading losses are eliminated.

. We have made the following improvement recommendations:

- The Council should continue to monitor SLT's operational and financial performance to ensure that SLT meets its 2023/24 contractual targets and planned changes and efficiencies result in agreeing a management funding agreement for 2024/25 that is line with the Council's MTFP assumptions.
- The Council should ensure that SLT builds on its more commercial approach and sets out a plan for the timeframe when the Trust's financial position requires no subsidy from the Council, including a clear and deliverable plan for eliminating operational losses at the aquatics centre.

KLOE A3: Providence Place

The purpose of this KLOE was to consider the potential loss to the Council arising from the proposed sale of Providence Place.

Background

The original review considered issues arising from the proposed sale of Providence Place.

In our December 2022 report we concluded that this matter has now been actioned and resolved with improved governance arrangements in place.

This report identified the following improvement recommendation:

- The Council will need to conclude the finalisation of its asset management strategy and asset management database to better manage its asset portfolio including asset disposals.

KEY FINDINGS

Providence Place has now been disposed of to the Department of Levelling Up, Homes and Communities.

The asset management strategy and asset management system are discussed in the Key Recommendations section of this report

Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.



KLOE A4: SEND Transport

The purpose of this KLOE was to consider the circumstances relating to the recent procurement of SEND Transport and the Council's current approach to concluding the procurement.

Background

The Council's Special Education Needs and Disabilities Passenger Transport (SEND Transport) contract expired at the end of August 2021 and the decision on the new contract award was deferred by the Council's Cabinet at its meeting on 16 June 2021. The contract was retendered, going live on 1 September 2022.

Our December 2022 report concluded that this matter had now been actioned and resolved with improved governance arrangements in place, and made the following recommendation:

- The Council must ensure that the lessons learned from the SEND Transport procurement are shared across other council services so that this learning becomes embedded across the organisation.

KEY FINDINGS

Lessons Learned

Lessons learned sessions have been held with Directors and Assistant Directors on the original SEND Transport procurement. These sessions involved key staff from project management, finance, procurement, travel assistance, legal and internal audit teams involved in the initial 2021 and re-run procurement in 2022. In addition lessons learned have been shared with all officers involved in procurement activity, including frequently asked questions.

At the time of our review the Council was preparing for the next SEND Transport procurement, using the governance arrangements put in place for the 2022 procurement and adopting the lessons learned from the 2021 procurement, such as adopting realistic procurement timescales, and has a procurement business partner allocated from the outset, along with a project manager.

Procurement and Contract Management

At the time of our review the Council was reviewing the structures relating to central procurement and contract management resource, as part of the introduction of the Programme Management Office, to replace procurement business partners with category managers, creating a single procurement function to support directorates and a corporate procurement board. A compliance manager is being proposed to monitor procurement activity below £100k which is the responsibility of Directorates. The next SEND Transport procurement has been identified as a pilot for the approach to high value procurements.

Training has been provided to over 170 officers involved in contract management, following the review and updates to the Council's constitution, and contract management procedures and templates are available on the Council's intranet. At the time of our review a new procurement strategy had been drafted by an external consultant pending review by officers, and a review of procurement and commissioning functions was planned as part of the Council's transformation strategy.

Oracle Fusion provides an opportunity for greater standardisation, monitoring, reporting and approval of procurement activity when the procurement module goes live in April 2024. The procurement pipeline is currently maintained on a spreadsheet, and at the time of this review services had been asked to provide details of all planned procurements over the next three years, with the pipeline to be transferred to Oracle Fusion. The pipeline should support the Council's resource prioritisation decisions, to be considered by a new procurement board which is due to be introduced in January 2024.

SEND Transport finances

The SEND Transport budget overpent by £3.836m during 2022/23 and is forecast to overspend by c £2m in 2023/24. This has been explained as a result of demand pressures and complexity of need. [The next SEND Transport procurement should consider how services can be commissioned to manage significant and ongoing budgetary pressures.](#)

Conclusion and recommendations

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

We have made one improvement recommendation:

- The next SEND Transport procurement should consider how services can be commissioned to manage ongoing significant and ongoing budgetary pressures.

KLOE A7: Waste service

The purpose of this KLOE was to consider the performance of the waste service, the Council's management of the contract with Serco, and understand the impact of recent industrial relations issues.

Background

The waste and street cleansing contract was awarded to Serco in November 2010 for a period of 25 years.

Our December 2022 report recommended:

- The Council must work with Serco to urgently finalise all associated plans and schedules which remain outstanding.
- The Council should confirm with Serco if there will be changes to the waste and recycling or garden waste collection policies.
- The Council should resolve the delays and formally agree replacement timescales for the waste fleet and the financing of replacement costs and supplier lead in times with SERCO. Clarity should be sought over the use of previous capital payments in relation to the Council's accounts.
- The Council should take steps to demonstrate to Serco how the fleet maintenance service provides value for money.

KEY FINDINGS

Finalising plans

Serco's Service Delivery Plan (SDP) for 2023/24 was approved by the Waste Partnership Board in June 2023. The Council have advised that the quality of the plan was much improved on the prior year and the process was more straightforward, with the approval taking place to timescale. Serco have advised that planning for the 2024/25 SDP has already commenced.

Changes to collection policies

In November 2022 Cabinet agreed to introduce a subscription-based service for garden waste collection. A contract change notice was issued to Serco and the new approach was implemented within 4 months of the decision being made. Approximately 40,000 residents have subscribed, with a cost to each household of £35, which is below the national median for councils charging for this service nationally, generating additional income to the Council of £1.4m. The Council will review increases to this charge as part of each year's budget setting approach and is reviewing payment options for residents.

The Council is working with Serco to change the recycling methodology from co-mingled to dual stream recycling, which reduced processing costs. At the same time the Council has established a working group to consider alternate weekly collections (AWC). Should this decision be taken savings have been forecast to be between £4m and £5.4m.

Vehicle replacement

Serco have managed the fleet replacement in three phases, based on the ages of vehicles. The second phase has been progressed, with 19 new vehicles due to arrive for service by January 2024.

Serco, with the Council's agreement, have paused the third phase of vehicle replacement pending the outcome of the AWC and dual waste decision, which could have an impact on the specification and number of vehicles required.

Approximately 40 of the Serco fleet will be electric vehicles following phase 2 and the Council, using climate change related funding, is installing electric vehicle charging infrastructure into the depot used by Serco.

Serco will be required to return the fleet to the Council following the conclusion of the 25-year contract. The Council's financial modelling for the repayment of the cost of the waste fleet includes assumptions on fleet renewal. The model had not been updated to reflect changes to the timing of the fleet renewal, impacting on the associated accounting treatment. The Council's assumptions have now been updated to reflect the current Serco fleet replacement plans and the accounting issue has been resolved.

Waterfall Lane Workshop

The Council has commissioned a review of its fleet which will include maintenance work undertaken at the Waterfall Lane Workshop, which maintains the Council and Serco vehicles. This was delayed by industrial action, and part of its purpose is to confirm to Serco the value for money of the Council's maintenance of the Serco fleet. The Fleet Vehicle Steering Group with Serco will consider the reviews findings in early 2024. Maintenance charges are impacted by the age of vehicles, and charges should reflect the ongoing cycle of Serco fleet replacement. **The Council should ensure that it concludes the fleet review and Serco confirm that they are content with the value for money of the fleet maintenance undertaken by the Council.**

KLOE A7: Waste service (Cont'd)

The purpose of this KLOE was to consider the performance of the waste service, the Council's management of the contract with Serco, and understand the impact of recent industrial relations issues.

Industrial Relations

The Serco workforce are members of three trade unions, and those who were members the GMB union undertook strike action between 5 and 30 June 2023, before Serco reached a pay settlement with their workforce. GMB members represent 46% of the Serco workforce in Sandwell. The impact of the industrial action was as follows:

- From 5 June to 20 June Serco were able to maintain refuse and garden waste collections effectively. Residents experienced delays, with refuse typically running a day behind, but collections were not missed.
- From 20 June Serco were unable to issue vehicles from the Shidas Lane Depot due to a picket blockade, which left at around 1pm each day, leaving most of the crews with only 1-2 hours of their shifts remaining. From 20 June to 28 June only garden waste and targeted clearance of high-rise accumulations were undertaken, and street cleansing was also impacted for the first time.
- Following the police clearance of the blockade on 28 June, collections increased 29 June to 1 July with continued collection of garden waste and communal bins, plus some collection of household refuse.
- Will the full workforce returned, refuse, food and garden waste collections were undertaken 3 July to 7 July including the clearance of the refuse backlog. Recycling and bulky waste collections remained stood-down to allow crews to focus on clearance of the backlog of refuse. The backlog of refuse was largely cleared by 9 July.
- From Monday 10 July a full normal service resumed with all commodities being collected.

Both the Council and Serco have commented on the effectiveness of their joint response to this strike, including emergency response bronze group daily meetings, communications to residents, and liaising with the police so that the picket line was legally compliant. This included working to prioritise high risk areas for collection, such as high-rise flats. Garden waste collection continued through the period of the industrial action.

For most of the strike Serco vehicles were able to access the depot and other sites, but for a ten days the depot was blockaded by union activity. This was deemed aggravated trespass and, whilst challenging for the Council and Serco, was resolved by the police who created a silver tactical command group and applied resources to secure access after the Council had confirmed legal title to the entrance.

The Council, Serco and police undertook a debrief following the conclusion of the strike, to share any lessons learned. **The Council must work with Serco to ensure that the risk of future industrial action is effectively mitigated.**

Other Findings

The governance and contract management arrangements reported as part of our 2022 review remain in place, other a decision taken that the Enforcement Liaison Group is no longer required to meet.

The Serco contract for 2022/23 was valued at £31.79m, and this increased by £2.98m for 2023/24 due to inflationary pressures. This increase reduced to £1.09m due to performance penalties imposed on Serco, with the balance of the increase being mitigated by earmarked reserves corporately and at service level.

Conclusions and Recommendations

The relationships between the Council and Serco remain on an upward trajectory, with how they jointly responded to the industrial action a recent positive example. The Council has taken steps to work more effectively with Serco on areas such as collection policies, and Serco has demonstrated a more effective approach to the annual service delivery planning process.

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

We have made the following improvement recommendations:

- The Council should ensure that it concludes the fleet review and Serco confirm that they are content with the value for money of the fleet maintenance undertaken by the Council.
- The Council must work with Serco to ensure that the risk of future industrial action is effectively mitigated.

KLOE A8: Governance and Legal Support to the DPH

The purpose of this KLOE was to consider the Council's governance and decision-making arrangements relating to the alleged harassment of the Director of Public Health (DPH) by an external blogger, and the governance arrangements relating to the introduction of a local contact tracing service and changes to shielding arrangement during Summer 2020.

Introduction

Our findings relating to this KLOE were uncoupled from our 2021 report and were reported separately in October 2022. This meant KLOE A8 did not form part of our 2022 follow up review.

Unlike the other KLOEs, KLOE A8 had a particular focus on the governance arrangements relating to one director of the Council.

Our improvement recommendations in relation to this KLOE were:

- Should the Council find itself in a similar scenario in the future, it would be prudent to obtain external legal advice on the specific circumstances under consideration, before any final decision on an indemnity is made.
- The Council should make various changes to its management arrangements relating to its social media policy and the arrangements for monitoring and managing social media activity, introduce a policy for working with local MPs, and confirm arrangements relating to media interviews.
- To review the Emergency Plan to ensure that change following the demise of PHE are reflects and ensure all relevant COVID-19 communications from local MPs and DHSC should be promptly forwarded to the DPH should it be evident that the DPH has not received them directly.
- Ensure decisions made to introduce new services, or materially changing existing services, are properly reflected in the minutes of the body responsible for making such decisions.
- Any future lessons learned reviews undertaken by the Council should be undertaken in a collaborative and transparent way with the key stakeholders concerned.
- The Council should review its processes and decision-making arrangements following a change in government guidance or policy to ensure that local updates are made in a timely manner.

KEY FINDINGS

The officer in the role of DPH at the time of our original review left the Council in December 2022. However, our recommendations related to the organisation and did not relate to this specific individual. We set out our findings below on progress made by the Council on these recommendations.

Social Media, Media and Local MPs

The Council's social media policy was reviewed, updated and re-published in August 2023. The policy is now jointly managed by the Council's Communications and HR teams. The revised policy:

- Provides greater clarity and guidance on social media for personal and professional use, including recommend Council employees keep their personal and professional use of social media separate. The policy also advises Council employees not to use their personal social media accounts to share professional advice or opinions.
- Now contains content on cyberbullying, what actions people need to take if they experience this, the support the Council will provide in such circumstances, and signposts to additional external guidance.
- Provides clear expectations for Council employees and councillors on appropriate social media use, in particular in relation to leaking information to outside persons for the purpose of criticising, abusing or professionally undermining officers on social media platforms.
- Is clear that failure to observe the standards of conduct set out in the policy may result in disciplinary action.

The revised policy was communicated to all staff and is available on the Council's intranet. We have been advised there has been one breach of the new policy and that arrangements were in place to identify and manage the incident.

Members use of social media continues to form part of the Members Code of Conduct. The social media policy for members was revised and updated by the Ethical Standards and Member Development Committee on 22 March 2022 with minor changes. Social media training has been provided, with 25 members attending training in December 2022.

KLOE A8: Governance and Legal Support to the DPH

The purpose of this KLOE was to consider the Council's governance and decision-making arrangements relating to the alleged harassment of the Director of Public Health (DPH) by an external blogger, and the governance arrangements relating to the introduction of a local contact tracing service and changes to shielding arrangement during Summer 2020.

Social Media, Media and Local MPs (Cont'd)

Arrangements in relation to media interviews have been strengthened, with the role of the Council's communications team re-emphasised, which has brought greater control to the Council's management of requests from media for interviews, and the communications team being made aware of all interview requests.

A policy for working with local MPs forms part of the Council's improvement plan, but **has not yet been introduced** and we have been advised forms part of the plans to refresh the Council's overall communications strategy. Council Directors offer briefings to local MPs and interactions with MPs are discussed by the Council's leadership team. Overall, relationships with local MPs are managed by the Council's Chief Executive who has quarterly meetings with MPs. [A protocol for working with MPs was an improvement recommendation in our previous report and the Council should conclude its plans to introduce this protocol, and associated guidance.](#)

Emergency Plan and COVID-19 Communications

The schedule of contacts used by the Local Resilience Forum has been updated to include those relating to the UK Health Security Agency following the demise of Public Health England. The Council's Emergency Plan is due to be updated in 2024 as part of its regular review cycle, and this will include updating the names of government agencies and departments in the Plan.

The DPH role is currently held on an interim basis and the Council is recruiting to a permanent role. The job description for the new permanent DPH has been reviewed and updated to make clear that, whilst the DPH will have a key role within the Council's corporate resilience, emergency planning and business continuity arrangements, and will perform duties allocated to the post in Emergency Plan and Business Continuity Plan or allocated to by the Chief Executive. The expectation of the Chief Executive is the DPH will not have autonomy in their external communications including with local MPs.

Approach to providing legal support to officers

The Council recognises that it has a duty of care for its staff, including where they may be subject to harassment via social media or cyberbullying. The Council has advised that they have considered potential cases since our last review and, whilst the officers concerned did not request legal support, the Monitoring Officer judged that the threshold for defamation was not met. The Monitoring Officer will continue this role, where other incidents occur.

Governance relating to new or changed services

The Council has advised us that the scenario identified in our previous report has not occurred again. At the time of our review business planning workshops were taking place and we have been advised that these will consider responsibilities for ensuring that decisions relating to new or materially changed services are properly reflected in the minutes of the body responsible for making such decisions.

Lessons learned reviews

The Council has advised us that no lessons learned reviews have been undertaken that are of a similar nature to the one considered in our previous report, but should this be the case the Chief Executive will ensure that it will be undertaken in a collaborative and transparent way with the key stakeholders concerned.

More generally, the Council has introduced a lessons learnt template as part of its service and business planning process. This has been designed as a tool that can help to document the knowledge obtained from a piece of work or project. The template includes guidance on when lessons learnt reviews should be undertaken, and how lessons can be learnt and shared.

Changes in government policy

The Council has advised us that the scrutiny of decision making, and the decision-making thresholds in place, should ensure that any future changes in government policy or government guidance in the context of emergency or major incident response, will ensure that local updates are made in a timely manner. The Council has also confirmed that appropriate processes are in place in relation to business continuity planning, emergency planning, and working with the Local Resilience Forum.

Conclusions and recommendations

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

We have made the following improvement recommendations:

- The Council should conclude its plans to introduce a policy for working with local MPs and associated guidance.

KLOE A10: Introduction of new ERP System

The purpose of this KLOE was to consider the Council's management of the introduction of Oracle Fusion and understanding implementation delays and their impact.

Background

The Council is replacing its main Enterprise and Resource Planning (ERP) system. The current ERP is Oracle E-Business Suite (EBS) which is being replaced by Oracle Fusion. There have been significant delays to the implementation and go live date for the introduction of the new system.

Our December 2022 report recommended:

- The Council must ensure that all expected benefits are defined, and that governance arrangements, including assigning accountabilities, are in place to ensure benefits are realised.
- The Council must ensure that the central transformation team is appropriately resourced and integrates all transformation and change activity being undertaken across the Council.
- The Council must ensure that the ERP System implementation programme becomes aligned to other improvement and change initiatives being undertaken or planned by the Council, so that synergies and economies in delivery can be identified and duplication removed.

KEY FINDINGS

System Implementation

We have undertaken a separate high-level review of Oracle Fusion implementation as part of our 2022/23 VfM work. This scope of this review included data migration, go live planning, security, training, system and user acceptance testing, business readiness and governance structures budgets and resource plans. The findings from this work will be reported separately, and are summarised here.

The Council has continued to pay careful attention to the Oracle Fusion implementation, undertaking revisions to timescales and resources where required. Specialist external resources have been scaled up during the year to fill identified roles alongside ring fencing Council staff to assist with implementation tasks.

Due to delays in finalising the design specifications of HR and payroll the Oracle Fusion Steering Committee has taken the decision to split the programme into two phases in order to ensure there is sufficient time to perform the build and system testing stages:

The two phases comprise:

- Phase 1 includes finance, procurement and core HR functionality to support finance processes. This is due to go live from April 2024.
- Phase 2 includes payroll, HR, expenses, absence, time and labour modules. This is due to go live by the end of June 2024.

The phased approach will lead to increased costs due to the additional resources required to deliver phase 2 and these need to be accurately reflected in the project budget and monitored. However, the phased approach increases the likelihood of the Council successfully implementing phase 1 by April 2024 and priority should be focussed on delivering this phase to avoid further delays.

The Council has introduced a more robust and appropriate governance arrangements which has provided improved connections between the Programme Board, process workstreams and cross-cutting groups such as data migration. The Steering Board receives fortnightly reports on workstream progress, risks and issues to actively challenge the Council's implementation partner, project management and workstream leads.

This separate review has made a number of recommendations:

- The Council needs to extend the licences and associated support for both Oracle EBS and Fusion as they are due to expire in April 2024 and October 2024 respectively. The timing of extensions needs to be based on accurate user forecasts. Future cost savings could be made if a rebalancing clause is introduced into the Oracle contract.
- The Council currently has no capability to manage user roles and identify segregation of duty breaches. The Council should acquire a risk and compliance tool to monitor the appropriateness of security privileges rather than the current use of spreadsheets. A review to identify segregation of duty conflicts should be factored into the overall project timescale. Oracle Risk Cloud or a similar monitoring tool should be implemented before the go live date
- The Steering Committee should challenge any change that affects the overall cost, resources and timelines for phase 1 go live.
- The Steering Committee should continue to evaluate the progress of designing and testing custom reports across each functional areas to ensure progress remains on track.

KLOE A10: Introduction of new ERP System (Cont'd)

The purpose of this KLOE was to consider the Council's management of the introduction of Oracle Fusion and understanding implementation delays and their impact.

System Implementation support (Cont'd)

- The Council should review the mix of training sessions to be delivered to ensure that key user and professional user training is not over reliant on the user performing their own learning through on-line modules and self-study. The timing of the training should be brought forward to allow sufficient time before go live.
- While efforts are being made to meet the phased go live dates, the programme needs to outline the contingency plans in the event further slippage occurs. It is critical that the Steering Committee monitors missed milestones and challenge the likelihood of recovery time.

Given high the high-profile issues experienced by other councils, such as Birmingham City Council, in relation to their Oracle Fusion implementation, the Council must ensure that it responds effectively to these recommendations set out in our separate Oracle implementation report.

Oracle Fusion Benefits

Strategic objectives have been agreed and initial work has been undertaken to define high level benefit targets, which have been reported to the Programme Board. Benefits were reviewed and updated at the end of the design stage to ensure they were measurable. Change and learning and development leads continue to work with working group leads and service users to finalise the planned non-financial benefits.

Financial benefits are being defined separately via a Heads of Service working group. At the time of our review initial assumptions had been made on the key changes that will trigger financial benefits. Whilst the Council's base budget assumes £250k of savings resulting from the implementation of Oracle Fusion, further work is required to fully define financial benefits and incorporate them in the Council's MTFP. The Council plans to conclude this for phase 1 by the end of January 2024, and for phase 2 by the end of March 2024.

The Council's investment in Oracle Fusion provides a significant opportunity to transform organisational design, streamline business processes, remove duplication, improve productivity and generate efficiencies and savings. Oracle implementation must be used to realise clearly financial and non-financial benefits and it remains critical for the Council to conclude its work in defining these, and that those selected are measurable and can be effectively tracked.

Alignment with Corporate Transformation

Key officers on the Oracle Programme Board also sit on the Council's Transformation Board, with both boards considering interdependencies between their respective areas of responsibility. As already discussed, the Council is introducing a new project management system which plans to take account of the changes that will take place as a result of implementing Oracle Fusion.

At the time of our review the Council was considering new governance arrangements to ensure that all ICT investments have more effective corporate oversight, with the introduction of an ICT approval panel. This should also ensure a better alignment between ICT investments and the Council's transformation activity.

Conclusion and recommendations

The Council has continued to pay careful attention to the Oracle Fusion implementation, undertaking revisions to timescales and resources where required. Specialist external resources have been scaled up during the year to fill identified roles alongside ring-fencing Council staff to assist with implementation tasks.

However, there have been further delays and associated increased costs resulting in the decision to phase the go live dates.

The risks associated with poor and ineffective implementation remain significant. The Council must ensure that:

- It responds effectively to the recommendations set out in our separate Oracle Fusion implementation report before the go live date.
- Work on defining financial and non-financial benefits, and that benefits identified and agreed are measurable, and can be effectively tracked and the transformational opportunities of the new system are fully realised.

KLOE B2: Senior leadership

The purpose of this KLOE was to consider the background to senior leadership changes and the impact of interim officers in place.

Background

Our original review considered the background to senior leadership changes and the impact of interim officers in place.

Our December 2022 report concluded that we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

This report further noted that the success of the appointment of the new permanent Chief Executive remains critical for the Council if it is to successfully continue on its improvement journey.

KEY FINDINGS

Senior Management Restructure

The new Chief Executive started in role in January 2023, and following a review of the Council's senior leadership, which was supported by West Midlands Employers, proposed a restructuring of senior management, which was approved by the Chief Officers Terms and Conditions Committee on 11 October 2023, and approved unanimously by full Council on 24 October 2023. The proposals will:

- Reduce the number of Director posts from eight to three with the creation of three new Executive Director posts: for People, Place, and Finance and Transformation.
- Designate the post of Assistant Director (Law and Governance) as the Council's Monitoring Officer and Deputy Electoral Registration Officer (both currently held by the post of Director of Law and Governance) with this new role reporting to the new post of Executive Director of Finance and Transformation.
- Designate the new post of Executive Director of Finance and Transformation as the Section 151 Officer, and Senior Information Risk Owner (SIRO).

The posts of Director of Public Health, Director of Children and Education and Director of Adult Social Care will retain their statutory designation.

The five Director roles to be deleted are Finance, Housing, Law and Governance, Borough Economy, and Regeneration and Growth.

The rationale for the restructure is positive, which includes bringing in strategic leadership capacity, reducing the number of Directorates and delayering the number of Director roles to reduce silos and hierarchies, improve joint working and decision making across service lines to accelerate the pace of the implementation of the Council's improvement plan.

At the time of our review the consultation process with officers affected by the restructure had concluded, and the Council was advertising the new Executive Director roles. Appointments of the new Executive Directors are expected to be made in early February 2024. There are expectations that, following the embedding of the planned senior leadership changes, the new Executive Directors will review the management layers in their directorates.

Two of the five Directors (Finance and Housing) impacted by the change had already left the Council with interims currently in these roles, with the other three either being made redundant or having an opportunity to apply for an alternate role. The changes now in train will undoubtedly lead to a period of uncertainty and instability for the Council, and could impact over the short-term on the pace of change.

We have been advised that the officer taking over the Council's Monitoring Officer role will be invited to attend meetings of the Senior Management Team and fortnightly statutory officer meetings will be introduced, comprising the Chief Executive, Monitoring Officer and S151 Officer, along with the Assistant Chief Executive. **The Chief Executive should ensure that the Monitoring Officer continues to be a standing member of the Council's Senior Leadership Team on a permanent basis.**

KLOE B2: Senior leadership

The purpose of this KLOE was to consider the background to senior leadership changes and the impact of interim officers in place.

Senior Management Restructure (cont'd)

The table below summarises the senior management arrangements in place at the time of our previous review, compared to the time of our current review, and in advance of the conclusion of the senior management restructure. Whilst the Council now has a permanent Chief Executive in role, and has a new Assistant Chief Executive, the table highlights changes that have taken place during 2023 to wider senior management roles, resulting in an increase in interim roles during the period the restructure is taking place.

| Role | As at Nov 2022 | | As at Nov 2023 | | Comments |
|---|---------------------|-------------------------|----------------|---------------------|---|
| | Permanent / Interim | Leaving Date | Start Date | Permanent / Interim | |
| Managing Director / Chief Executive | Interim | Still Lead Commissioner | 06/02/2023 | Permanent | |
| Assistant Chief Executive | n/a | n/a | 25/09/2023 | Permanent | New role created in April 2023 |
| Director - Adult Social Care | Permanent | n/a | n/a | Permanent | |
| Director - Public Health | Permanent | 28/02/2023 | 01/03/2023 | Interim | |
| Director - Law & Governance / Monitoring Officer | Permanent | 31/12/2023 | n/a | n/a | Post to be made redundant as part of restructure |
| Director - Finance | Permanent | 31/08/2023 | 11/09/2023 | Interim | Post to be made redundant as part of restructure |
| Deputy Director of Finance | Permanent | 15/09/2023 | 18/09/2023 | Interim | Officer acting up and additional support from interim. |
| Director - Business Strategy and Change | Permanent | 24/01/2023 | n/a | n/a | Assistant CEX role created to take on some of the responsibilities of this director post; Transformation and ICT remain with Director - Finance |
| Director - Housing | Permanent | 06/09/2023 | 07/09/2023 | Interim | Post to be made redundant as part of restructure |
| Director - Borough Economy | Permanent | n/a | n/a | Permanent | Post to be made redundant as part of restructure |
| Director - Regeneration & Growth | Permanent | n/a | n/a | Permanent | Post to be made redundant as part of restructure |
| Director - Children's Services | Permanent | n/a | n/a | Permanent | |
| Assistant Director - Legal & Assurance, Deputy Monitoring Officer | Permanent | n/a | 25/09/2023 | Permanent | Acting Up as Monitoring Officer |

KLOE B2: Senior leadership

The purpose of this KLOE was to consider the background to senior leadership changes and the impact of interim officers in place.

Senior Management Restructure (cont'd)

The introduction of new senior officers not previously in roles at the Council, including those in interim roles, can be helpful by introducing new perspectives. Senior stakeholders commented during our review on the positive impacts of the new appointments, in particular the new Chief Executive, and the improvements introduced by those new to role. This has included identifying and introducing improvements to procurement arrangements in housing services, and a more effective engagement of members in the financial planning process.

Nonetheless, the changes to senior management, including the introduction of interim Directors, is a prelude of the instability and uncertainty resulting from the significant changes planned by the senior management restructure. The Council will need to manage the risk of change fatigue and resistance, the loss of corporate memory, and the retention of key staff during this period of change. The successful appointment of new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure.

Conclusion and recommendations

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

The success of the appointment of the new Executive Directors and the Council's ability to manage this period of change and uncertainty will be critical for the Council if it is to successfully continue on its improvement journey.

We have made the following improvement recommendations:

- The Council will need to manage the risk of change fatigue, the loss of corporate memory, and the retention of key staff during this period of change. The successful appointment of new Executive Directors will be critical for the Council's ongoing improvement journey and the Council will need to ensure it maintains the pace of improvement and returns to a stable state following the conclusion of the restructure (key recommendation).
- The Chief Executive should ensure that the Monitoring Officer continues to be a standing member of the Council's Senior Leadership Team on a permanent basis. (Improvement recommendation)



KLOE B4a: Officer and member relationships

The purpose of this KLOE was to consider whether relationships between senior officers and senior members are appropriate in supporting good governance.

Page 7

Background

Our original review considered the relationships between senior officers and senior members and whether they were appropriate in supporting good governance.

Our December 2022 report made the following improvement recommendations:

- The Council should consider creating a “golden thread” throughout the organisation, linking the Corporate Plan and other Plan objectives, through to the objectives set for each individual member of staff, as part of the Council’s annual performance appraisal process.
- The Council’s Leadership Team must agree medium-term financial objectives and principles to provide a framework for financial planning discussions and ensure that there is a whole organization view of the scale of the financial challenges facing the Council in the medium term and how these are going to be addressed.
- The Council should ensure that capacity is in place to resolve KPI data gaps.
- The Council needs to build on the progress being made on member development and conclude the 2022/23 programme including the review of member PDPs and take further steps to finalise arrangements on succession planning for members in SRA roles.
- It remains important for the Council to utilise financial benchmarking tools and data to support the service and financial planning process, in particular to help identify opportunities for efficiencies, savings and service improvements.

KEY FINDINGS

Due to the nature of the recommendations arising from our 2022 review we have structured the key findings from our follow up review as follows:

- KLOE 4a: Member and officer relationships
- KLOE Bb: Performance management and other matters

Member and officer relationships

The LGA’s corporate peer challenge progress review, undertaken in October 2022, and reported to Cabinet on 7 December 2022 found:

- Much greater stability can now be seen in the council, both politically and managerially.

- The Leader received glowing endorsements during LGA discussions with stakeholders both internally and externally. People particularly highlighted her inclusive and supportive approach. She is seen to be a Leader for Sandwell who is engaged in all the right places – internally, locally, sub-regionally and nationally.
- Cabinet and Leadership Team are working increasingly well at both a bilateral and collective level. At the heart of this sits a ‘no surprises’ principle. Cabinet members outlined to us that they now feel much better appraised of emerging issues and senior officers indicated a greater confidence in drawing elected members’ attention to challenging issues.
- Cabinet is forming well and demonstrated a strong sense of ‘team’, appropriately balancing the respecting of individuals’ areas of responsibility with ensuring collective understanding, responsibility and decision-making.
- The managerial Leadership Team has settled following its’ completion but now has to become central to a ‘One Council, One Team’ approach and driving key organisational-wide agendas. These include improving customer service and establishing the desired organisational culture.
- External partners within the sub-region are seeing the council now being much better engaged.

During our review senior stakeholders echoed these LGA findings, including advising that they experience a much greater level of stability in relationships, with a focus of political discussions on the present and future rather than on past issues.

The Council continues to proactively engage in regional bodies, such as the West Midlands Combined Authority (WMCA) including being a member of the WMCA Race and Equalities Task Force and the Council Leader is the WMCA lead for community cohesion.

The new Chief Executive has invested significant time in developing relationships with the Cabinet and wider members, and has a mantra for the organisation that the Council is member-led, officer-driven and customer-focussed. The weekly joint leadership meeting between the Cabinet and the Senior Leadership Team is considered to be working effectively. Senior members have gained experience in their roles, have a clear sense of their priorities, have gained confidence in how to appropriately challenge officers, and a healthy respect is emerging between senior officers and members, with officers respecting manifesto priorities. These improvements will need to be sustained.

KLOE B4a: Officer and member relationships (cont'd)

The purpose of this KLOE was to consider whether relationships between senior officers and senior members are appropriate in supporting good governance.

Member and officer relationships (cont'd)

The Cabinet has demonstrated its ability to take tough decisions, such as the introduction of charging for garden waste (see KLOE A7) and on the Brandhall site decision (which is discussed below).

There had been a low response rate to the member-officer relationship survey launched in April 2023. A wide range of channels was used to communicate survey to members, however, the low response has explained as being due to the timing of the survey, which was during the pre-May election period.

There continues to be a mature engagement between the Leader, Cabinet, Committee Chairs and senior officers, supporting good planning and work programming across different Council committees and a greater level of professionalism in how business is conducted by these committees. *This maturity of relationships will need to continue, with further difficult decisions inevitably being required, and this approach must be sustained following future changes to those in senior officer or senior member roles.*

Brandhall Scrutiny Call In

The Cabinet at their meeting on 20th July 2022 approved plans for the building of a primary school, 190 homes and a public park on the site of the former Brandhall Golf Course. This decision was subject to a call-in notification, in line with the Local Government Act 2000, which was considered by the Budget and Corporate Management Scrutiny Board on 8 August 2022. Cabinet considered the Scrutiny Board's recommendation at its meeting on 17 August 2022, which resulted in officers being requested to update their report which led to the original decision. A further report and associated options were considered by Cabinet at its meeting on 16 November 2022. Cabinet was required to consider amending the original decision, or not, before adopting a final decision. Cabinet agreed to implement their decision as determined on 20 July 2022. Call-in powers provide a mechanism for councillors to intervene when they feel that a decision being made by the executive needs to be revisited (or possibly changed). It provides a key check and balance in the leader and cabinet system of governance. Whilst this power should not be one used as part of the day-to-day approach to scrutiny, the Council had not had an effective track record of using scrutiny call in powers at the time of our original 2021 review.

The Brandall golf course site provides a recent example of the Council effectively managing this key scrutiny mechanism. This also provides an example of Cabinet being able to take difficult decisions. More generally, we have been advised that the Council's scrutiny function now has a greater involvement in pre-decision scrutiny.

Member development and behaviour

Following the May 2023 local elections, approximately a third (21) of members were new to the Council, and all have been offered participation in the induction programme. The member development programme has continued during 2023 and is regarded as being far more comprehensive and effective than prior member training programmes, which is reflected in the results of a member survey, with 98% of respondents stating the effectiveness of the training had been good or very good. Training has been provided on the code of conduct, decision making and Council procedure rules, public speaking skills and overview and scrutiny. The programme included a showcase day with senior officers, providing training on the code of conduct, scrutiny, licencing, planning, finance and equalities and diversity.

There is no evidence of factional infighting within political groups, and those who were not re-elected in May 2023 have not subsequently made their presence felt on the affairs of the Council. Key stakeholders described the Council as having moved to a more "normal" state of politics that would be expected in local government. Member behaviours continue on a positive trajectory, and there is evidence of zero tolerance of bad behaviours being effectively enforced.

Consideration is now being given to succession planning for members in senior roles, such as the introduction of a second (non-statutory) deputy leader, and ensuring they have had appropriate training, including shadowing opportunities. The Leader is exploring a skills audit to inform those with Special Responsibility Allowance (SRA) roles. A shadow Cabinet, comprising members of the opposition, is being introduced that will shadow the portfolios of the Cabinet, and provide an additional level of scrutiny and challenge, with a protocol developed to set out clear expectations on how this arrangement will work. Cabinet has introduced a fortnightly drop-in session for other members to attend. These are all positive steps being taken and demonstrate an increasing maturity of the Council's political leadership. *Whilst pathways are being put in place for succession planning, further work is required to conclude these plans, including the provision of appropriate training and development so that these changes become fully embedded.*

KLOE B4b: Performance management and other matters

The purpose of this KLOE was to consider whether relationships between senior officers and senior members are appropriate in supporting good governance.

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Member Development and Behaviour (Cont'd)

Personal Development Plans (PDPs) were due to be created for all members to ensure their development is bespoke to their individual needs. Some progress has been made, but take up has been lower than anticipated (at c 30%) with member capacity considered the primary reason for this. **The Council should conclude the member PDP roll out, and in particular ensure these are in place for members who are in positions of special responsibility or are aspiring to hold such roles**

Financial benchmarking

Financial benchmarking has been used to support the 2024/25 budget setting process, including the use of LGA Inform as part of the Cabinet and Leadership Team away days, and there is evidence of an increased appetite from Cabinet, services and directorates to access and use financial benchmarking to better inform decision making, alongside recognition of the learning opportunities from other councils.

This is a positive direction of travel, and the Council should continue to champion, invest in and utilise financial benchmarking in its service and business planning.

Performance Management and KPIs

The Performance Management Framework has been discussed in the Key Recommendations section of this report, which set out progress being made.

The Council is considering investment in a performance management system, to move away from the current spreadsheet-based approach, and improve recording and reporting of performance. **The Council should develop a business case for a performance management system, to appropriately consider this investment.**

Medium term financial planning

This has been discussed in the Key Recommendations section of the report.

KLOE 4 Overall conclusions and recommendations

The Cabinet and Leadership Team are continuing to work well both collectively and via their individual Director and Portfolio Lead roles. There continues to be a more mature engagement between the Leader, Cabinet, Committee Chairs and senior officers, supporting good planning and work programming across different Council committees and a greater level of professionalism in how business is conducted by these committees.

The Leadership Team has continued to demonstrate a corporate approach to managing key issues and challenges but on medium-term financial planning and transformation there still remains work to do. The Cabinet is increasingly demonstrating its ability to take hard decisions, and will need to continue to do this, given financial and other challenges ahead.

Whilst positive progress continues to be made, the Council remains on an improvement journey, and we have identified the following improvement recommendations:

- This maturity of senior officer and member relationships will need to continue, with further difficult decisions inevitably being required, and this approach to must be sustained following future changes to those in senior officer or senior member roles
- Whilst pathways are being put in place for succession planning, further work is required to conclude these plans, including the provision of appropriate training and development so that these changes become fully embedded.
- The Council should conclude the member PDP roll out, and in particular ensure these are in place for members who are in positions of special responsibility or are aspiring to hold such roles.
- The Council should develop a business case for a performance management system, to appropriately consider this investment.

KLOE B5: Standards Committee

The purpose of this KLOE was to consider the appropriateness of the work undertaken by the Standards Committee.

Background

Our original review considered the appropriateness of the work undertaken by the Ethical Standards and Development Committee. Our December 2022 report noted that we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

We recommended that the Council must ensure that the new arrangements now in place are used effectively to monitor and take prompt action whenever inappropriate behaviour is identified.

KEY FINDINGS

Complaints

At the Standards Committee meeting on 24 October 2023 eight complaints were reported. Seven were complaints from members of the public and one was anonymous. Of these, six were determined as no breach of the Code of Conduct or the complaint did not relate to the Code, one was withdrawn and one was still being reviewed. One of the eight related to a breach of the Code that related to not declaring an interest, which was resolved locally and resulted in training for the relevant councillor.

The Standards Committee has not had to convene its sub-committee to consider standards of member behaviour, and it is notable that the complaints have not been received from officers or members. This indicates an ongoing improvement in member-to-member and member-to-officer relationships. The current level of complaints does not indicate any underlying issues that need to be resolved.

Other Findings

The Member Code of Conduct is reviewed annually and the next review is due by the end of the 2023/24 municipal year. We have been advised that other councils (Telford and Nottingham) have adopted/adapted the Council's Code, which reflects positively on the Council's approach.

The member development programme continues with a review and lessons learned being incorporated from the previous programme, and the LGA Mentoring Programme for members is ongoing.

The Standards Committee oversees the member development programme, member induction programme and code of conduct issues. It has an established work programme that also includes gifts and hospitality, member DBS checks and member personal safety.

The Chair of the Committee remains committed to a process of continuous improvement and has demonstrated positive commitment to their role and ensuring the effective operation of the workings of the committee.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

KLOE B6: Audit Committee

The purpose of this KLOE was to consider the actions undertaken by the Audit Committee during 2021 in relation to the review into the Wragge report.

Background

Our original review considered the long-standing issues relating to the Wragge and Cox reports.

Our December 2022 report concluded that we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks

The report noted that a final decision needs to be made by the Leader before this matter can be considered formally closed.

KEY FINDINGS

The Audit and Risk Assurance Committee, at its meeting on 5 June 2023 considered a letter from the Leader to the Committee Chair (dated 23 March 2023) setting out a response to the Committee's resolution made at its meeting of 17 March 2022.

The Leader's letter included decisions taken to improve the Council's approach to equality, diversity and inclusion (EDI) and associated culture change. This has included establishing an Equality Commission and a new Equalities Team, approval of a new Equality Policy, adoption of the LGA Equality Framework, the implementation of a new EDI Strategy, updated guidance on equality impact assessments and the delivery of various EDI events and initiatives to raise EDI awareness and celebrate the Council's and community's diversity.

The Audit and Risk Assurance Committee has agreed that this matter is now formally closed.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.



KLOE B7: Financial reporting

The purpose of this KLOE was to consider the Council's response to recommendations raised in our 2019/20 audit findings report.

Background

Our original review considered the Council's responses to recommendations raised in our 2019/20 Audit Findings Report (AFR) and further issues identified by our governance review.

Our December 2022 report recommended:

- The Council's procedures for the production of its financial statements require significant improvement. We note that there are a number of legacy issues from prior years that are undermining the quality of the financial statements. We consider that this needs to be an area of priority for the Council. Until these matters are resolved there will remain some uncertainty over the Council's financial position
- The Council must successfully implement the new corporate asset management system, to timescale, ensure all key finance roles have permanent appointments, and prioritise the training and development of the Finance Team so that the role and behaviour changes planned become embedded.

KEY FINDINGS

CIPFA Financial Management Reviews

During 2021 CIPFA undertook a review of the Council's financial management performance, using the CIPFA Five Star FM Model. This model considered various aspects of financial management such as delivering accountability, supporting performance and enabling transformation. These were then rated across a number of management dimensions (leadership, people, process and stakeholders). CIPFA provide an overall star rating between one and five, with five being the highest. The original review, which reported in January 2022, gave an overall rating of 2 for the Council and the Council incorporated CIPFA's recommendations into the Council's Improvement Plan when this was developed later that year.

The Council asked CIPFA to undertake a follow up review, to consider progress against the recommendations made in their initial review. This was reported in December 2022, and CIPFA noted improvement in most areas, with the overall rating increased to 3. Positive progress included that finance is seen as a key function and priority, an improved MTFs and budgetary processes, and greater coherence on a programme for financial reform.

CIPFA also noted areas for improvement including the need for:

- Greater leadership depth in finance
- Strong and robust savings plans.
- Greater stability in finance staff, less reliance on interims, and protection of corporate knowledge
- Improved financial acumen across the wider Council and wider training be provided
- Cross-authority alignment of risk
- Oracle Fusion to drive streamlining of process.
- An improved ability to provide information in a timely and satisfactory manner to external auditors.

The Council has incorporated the recommendations from CIPFA's follow up review into the Improvement Plan. **The Council should ensure that these CIPFA recommendations are fully implemented.**

Financial statements

Our most recent Audit Findings Report, from August 2023, provided an update on the 2020/21 accounts, and the resolution of material errors and other accounting issues that had contributed to the delay in the opinion on these accounts. The 2020/21 accounts were signed off on 31 August 2023.

There remain significant delays in the Council providing appropriate draft accounts for the periods 2021/22 and 2022/23 and there is significant risk that, should the Government confirm 31 March 2024 as the backstop deadline for opinions to be signed for all backlog accounts up to and including 2022/23, that Grant Thornton will need to issue qualified or disclaimed opinions for one or both these years.

Whilst an interim financial accountant is now in role to support the accounts process, we have still not seen evidence of improvement in the overall capacity and capability of the Council's finance team in relation to the production of draft accounts.

KLOE B7: Financial reporting (cont'd)

The purpose of this KLOE was to consider the Council's response to recommendations raised in our 2019/20 audit findings report.

Financial Statements (cont'd)

Whilst we note that further actions have been taken over the past twelve months to address our concerns, and the finance team have most recently been prioritising their focus on the 2024/25 budget, the Council's procedures for the production of its financial statements still require significant improvement. As at 6 December 2023 we had not been provided with the draft financial statements or working papers for the 2021/22 financial statements. This remains an area of priority for the Council, including managing the recruitment challenges that have been experienced. Until these matters are resolved there will remain some uncertainty over the Council's financial position. **The Council should take urgent steps to resolve the issues relating to delays in providing and the quality of financial statements production.** If the 2021/22 accounts are not made available for audit by 31 December 2023, or are of poor quality we will need to consider the further use of our statutory powers.

Financial systems and finance team

The Director of Finance left the Council in September 2023 and has been replaced by an interim whilst the recruitment of a permanent replacement takes place. The Deputy S151 Officer also left the Council in September 2023.

Whilst the former Director of Finance advised us that their restructure of the finance team was concluded, as noted above, we have still not seen an improvement on the Council's production of its financial statements. In general, we note that there still appear to be a large number of interims in the finance team, including the current S151 officer. This reduces the overall effectiveness and corporate memory of the finance team and should be resolved at the earliest opportunity.

The Interim Director of Finance is considering the structure and resourcing of the finance department, and as part of this they **should review finance team capacity, capability and training needs to ensure they meet the needs of the organisation, including implementing the recommendations of the CIPFA follow up Financial Management review.**

As already discussed in the section of this report on KLOE A3, a new asset management system (Techforge) is being implemented with phase 1 to go live in December 2023 and will be used alongside Oracle Fusion when this is in place.

Phase 2 of the asset management system implementation includes consideration of modules relating to capital accounting, and a fixed asset register, to support accounts production. An initial meeting is due to place in January 2024 to agree workstreams, leads and timescales for this phase.

The Council must ensure a successful implementation of phase 2 of the new asset management system, including effective alignment with Oracle Fusion, so that the benefits planned to support accounts production are realised.

Oracle Fusion provides an opportunity for the Council to improve its arrangements for budget monitoring, rationalising the structure of its chart of accounts to align to the planned new directorate structure, creating a more effective monitoring of planned savings, and having a "single version of the truth" on the Council's financial position.

We have set out improvement recommendations in relation to Oracle Fusion in section KLOE A10 of this report.

Conclusions and recommendations

The CIPFA follow up Financial Management review identified improvement across various areas of financial management, but significant progress remains for the finance team to become fully effective. In particular, the Council's procedures for the production of its financial statements still requires significant improvement.

We have made the following recommendations:

- The Council should ensure that all recommendations from CIPFA's follow up review are fully implemented.
- The Council should take urgent steps to resolve the issues relating to delays in providing and the quality of financial statements production.
- The Interim Director of Finance should review finance team capacity, capability and training needs to ensure they meet the needs of the organisation.
- The Council must ensure a successful implementation of phase 2 of the new asset management system, including effective alignment with Oracle Fusion, so that the benefits planned to support accounts production are realised.

KLOE B8: Engagement with residents and community stakeholders

The purpose of this KLOE was to consider how the Council engages with residents and community stakeholders.

Background

Whilst not a key line of enquiry for our original 2021 review we agreed with the Council's management as part of our 2022 review to consider how the Council engages with residents and community groups to supplement our understanding of the Council's improvement journey.

Our December 2022 report concluded that we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

The report made the following recommendation:

- The Council needs to ensure that it continues to engage with residents and that this engagement supports greater corporate focus on service quality and customer outcomes.

KEY FINDINGS

Resident engagement

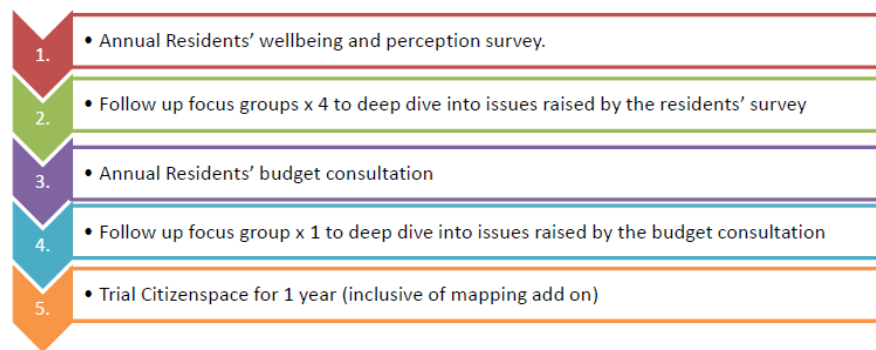
The Council undertook its first residents' survey in 1988 but had only occasionally repeated this exercise, the last time being in 2017 to support development of Vision 2030. Regular consultation on budgetary plans had not been conducted with residents since 2010 although annual consultation is carried out with non-domestic rate payers. Such major surveys are a critical element of an effective performance management framework and when undertaken regularly provide vital trend information.

Recognising the benefits of resident engagement during 2022 the Council commissioned Enventure, a market research agency, to conduct a borough-wide residents' survey to support evidence-based policy, service delivery and performance management, and also a separate budget consultation exercise. The Leadership Team at its meeting of 22 November 2022 considered the findings and felt that the results of the residents survey and budget consultation had a constructive impact on the Council.

The Leadership Team recognised that positive feedback boosted staff morale, and provided learning opportunities and a direction of how the Council could improve. The findings from both exercises provided a foundation of 2023/24 business planning.

The Leadership Team committed to building on this approach and approved proposals for a corporate approach to consultation and engagement.

The Council established a corporate consultation and engagement working group with cross directorate representation to develop a council-wide approach to resident consultation and engagement. This group mapped existing customer research, intelligence and engagement from across the Council and undertook research into best practice from other councils. The following framework was developed and approved by the Leadership Team:



Citizen Space has been introduced to the Council's website, a new consultation hub where residents can subscribe to news on Council consultations and other engagement activity, and a section called "we asked, you said, we did" which provides updates on the outcomes of how consultation and engagement activity informed Council decisions.

Between April and September 2023 2,628 individual survey responses were completed, across 47 surveys relating to nine directorates. The highest responses were from residents on the areas that have universal impact, such as traffic enforcement, litter and safety. The Council is starting to use the Citizen Space to collect feedback on customer satisfaction, and the Council is using the data to consider how services can be improved.

The Council produced a State of the Borough report in August 2023, as part of the wider discussions and consultation to refresh Vision 2030 (which was produced in 2017). This included insights from the most recent budget consultation and children and young people SHAPE survey.

KLOE B8: Engagement with residents and community stakeholders

The purpose of this KLOE was to consider how the Council engages with residents and community stakeholders.

Resident engagement (cont'd)

The Council commissioned MEL Research to undertake a Resident Wellbeing and Perception Survey during Autumn 2023. The key findings were:

- Overall satisfaction with the Council was 65%, with 19% being dissatisfied. The Local Government Association (LGA) benchmark is 60% satisfaction, so the Council was performing above this national benchmark. In 2022, resident satisfaction was 66%, so there has been a slight decline over the last year.
- 67% of respondents to the survey said that they trust the Council. The LGA national benchmark as 56%. There was no change to the 2022 survey which also resulted in the level of trust in the council being 67%.

The Council now recognises the importance of regular resident engagement, has introduced a framework and other arrangements that demonstrates its commitment, and is using the findings to support greater corporate focus on service quality and customer outcomes.

Wider community engagement

The Council has held two cost of living summits with key public sector partners, business ambassadors, and representatives from faith and community groups, to discuss how people of Sandwell can be supported. This is an example of the Council now taking a lead locally on national issues affecting their communities and partners.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

The Council should continue to build on the progress that has been made in engaging with residents so that it continues to support greater corporate focus on service quality and customer outcomes.



Appendices

Appendix A: The scope of the auditor's work on value for money arrangements

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Revised approach to value for money work for 2020/21 onwards

- On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of value for money.
- There are three main changes arising from the NAO's new approach:
 - A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
 - More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria
 - Auditors undertaking sufficient analysis on the local authority's value for money arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.
- The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Appendix B: Improvement recommendations

This summarises our improvement recommendations relating to our 2022 key recommendations.

| Improvement recommendations | | Page # |
|------------------------------------|---|---------------|
| | Improvement Plan | |
| 1 | The Council has not yet concluded introducing a “golden thread” that aligns corporate plans to individual’s annual performance reviews, and this approach should be progressed to include the behaviours set out in the One Team Framework, so that expected values and behaviours can be monitored and measured. | 17 |
| | Medium-Term Financial Planning | |
| 2 | The senior leadership team should make time to agree clear objectives for financial planning, and the financial, organisational and behavioural actions required to achieve these objectives. | 18 |
| | Corporate Transformation | |
| 3 | As part of the new transformation arrangements the Council should ensure there is corporate oversight of the use of external consultants, including how such commissions align to the Council’s transformation strategy. | 19 |
| | Commercial Strategy | |
| 4 | The Council should consider developing an agreed definition of commercial as a way of revitalising the progress of the commercial strategy. Once the strategy has been adopted it will need to align the Council’s transformation strategy and MTFP assumptions. | 19 |
| | Customer Journey | |
| 5 | The Council should consider enhancing customer journey metrics to measure its performance through full customer journeys including the customer experience and satisfaction. | 20 |
| | Asset Management Strategy and Database | |
| 6 | Ensure that appropriate decisions are taken on proposed asset disposals to ensure the savings targets are realised. | 21 |

Appendix B: Improvement recommendations (cont'd)

This appendix summarises our improvement recommendations by KLOE.

Page #83

| | Improvement recommendations | Page # |
|----|---|--------|
| | KLOE A1: Sandwell Children's Trust | |
| 7 | Greater emphasis is required by the Council and SCT on progressing area partnership working, including greater clarity on system leadership. | 24 |
| 8 | The Council should continue to monitor the vacancy rate tolerance, and use of agency staff at the Trust, in particular the impact and effectiveness of the Sandwell Deal in improving recruitment and retention rates. | 24 |
| 9 | Realising the planned Invest to Save savings will be critical to the Trust meeting its planned revenue budget and the invest to save payments being repaid to the Council. | 24 |
| | KLOE A2: Sandwell Leisure Trust | |
| 10 | The Council should continue to monitor SLT's operational and financial performance to ensure that SLT meets its 2023/24 contractual targets and planned changes and efficiencies result in agreeing a management funding agreement for 2024/25 that is in line with the Council's MTFP assumptions. | 27 |
| 11 | The Council should ensure that SLT builds on its more commercial approach and sets out a plan for the timeframe when the Trust's financial position requires no subsidy from the Council, including a clear and deliverable plan for eliminating the forecast losses at the aquatics centre. | 27 |
| | KLOE A4: SEND Transport | |
| 12 | The next SEND Transport procurement should consider how services can be commissioned to manage ongoing significant and ongoing budgetary pressures, | 29 |
| | KLOE A7: Waste Service | |
| 13 | The Council should ensure that it concludes the fleet review and Serco confirm that they are content with the value for money of the fleet maintenance undertaken by the Council. | 31 |
| 14 | The Council must work with Serco to ensure that the risk of future industrial action is effectively mitigated. | 31 |

Appendix B: Improvement recommendations (cont'd)

This appendix summarises our improvement recommendations by KLOE.

| Page # | Improvement recommendations | Page # |
|--------|---|--------|
| | KLOE A8: Governance and Legal Support to DPH | |
| 15 | The Council should conclude its plans to introduce a policy for working with local MPs and associated guidance. | 33 |
| | KLOE A10: Introduction of new ERP system | |
| 16 | The Council should ensure it responds effectively to the recommendations set out in our separate Oracle Fusion implementation report before the go live date. | 35 |
| 17 | The Council should continue its work on defining financial and non-financial benefits, and that benefits identified and agreed are measurable, and can be effectively tracked and the transformational opportunities of the new system are fully realised. | 35 |
| | KLOE B2: Senior Leadership | |
| 18 | The Chief Executive should ensure that the Monitoring Officer continues to be a standing member of the Council's Senior Leadership Team on a permanent basis | 38 |
| | KLOE B4a: Officer and Member Relationships | |
| 19 | This maturity of senior officer and member relationships will need to continue, with further difficult decisions inevitably being required, and this approach to must be sustained following future changes to those in senior officer or senior member roles | 41 |
| 20 | Whilst pathways are being put in place for succession planning, further work is required to conclude these plans, including the provision of appropriate training and development so that these changes become fully embedded | 41 |

Appendix B: Improvement recommendations (cont'd)

This appendix summarises our improvement recommendations by KLOE.

| Page # | Improvement recommendations | Page # |
|--------|--|--------|
| | KLOE B4b: Performance management and other matters | |
| 21 | The Council should conclude the member PDP roll out, and in particular ensure these are in place for members who are in positions of special responsibility or are aspiring to hold such roles. | 41 |
| 22 | The Council should develop a business case for a performance management system, to appropriately consider this investment. | 41 |
| | KLOE B7: Financial reporting | |
| 23 | The Council should ensure that all recommendations from CIPFA's follow up review are fully implemented. | 45 |
| 24 | The Council should take urgent steps to resolve the issues relating to delays in providing and the quality of financial statements production | 45 |
| 25 | The Interim Director of Finance should review finance team capacity, capability and training needs to ensure they meet the needs of the organisation | 45 |
| 26 | The Council must ensure a successful implementation of phase 2 of the new asset management system, including effective alignment with Oracle Fusion, so that the benefits planned to support accounts production are realised. | 45 |



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Report to Council

20 February 2024

| | |
|-------------------------|--|
| Subject: | General Fund and HRA Budget and Capital Programme & Council Tax Resolution 2024/25 |
| Cabinet Member: | Cllr Bob Piper – Cabinet Member for Finance & Resources |
| Director: | Brendan Arnold (Interim Director of Finance) |
| Key Decision: | Yes |
| Contact Officer: | Claire Spencer – Deputy Section 151 Officer Ramesh Prashar - Deputy Section 151 Officer |

1. Recommendations

1.1. That Council approve the recommendations from Cabinet at the meeting of 7th February 2024 on the Draft Budget 2024/25 as listed below:

- I. That it be noted that the Council Tax Base was agreed at Full Council on 12th December 2023.
- II. That it be noted that the Council Tax Support Scheme was approved at Full Council on 12th December 2023.
- III. That it be noted that Housing Rents and Service Charges were uplifted by Full Council on 12th December 2023
- IV. That the report of the Section 151 Officer, included at paragraphs 6 to 25 of the Draft Budget 2024/25 report, as required under Section 25 of the Local Government Act 2003 on the robustness of the estimates made for the purposes of the budget calculations and adequacy of proposed financial reserves be noted
- V. That it be recommended that Council approve the Medium Term Financial Strategy at Appendix A of the Draft Budget 2024/25 report which incorporates the following recommendations:
 - a. Approve the MTFS and embedded MTFP as an estimate of the Council’s current financial position at January 2024.
 - b. Approve the Guiding Principles as framework for financial planning for the period of the MTFS.

- c. Approve the Capital Planning Principles to guide the preparation of the Capital Programme in the years ahead.
 - d. Note the planned development of the Transformation Programme to date and through 2024/25 and endorse the extension of the transformational approach to other services of the Council.
 - e. Note the Budget Timetable set out in this report.
 - f. Approve the submission to DLUHC of a proposal to employ flexible use of capital receipts in financial year 2024/25 and to delegate the amendment and final approval of this proposal to the Portfolio Holder for Finance and Interim Director of Finance together with the Assistant Chief Executive.
 - g. Approve the onward submission of the Winter 2024 update of the MTFS to the next meeting of Full Council.
 - h. Approve the adjustments to fees and charges as set out in Annex 12.
 - i. Approve the savings proposals set out at Annex 5.
- VI. It be recommended that an increase of 2.99% in the level of general council tax for 2024/25 be approved;
- VII. It be recommended that an increase of 2.00% in the level of Adult Social Care precept for 2024/25 be approved;
- VIII. That it be recommended Council approve the General Fund Budget net budget of £333.008m at Appendix B including the proposed total increase of Council Tax for Sandwell Metropolitan Borough Council of 4.99%, in accordance with the Council Tax Referendum Principles as set by Government for 2024/25.
- IX. That the Council Tax amounts by Band at Appendix C be noted pending final notifications of precept amounts by the Office of the Policy and Crime Commissioner and the Fire Authority with formal ratification to be presented as part of the Council Tax Resolution on 20th February 2024.
- X. That it be recommended that Council approve the report at Appendix D on the Dedicated Schools Grant and Schools funding which incorporates the following recommendations such that Council:
- a. Adopt the minimum transition option for calculating schools funding in 2024/25
 - b. Approve the Growth Funding at £1.60m in 2024/25
 - c. Approve the introduction of a Falling Rolls Fund in 2024/25
 - d. Approve the transfer of £0.512m funding from the Schools Block to the Central Schools Services Block (CSSB) to fund the attendance service

- e. Approve the CSSB, De-delegated and Education Function proposals as set out in Annex A (with the exception of Schools in Financial Difficulty).
 - f. Adopt the allocation by block per paragraph 5 of that Appendix; and
 - g. Note the details of the Schools Funding Settlement.
- XI. That it be recommended that Council approve the General Fund Capital Programme at Appendix E;
- XII. That it be recommended that Council approve the Housing Revenue Account and HRA Capital Programme at Appendix F including:
- a. Noting that Full Council on 12th December 2023 approved recommendations of the report entitled 'The review of council tenants rents and housing related property charges' as outlined in paragraph 8 of Appendix F and Annex 1.
 - b. Approve the HRA Revenue Budget for 2024/25 as set out in Table 2.
 - c. Note the HRA estimated working balances in 2024/25 as set out in paragraph 15 of Appendix F.
 - d. Approve the investment principles for the HRA Capital programme as set out in paragraph 19 of Appendix F.
 - e. Approve the HRA Capital Programme control totals as set out in Table 3 of Appendix F.
 - f. Approve the HRA Treasury Management Strategy as set out in paragraph 4 of Appendix F.
 - g. Approve the 30 year HRA Business Plan as set out in Annex 2 of Appendix F.
- XIII. That it be recommended that Council approve the Capital Strategy and Capital Financing Strategy at Appendix G and H of this report.
- XIV. That it be recommended that Council approve the Investment Strategy set out at Appendix I.
- XV. That it be recommended that Council approve the Treasury Management Strategy Statement at Appendix J including:
- a. The Borrowing and Investment Strategy for 2024/25
 - b. The Minimum Revenue Provision Policy Statement for 2024/25
 - c. The Treasury and Prudential Indicators for 2024/25 to 2026/27, summarised at Annex 6
 - d. Expected new net borrowing of £40.4m in 2024/25

- XVI. That Cabinet endorse the Revenues and Benefits Policy Framework at Appendix K and recommend to Council that:
- a. Approval be given for the Revenues and Benefits Policy Framework for 2024/25 comprising the policies set out at Annexes 1 to 9 of the Appendix K
 - b. Approval be granted for the Council Tax Award of Discount Policy (Annex 2), Council Tax Discretionary Reduction Policy (Annex 3), Non-Domestic Rates Discretionary Rate Policy (Annex 8), Non-Domestic Rates Discretionary Hardship Relief Policy (Annex 7) and War Pension Policy (Annex 9) as set out Appendix K; and
 - c. Authority be given to the Director of Finance – Section 151 Office in conjunction with Cabinet Member for Finance and Resources, and in consultation with the monitoring officer to make necessary changes to the policies during 2024/25 due to the Cost of Living Crisis.
- XVII. Delegate to the Section 151 Officer and the Monitoring Officer any further financial adjustments, corrections or amendments in relation to the final input of budgetary information into corporate finance systems.
- XVIII. Approve that the Section 151 Officer be given delegated authority to make transfers to or from reserves during the financial year to ensure that adequate reserves are maintained and adjusted when spend from earmarked reserves is required.
- XIX. Approve that the Section 151 Officer be given delegated authority to adjust the funding sources applied to the Capital Programme during the year to maximise flexibility in use of capital resources and minimise borrowing costs where possible.

- 1.2. That subject to confirmation of approved final precept amounts from West Midlands Fire Service and West Midlands Office for the Police and Crime Commissioner, Council approve the Council Tax Resolution included at Appendix A including:
- I. the Council Tax Requirement for the Council's own purposes (excluding precepts) for 2024/25 as £135,869,698 at Section 2(c)
 - II. the calculation of the aggregated amounts for the year 2024/25 in accordance with sections 31 to 36 of the Local Government Finance Act 1992 as set out in Section 2.
 - III. The Council Tax amounts by Council Tax Band from Major Preceptors as set out in Section 3.
 - IV. The Aggregated Council Tax amounts by Council Tax Band set out in Section 4.

2. Reasons for Recommendation

- 2.1. The Local Government Finance Act 1972 requires the Council to set a balanced, risk assessed budget each year and approve a Council Tax precept by 11th March.
- 2.2. A further requirement of Council is to approve the Council Tax Resolution (Appendix A) which sets out the formula for calculating the Band D level of Council Tax for the Authority. This equates to the Council Tax precept detailed within the budget report (i.e. the amount of Council Tax to be raised by the Authority) divided by the approved Council Tax Base.
- 2.3. The Council Tax Base can be described as an assessment by each billing authority of the number of chargeable dwellings, converted to Band D equivalents (the average band), allowing for discounts, exemptions, non-collection and new properties.

3. Context and Key Issues

3.1. As allowed within recommendation XVII of the Cabinet report, the Section 151 Officer has included a small number of revisions to the budgets originally presented to the Cabinet on 7th February 2024:

- I. The Housing Revenue Account amount for expenditure on Supervision and Management has been increased by £209,000 to allow for additional legal support. This will be funded through reducing the budgeted contribution to reserves and can be managed within the overall HRA Business Plan.
- II. The General Fund Budget Summary has also been updated to include the following adjustments:
 - £6,000 uplift in Environment Agency Levy following notification from the two agencies, funded from contingency budget allocation;
 - Additional grant income following receipt of the Final Local Government Finance Settlement, offset by an additional contribution to Earmarked Reserves for future risk mitigations;
 - Minor revisions to recharges between directorates to ensure alignment with service provision;

3.2. The above adjustments do not affect the Council's General Fund net budget of £333.008m or the Council Tax Requirement as reported to Cabinet on 7th February 2024. Further, the outcome of the Final Local Government Finance Settlement does not impact on the Section 25 Report of the Section 151 Officer.

3.3. As billing authority, the Council collects council tax on behalf of the Police and Crime Commissioner and the Fire and Rescue Authority for the West Midlands and redistributes those amounts in accordance with their precept notifications. The council tax amounts for these preceptors must be included within the Council Tax Resolution as Council approve the aggregate Council Tax amounts by individual band. The amounts proposed to be approved by the respective decision making bodies of the Fire and Rescue Authority and Police

and Crime Commissioner for the West Midlands area, have been communicated to the Council and are set out within the Resolution at Appendix A. Therefore, the amounts included in the Council Tax Resolution are provisional and subject to final confirmation from preceptors, which is expected on or before 20th February 2024 and will be confirmed as soon as practicably possible.

4. Implications

| | |
|-----------------------|--|
| Resources: | Resource implications are contained within the main body of the Cabinet report. |
| Legal and Governance: | <p>The Council is required under Part 1, Chapter III of the Local Government and Finance Act 1992 (the 1992 Act) to set a council tax for the forthcoming year and its budget estimates. The decision must be made before 11 March of the preceding year (i.e. by midnight on 10 March). S.31A and s.31B of the 1992 Act require the Council to calculate its “council tax requirement”. This is reflected and set out in the recommendations and this report. The report sets out the duty to have regard to the assessments of the s.151 Chief Finance Officer under s.25 of the Local Government Act 2003.</p> <p>The Council is under a duty to agree a lawfully balanced budget. The Council’s prospective expenditure must not be likely to exceed its resources available to meet that expenditure. The proposals set out in this report meet this obligation. Any amending or substituted proposals must also achieve a balanced budget. The proposed Council Tax is under the statutory threshold which would require the City Council to hold a referendum of local electors to approve the increase.</p> <p>Under s.114 of the Local Government Finance Act 1988, the Council’s s.151 Chief Finance Officer is required to report to all of the authority’s elected members (Councillors) if there is, or is likely to be, unlawful expenditure or an unbalanced budget (i.e. the council is unable to set or maintain a balanced budget). Failure to set a legal budget by 11 March would activate this duty. It may also lead to further intervention from the Secretary of State under s.15 of the Local Government Act 1999.</p> <p>Members are subject to the Council’s duty to set a balanced budget, and at common law owe a fiduciary duty to taxpayers to do so. Members must receive and take into account the advice of officers, particularly the s.151 officer, when considering and deciding the Council’s budget. As the decision makers, members must have due regard to the Council’s equalities duties when setting the budget.</p> |
| Risk: | This information is contained within the main body of the Cabinet report. |
| Equality: | <p>The Council’s public sector equality duty under s.149 of the Equality Act 2010 requires it to have due regard to the achievement of its equalities duties when discharging its duties.</p> <p>It is important to note that the any recommendations endorsed by Cabinet and recommended to Full Council are the approval of the Council’s council tax for 2024/25 and the budget (or “financial envelope”) and its council tax and not final decisions in respect of service provision or savings proposals. This means that equalities assessments in respect of savings proposals are only formative at</p> |

| | |
|-----------------------|--|
| | <p>this stage and full and final assessments will need to be made when final decisions are made by the Cabinet or officers, taking account evidence and analysis at that time of their impact on protected groups.</p> <p>It remains open to future decision makers to amend or stop budget proposals being implemented having regard to the Council's equalities at this later stage but noting that compensating savings will need to be made from other services or expenditure to ensure a balanced budget in the forthcoming year and / or to protect the adequacy of the Council's reserves.</p> |
| Health and Wellbeing: | No direct implications arising from the recommendations. |
| Social Value | No direct implications arising from the recommendations. |

Council Tax Resolution

1. That Council note and endorse its previous decision of 12 December 2023 approving the amount of 78,217.27 (Item T in the statutory formula) as its Council Tax Base in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33 (5) of the Local Government Finance Act 1992;
2. That the following amounts be calculated by the Council for the year 2024/25 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992: -
 - (a) Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act; £1,372,642,200
 - (b) Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act; £1,236,772,502
 - (c) Being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year; £135,869,698
 - (d) Being the amount at 2(c) above, all divided by the amount at 1 above, calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year; £1,737.08
 - (e) Valuation Bands

| | Core Amounts | Adult Social Care Amounts | Total |
|---|--------------|------------------------------|-----------|
| A | £990.33 | £167.72 | £1,158.05 |
| B | £1,155.39 | £195.67 | £1,351.06 |
| C | £1,320.44 | £223.63 | £1,544.07 |
| D | £1,485.50 | £251.58 | £1,737.08 |
| E | £1,815.61 | £307.49 | £2,123.10 |
| F | £2,145.73 | £363.39 | £2,509.12 |
| G | £2,475.83 | £419.30 | £2,895.13 |
| H | £2,971.00 | £503.16 | £3,474.16 |

Being the amounts given by multiplying the amount at 2(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

3. That it be noted that for the year 2024/25 the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act, 1992, for each of the categories of dwellings shown below: -

| Valuation Bands | West Midlands Fire and Rescue Authority | Police and Crime Commissioner for the West Midlands |
|-----------------|---|---|
| A | £50.13 | £143.70 |
| B | £58.49 | £167.65 |
| C | £66.84 | £191.60 |
| D | £75.20 | £215.55 |
| E | £91.91 | £263.45 |
| F | £108.62 | £311.35 |
| G | £125.33 | £359.25 |
| H | £150.40 | £431.10 |

4. That, having calculated the aggregate in each case of the amounts at 2(e) and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, sets the following amounts as the amounts of Council Tax for the year 2024/25 for each of the categories of dwellings shown below:-

| Valuation Band | |
|----------------|-----------|
| A | £1,351.88 |
| B | £1,577.20 |
| C | £1,802.51 |
| D | £2,027.83 |
| E | £2,478.46 |
| F | £2,929.09 |
| G | £3,379.71 |
| H | £4,055.66 |

5. That the Chief Financial Officer be authorised to take any necessary action to collect revenues and disburse monies from the relevant accounts;
6. That the requirements of any relevant legislation, to consider reports as a consequence of the approval of the Council's Finances 2024/25 report, be dispensed with on the grounds that in the opinion of the Council the items are urgent.

Report to Cabinet

7th February 2024

| | |
|-------------------------|--|
| Subject: | Draft Budget 2024/25 |
| Cabinet Member: | Cllr Bob Piper – Cabinet Member for Finance & Resources |
| Director: | Brendan Arnold – Interim Director of Finance & Section 151 Officer |
| Key Decision: | Yes |
| Contact Officer: | Claire Spencer & Ramesh Prashar (Deputy Section 151 Officers) |

List of Appendices

- A. MTFS Update (Winter 2024)
- B. General Fund Budget Summary
- C. Council Tax Summary
- D. DSG and Schools Funding
- E. General Fund Detailed Capital Programme
- F. Housing Revenue Account (including HRA Capital and 30 Year HRA Business Plan)
- G. Capital Strategy
- H. Capital Financing Strategy
- I. Investment Strategy
- J. Treasury Management Strategy
- K. Revenue and Benefits Policy Framework 2024/25

Recommendations

1. It is recommended that Cabinet approve the Draft Budget 2024/25 including all appendices and it be forwarded to Full Council on 20th February 2024 for consideration and approval with the following specific recommendations:
 - I. That it be noted that the Council Tax Base was agreed at Full Council on 12th December 2023.
 - II. That it be noted that the Council Tax Support Scheme was approved at Full Council on 12th December 2023.
 - III. That it be noted that Housing Rents and Service Charges were uplifted by Full Council on 12th December 2023
 - IV. That the report of the Section 151 Officer, included at paragraphs 6 to 25, as required under Section 25 of the Local Government Act 2003 on the robustness of the estimates made for the purposes of the budget calculations and adequacy of proposed financial reserves be noted

- V. That it be recommended that Council approve the Medium Term Financial Strategy at Appendix A which incorporates the following recommendations:
- a. Approve the MTFFS and embedded MTFP as an estimate of the Council's current financial position at January 2024.
 - b. Approve the Guiding Principles as framework for financial planning for the period of the MTFFS.
 - c. Approve the Capital Planning Principles to guide the preparation of the Capital Programme in the years ahead.
 - d. Note the planned development of the Transformation Programme to date and through 2024/25 and endorse the extension of the transformational approach to other services of the Council.
 - e. Note the Budget Timetable set out in this report.
 - f. Approve the submission to DLUHC of a proposal to employ flexible use of capital receipts in financial year 2024/25 and to delegate the amendment and final approval of this proposal to the Portfolio Holder for Finance and Interim Director of Finance together with the Assistant Chief Executive.
 - g. Approve the onward submission of the Winter 2024 update of the MTFFS to the next meeting of Full Council.
 - h. Approve the adjustments to fees and charges as set out in Annex 12.
 - i. Approve the savings proposals set out at Annex 5.
- VI. It be recommended that an increase of 2.99% in the level of general council tax for 2024/25 be approved;
- VII. It be recommended that an increase of 2.00% in the level of Adult Social Care precept for 2024/25 be approved;
- VIII. That it be recommended Council approve the General Fund Budget net budget of £333.008m at Appendix B, including the proposed total increase of Council Tax for Sandwell Metropolitan Borough Council of 4.99%, in accordance with the Council Tax Referendum Principles as set by Government for 2024/25.
- IX. That the Council Tax amounts by Band at Appendix C be noted pending final notifications of precept amounts by the Office of the Policy and Crime Commissioner and the Fire Authority with formal ratification to be presented as part of the Council Tax Resolution on 20th February 2024.

- X. That it be recommended that Council approve the report at Appendix D on the Dedicated Schools Grant and Schools funding which incorporates the following recommendations such that Council:
- a. adopt the minimum transition option for calculating schools funding in 2024/25
 - b. approve the Growth Funding at £1.60m in 2024/25
 - c. approve the introduction of a Falling Rolls Fund in 2024/25
 - d. approve the transfer of £0.512m funding from the Schools Block to the Central Schools Services Block (CSSB) to fund the attendance service
 - e. approve the CSSB, De-delegated and Education Function proposals as set out in Annex A (with the exception of Schools in Financial Difficulty).
 - f. adopt the allocation by block per paragraph 5 of that Appendix; and
 - g. note the details of the Schools Funding Settlement.
- XI. That it be recommended that Council approve the General Fund Capital Programme at Appendix E;
- XII. That it be recommended that Council approve the Housing Revenue Account and HRA Capital Programme at Appendix F including:
- a. Noting that Full Council on 12th December 2023 approved recommendations of the report entitled 'The review of council tenants rents and housing related property charges' as outlined in paragraph 8 of Appendix F and Annex 1.
 - b. Approve the HRA Revenue Budget for 2024/25 as set out in Table 2.
 - c. Note the HRA estimated working balances in 2024/25 as set out in paragraph 15 of Appendix F.
 - d. Approve the investment principles for the HRA Capital programme as set out in paragraph 19 of Appendix F.
 - e. Approve the HRA Capital Programme control totals as set out in Table 3 of Appendix F
 - f. Approve the HRA Treasury Management Strategy as set out in paragraph 4 of Appendix F.
 - g. Approve the 30 year HRA Business Plan as set out in Annex 2 of Appendix F.
- XIII. That it be recommended that Council approve the Capital Strategy and Capital Financing Strategy at Appendix G and H of this report.

- XIV. That it be recommended that Council approve the Investment Strategy set out at Appendix I.
- XV. That it be recommended that Council approve the Treasury Management Strategy Statement at Appendix J including:
- a. The Borrowing and Investment Strategy for 2024/25
 - b. The Minimum Revenue Provision Policy Statement for 2024/25
 - c. The Treasury and Prudential Indicators for 2024/25 to 2026/27, summarised at Annex 6
 - d. Expected new net borrowing of £40.4m in 2024/25
- XVI. That Cabinet endorse the Revenues and Benefits Policy Framework at Appendix K and recommend to Council that:
- a. Approval be given for the Revenues and Benefits Policy Framework for 2024/25 comprising the policies set out at Annexes 1 to 9 of the Appendix K
 - b. Approval be granted for the Council Tax Award of Discount Policy (Annex 2), Council Tax Discretionary Reduction Policy (Annex 3), Non-Domestic Rates Discretionary Rate Policy (Annex 8), Non-Domestic Rates Discretionary Hardship Relief Policy (Annex 7) and War Pension Policy (Annex 9) as set out Appendix K; and
 - c. Authority be given to the Director of Finance – Section 151 Office in conjunction with Cabinet Member for Finance and Resources, and in consultation with the monitoring officer to make necessary changes to the policies during 2024/25 due to the Cost of Living Crisis.
- XVII. Delegate to the Section 151 Officer and the Monitoring Officer any further financial adjustments, corrections or amendments to this suite of reports necessary in forming the final preparation of these papers for Full Council on 20 February.
- XVIII. Approve that the Section 151 Officer be given delegated authority to make transfers to or from reserves during the financial year to ensure that adequate reserves are maintained and adjusted when spend from earmarked reserves is required.
- XIX. Approve that the Section 151 Officer be given delegated authority to adjust the funding sources applied to the Capital Programme during the year to maximise flexibility in use of capital resources and minimise borrowing costs where possible.

Introduction or Background

2. The Council is legally required in each year to set a balance budget for the financial year which must be approved before 11th March.
3. To ensure that the budget being presented to Cabinet and Council is balanced and robust, the process usually starts in the early Summer of the previous year with senior officers considering financial performance during the current year plus reflecting on likely pressures on expenditure and income, and potential mitigations, for the upcoming and future financial years. This ensure that the Medium-Term Financial Strategy reflects a reasonable assessment of the Council's finances over the period of the Strategy.
4. This early engagement ensures that sufficient time is given to the importance of the budget setting process and also any planning for require change to ensure that the Council remains on a sound financial footing in the medium term.

Reasons for Recommendations

5. The Local Government Finance Act 1972 requires the Council to set a balanced, risk assessed budget each year and approve a Council Tax precept by 11th March. The following paragraphs (*see italics*) comprise the Section 25 Report (Local Government Act 2003) made by the Section 151 Officer in respect of the 2024/25 Draft Budget.

Section 25 - Report of the Section 151 Officer as to the Robustness of the Estimates Made for the Purposes of the Budget Calculations and the Adequacy of the Proposed Financial Reserves.

Summary and Background

6. *Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (presently the Interim Director of Finance and Section 151 Officer) is required to report to Council on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund balances and reserves. The Council must have regard to this report, which is set out below, when making decisions in respect of the Budget.*
7. *In expressing the opinion, the Section 151 Officer has considered the financial management and control frameworks that are in place, the budget assumptions, the financial risks facing the council and the level of reserves.*
8. *Section 25 of the Local Government Act 2003 concentrates primarily on the uncertainties within the forthcoming budget year, however longer-term uncertainties and increasing pressures on the Council's finances also inform consideration of the adequacy of the level of reserves for the medium term.*

Financial Controls

9. *The Section 151 Officer has responsibility for ensuring that an effective system of internal control is maintained to provide an assessment of the current position across the whole General Fund and identifying areas for improvement where appropriate.*
10. *The Code of Practice for Financial Management (the FM Code) was introduced by CIPFA in November 2019. The Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972. The Council has had two external reviews by CIPFA assessing performance against the Code and the second of these reported in early 2023 showing that the Council's rating had been upgraded from two to three stars out of a possible five. Further progress in this area is expected and further review work by CIPFA is envisaged.*
11. *The Internal Audit function of the Council provides an independent assurance to the Section 151 Officer on the quality of the internal control environment within the Council. The 2023 Annual Internal Audit report presented to the Audit and Risk Assurance Committee in July 2023 gave an opinion of 'Reasonable Assurance' for Budgetary Control, and 'Substantial Assurance' for Treasury Management. These are important considerations in forming this Section 25 report.*
12. *The implementation of the new Oracle Fusion system - which is expected in the early summer of 2024 (July) is expected to afford budget holders better access to financial information and in time will further improve the quality of the Financial control environment generally.*

Financial year 2023/24 and Budgetary Control

13. *The latest forecast at Period 9 in 2023/24 suggests that a minor underspend of up to £3m may come to hand when outturn is declared for that year. This position will not be confirmed until late May 2024 when the Provisional Outturn figures are expected to become available. In response to earlier forecasts that predicted a minor overspend the Leadership Team has set in place Value for Money Panels which have enhanced consideration of VFM in the Council generally and are felt to have made some contribution to the position now described in the latest forecast.*
14. *There is evidence to suggest that the Council has responded positively to the challenges presented by the earlier reporting of a potential overspend and therefore the budget monitoring process is capable at operational and corporate level of managing the Council's commitments within the required parameters.*
15. *Within 2023/24, the Council has succeeded in delivering the majority of savings included in the 2023/24 Budget, which bodes well for the continued development of successful delivery of future savings, including the 2024/25 financial year.*

Medium Term Financial Planning

16. *The Council has completed successfully a Medium Term Financial Planning process for both the Revenue Budget and Capital Programme. In doing so, it has for the first time set down a Medium Term Financial Strategy (MTFS) over 5 years and has successfully forecast the estimated budget shortfall for 2024/25. In responding to this shortfall and delivering proposals for a balanced budget the Council has consulted on a wide suite of potential budget savings and has identified around £12m of savings (largely recurring) together with a package of short term measures designed to suppress short term financial pressures. Overall, this package of benefits amounts to £18.988m which is sufficient to balance the 2024/25 Budget and which makes a significant contribution to the goal of eliminating financial shortfalls in the medium term.*
17. *In forming the MTFS and the associated suite of reports appended to the Draft Budget 2024/25 the Council has demonstrated a significant capability to frame and form both strategic and operational initiatives to manage the strategic position.*
18. *It is noted that the Council continues to show financial shortfalls in its MTFS from 2025/26 onwards. In order to deal with this position, the Council has taken and continues to take significant steps to adopt a transformational approach to service delivery. This will include modernisation of structure, form and process and the adoption of new technology into Council operations. Transformation approaches are already in place for Oracle Fusion and are in various stages of development for Adult Social Care, Housing, Property and Customer Services. Further developments are planned.*

Council Tax

19. *A further key component in balancing the Budget has been the recommendation for the agreement by Council of an increase in Council Tax (2.99%) and Adult Social Care Precept (2%) to an overall increase of 4.99%. It is of the utmost importance that this stream of funding is agreed in order to (a) protect the strategic wellbeing of the Council in future years and (b) to suppress the need for additional savings in those years.*

On Amendments to the Draft Budget 2024/25

20. *Should Amendments to the Budget be set before Council that impair the prospect that the Budget and Council Tax for 2024/25 can be set lawfully by (a) implying an imbalance or other aspect which the Section 151 Officer determines as resulting in a loss or (b) deems to be otherwise unlawful, Council will not be able to set a lawful Budget as is required by statute. Under these circumstances, should they arise, Council would (a) need to re-consider the adjustment that has resulted in the position reached or (b) present alternative proposals that in the view of the Statutory Officer (s) deal with the observed impediment.*

Reserves

21. *Arising from the statutory responsibilities of the Section 151 Officer - and present circumstances - it will not be suitable for any replacement saving to draw further from the limited pool of Reserves held by the Council. Whilst the level of Reserves is significant, the*

majority are earmarked to provide specific resources to assist, deliver or protect services to the Borough through (a) successful project/service delivery, (b) risk management, (c) capital investment or (d) other specific purposes.

22. *The Section 151 Officer considers the level of Reserves held within the Council to be sufficient at this time. That said, the Council needs to be cautious in its deployment of any windfalls monies they may come to hand unexpectedly and to set these aside to provide for future financial challenges.*

Sandwell Children's Trust

23. *The Council uses the services of Sandwell Children's Trust (SCT) to deliver a tranche of key services to Children in the Borough. The Trust, a Teckal Company Limited by Guarantee, is an important and valued partner of the Council. In the Draft Budget for 2024/25 the Council is recommended to agree a Contract Sum of £80.8m for the Trust in that year. Attention is drawn to the fact that the Trust is operating with an accumulated deficit which is expected to increase beyond £10m by 31 March 2024. The Trust and the Council have resolved to secure the services of a leading consultancy to assist in forming a Medium Term Financial Plan to identify options for addressing this imbalance over the remaining 4 years of the contract. For the avoidance of doubt the Council presently regards the Trust as a 'going concern' and has issued a letter to the Trust in this regard.*

Budget Assumptions and background

24. *The Section 151 Officer is satisfied that the Draft Budget 2024/25 has been based on the best available information and has used reasonable assumptions and approaches that are commonly used across the Local Government sector.*
25. *In addition, a number of key processes have been in place and the Section 151 Officer is generally satisfied that:*
- i. Existing and future expenditure pressures have been suitably estimated using suitable techniques and by reference to evidence and relevant professional advice and informed opinion.*
 - ii. The senior members of the Finance Team and/or the Section 151 Officer have provided advice to both the Leadership Team, Cabinet and Scrutiny throughout the process.*

How does this Budget deliver objectives of the Corporate Plan?

26. The strategic direction for the Council is set out in the Council's Corporate Plan 2021-2025 (Big Plans for a Great Place). The plan was refreshed in 2023 to reflect the current and future needs of the borough as it continues to recover from the COVID-19 pandemic, as well as the progress made on the Council's improvement journey under Government intervention.

27. Sandwell as a Borough faces significant challenges. It is the 12th most deprived borough in England according to the Index of Multiple Deprivation, and Sandwell's level of fuel poverty is the fifth highest in UK. The level of average pay within the Borough is lower than in both the West Midlands region and England as a whole and the city's unemployment rate is higher than average compared to a group of similar local authority areas, whilst healthy life expectancy is lower than the national average.
28. There are, however, many strengths of Sandwell's local economy that provide a foundation for economic sustainability that will improve quality of life and make the borough a more sustainable, greener place. Well placed in a central location in the UK's transport network adjacent to the country's second city, Sandwell has a diverse and young population with pockets of highly innovative businesses and a high level of entrepreneurial activity. Across the Borough, our £2.5bn regeneration pipeline will boost connectivity and economic growth – this includes the recently opened Sandwell Aquatic Centre, showcased in the Commonwealth Games 2022, and the new Midland Metropolitan University Hospital.
29. The Corporate Plan sets out the Council's role as a partner, enabler and leader in Sandwell, and the importance of partnership working to the delivery of the Plan. This approach is equally important to delivery of the MTFs and incorporates elements such as: responding to national and regional policy for local government; leading on innovative approaches to working differently; acting as a civic leader, in collaboration with local residents, communities and partners (public, private, and voluntary and community sectors); working with residents and communities to find solutions to challenges faced in local neighbourhoods; being an effective partner in the West Midlands Combined Authority; being at the forefront of working with Government through the Levelling Up Partnership and leading the local Anchor Network.
30. To address the challenges faced by Sandwell and maximise the opportunities available to the Borough, the Corporate Plan sets out the six strategic outcomes for the Council:
- The Best Start in life for Children and Young People
 - People Live Well and Age Well
 - Strong, Resilient Communities
 - Quality Homes in Thriving Neighbourhoods
 - A Connected and Accessible Sandwell
 - A Strong and Inclusive Economy
31. In order to achieve these outcomes, it is fundamental that the Council has a strong and sustainable financial position, with resources and assets that are aligned with our strategic outcomes, and that it works in genuine partnership with local residents, communities and partners. Central to the achievement of the Plan, our One Council, One Team approach will focus on the way in which the Council and its employees work, both within the organisation and collaboratively more widely, in order to improve services and make the biggest possible positive impact on people's lives.

32. The Corporate Plan clearly sets out the need for financial resilience in order to achieve its objectives. The Medium-Term Financial Strategy (MTFS) reflects the principles, outcomes and priorities set out for Sandwell as contained in the Corporate Plan. The MTFS complements the Corporate Plan by defining the financial framework within which the strategic outcomes will be delivered. It ensures through appropriate resource allocation that it supports delivery of the Plan, alongside the fundamental aims of delivering a balanced budget and enabling the Council to fulfil its statutory duties.
33. Delivery of the Corporate Plan is monitored regularly through the Council's Performance Management Framework. As part of the Council's continuing improvement journey, work continues to further develop and align the monitoring and reporting of performance, financial and transformation programme management information to ensure corporate oversight and the successful delivery of the MTFS.

Financial Context: The Final Finance Settlement

34. The Final Local Government Finance Settlement was announced on 5th February 2024 which included the additional resources announced on 24th January of an additional £500m of national funding for Social Care Grants. A summary of the outcome of the Final Finance Settlement is noted below and is in line with expectations.
- i) The Council Tax referendum limit will be 2.99% for local authorities, with social care authorities allowed an additional 2% Adult Social Care precept.
 - ii) Local Government Funding Reform – the Fair Funding Review and reset of Business Rates growth will not be implemented in 2024/25.
 - iii) The Social Care Grant has increased by £692m to £4.5bn nationally. The increase for this Council equated to £10.87m.
 - iv) Adult Social Care Discharged Fund increased by £200m to £500m nationally. Sandwell MBC received an increase £2.15m to take total grant to £5.38m
 - v) Adult Social Care Market Sustainability Improvement Fund totalling £1.05bn for 2024/25. Sandwell MBC saw an increase of £3.76m with grant now totalling £8.08m
 - vi) No change to the Better Care Fund
 - vii) Services Grant continuing to see reductions from £822m in 2022/23 to £464m in 2023/24 to £77m in 2024/25. The decrease in these grants are being used to fund other increases within the overall settlement. Sandwell MBC saw reduction of £3.47m with final grant amount totalling £0.65m

Medium Term Financial Strategy

35. The Council's Medium-Term Financial Strategy was last approved in November 2023 following a significant review.
36. Appendix A of this report gives a detailed update to the MTFs with a high-level summary of the Council's financial position. Shown in the following table.

Table A: Summary MTFs (January 2024 update)

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|-----------|-----------|-----------|-----------|-----------|
| | £m | £m | £m | £m | £m |
| Opening Net Base Budget | 317.103 | 351.996 | 370.954 | 386.220 | 400.338 |
| Budget pressures and technical adjustments | 52.661 | 18.958 | 15.266 | 14.118 | 13.899 |
| Changes in government funding within services | (17.768) | - | - | - | - |
| Adjusted Net Budget | 351.996 | 370.954 | 386.220 | 400.338 | 414.237 |
| Funding | (333.008) | (340.530) | (350.942) | (361.725) | (372.894) |
| Net Deficit before savings | 18.988 | 30.424 | 35.278 | 38.613 | 41.343 |
| Savings Proposals | (11.988) | (17.924) | (19.570) | (19.570) | (19.570) |
| Other short term reductions | (7.000) | - | - | - | - |
| Net Budget (Surplus)/ Shortfall | - | 12.500 | 15.708 | 19.043 | 21.773 |

37. The Draft Budget also includes a number of assumptions about income and expenditure changes. These are summarised below and further detail appears on the MTFs (Appendix A: Annex 7)
- i) Inflation has been provided where contractual and unavoidable
 - ii) Provision for 2024/25 pay award: a 4% increase is provided for
 - iii) Pension contributions have been set in line with the current triennial valuation (updated for 2022 revaluation)
 - iv) Business Rates income based on current trends
 - v) 4.99% increase in Council Tax, made up of 2.99% 'core' increase and 2% Adult Social Care precept (compared to 2.99% in the draft budget)
 - vi) Continual review of spend pressures and growth items
38. Budget pressures and growth items have been considered by the Corporate Leadership Team and only included where unavoidable or to meet corporate or statutory objectives.
39. Fees and Charges have been increased in general by 5%, except for those that are set by statute or in other limited exceptional circumstances. However, further specific increases are proposed in some areas where the Council's charges are either not covering costs or where charges are significantly below benchmarks have been applied. A summary of the Council's Fees and Charges are included in the MTFs at (Appendix A - Annex 12).
40. Inflation, although currently 3.9% (November 2023) remains above the Government 2% target following its peak at 11.1% in October 2022. Inflation levels remained above 10% until April 2023 and have seen steady falls since that date. The Bank of England expects inflation to

continue to slow and be back to normal 2% levels by the end of 2025. It is important for the Council's fees and charges to keep pace cumulatively with inflation, but the Council is mindful of the impact of the cost of living and has moderated increases for the majority of its services for 2024/25.

41. Savings proposals, including the impact of the fees and charges increases detailed above, are included at Appendix A – (Annex 5). The details of the Council's Consultation process through the Summer of 2023 are also set out in the MTFS.
42. As part of the budget process, and included in the Draft Budget, the Council has also to agree the Contract Sum payable to Sandwell's Children's Trust for the next financial year. This is a dialogue process which begins in the Autumn so that the Council and Trust can agree the assumptions on which the Contract Sum shall be based. The contract sum agreed for 2024/25 is £80.80m which reflects the amount sought by the Trust.
43. At the time of writing the report the Public Health Grant allocations for 2024/25 had not been announced. The budget proposals assume that the grant remains at the same level as 2023/24.

Dedicated Schools Grant

44. As part of the budget process the Council also allocates the Dedicated Schools Grant (DSG) to schools in consultation with the Schools Forum. The Government has announced the gross 2024/25 Dedicated Schools Grant (DSG), for all Sandwell schools in the sum of £466.2m. This represents an increase of 9.64% from the corresponding amount in 2023/24. This is before recoupment for Academies and Free Schools which will be calculated later and therefore the amount available for distribution by the Council will be lower than this headline figure. The significant increase in Early Year's Block is due mainly to the expanded Early Years entitlements. Any grant amount unspent will probably be recouped back by government. A summary of the 2024/25 DSG by block is shown below:

Table B: Schools Funding 2024/25

| DSG Block | Allocation prior to Adjustments | Adjustments | Allocation after adjustments |
|-------------------------|---------------------------------|-------------|------------------------------|
| | £m | £m | £m |
| Schools Block | 349.852 | (3.276) | 346.576 |
| Central School Services | 2.381 | 0 | 2.381 |
| High Needs | 75.436 | (4.490) | 70.946 |
| Early Years | 38.535 | 0 | 38.535 |
| Total | 466.204 | (7.766) | 458.438 |

45. Appendix D to this report details the process and principles adopted for movements between the budget blocks.

Council Tax proposals

46. The Draft Budget 2024/25 assumed a 2.99% increase in core Council Tax, and this has been adopted as a general planning assumption across Local Government.
47. The Autumn Statement and Provisional Finance Settlement confirmed a referendum limit of 2.99% for core Council Tax and allowed 2% for the Adult Social Care Precept. This means that the Council can raise Council Tax by a total of 4.99% in 2024/25.
48. Each 1% increase in Council Tax raises approximately £1.3m in additional Council Tax income and also ensures that the Council Tax Base is maximised for future years. This is an important consideration because if this opportunity is not taken, further cuts to key services will be needed to balance the budget in future years.
49. 75% of chargeable properties in Sandwell are in Council Tax Bands A and B (42% Band A and 33% Band B). The impact of a 4.99% increase on the Council's element of the Council Tax is shown below:

Table C: Council Tax increases exemplifier

| 4.99% Increase | Band A | Band B |
|---|-----------|-----------|
| 2023/24 Council Tax (Sandwell MBC element only) | £1,103.01 | £1,286.85 |
| 2024/25 Proposed Council Tax (Sandwell MBC element only) | £1,158.05 | £1,351.06 |
| Increase per year | £55.04 | £64.21 |
| Increase per week | £1.06 | £1.23 |

50. The Council is continuing to experience demand and inflationary pressures in Adult Social Care and spend pressures of over £14m have already been included in the budget for 2024/25. Approving a further 2% for the ASC Precept will not only contribute towards funding these additional costs but will help to ensure sustainability of the care sector over the next 12 months and into the future, particularly in light of the ongoing impact of inflation and cost of living.
51. As the billing authority, the Council also bills and collects the precepts for the Police and Fire authorities. At the time of writing the report proposed increases from these preceptors have not been set. The Council Tax Resolution, which formally sets the whole council tax amounts by Band and by preceptor, will be presented to Council on 20th February
52. Based on a 4.99% increase and a Council tax base of 78,217.27 the Council Tax precept for 2024/25 will be £135,869,698 and is reflected in the budget summary shown at Appendix B.

Legislation requires Council Tax bills to be shown to one decimal place so the Council's increase will be shown as 5% on the face of the bill although the underlying increase will be 4.99% as described.

Reserves Position

53. The Council has two types of reserves:
- Earmarked Reserves which are for specific future projects, commitments or risks, both revenue and capital
 - Unearmarked Reserves are held to ensure the Council can manage unexpected financial challenges.
54. The level of Unearmarked Reserves at 31 March 2022 was £16.6m based on the unaudited financial statements for 2021/22 and estimated to be £17.4m as at 31 March 2024.
55. Table D below summarises the Council's level of Earmarked Reserves as at the end of March 2023 and the projected balances at the end of March 2024 and 2025.

Table D: Earmarked Reserves

| | 31 March 2023 £m | 31 March 2024 £m | 31 March 2025 £m |
|------------------|------------------------|------------------------|------------------------|
| General Reserves | 27.612 | 23.605 | 23.149 |
| Grants | 37.790 | 28.492 | 28.492 |
| Risk | 30.267 | 32.912 | 36.761 |
| Capital | 16.861 | 10.980 | 10.980 |
| Schools | 13.659 | 15.341 | 15.341 |
| Total | 126.189 | 111.330 | 114.723 |

56. The key points of briefing on reserves are as follows:
- i) The Council has adequate reserves at the present time and this position is expected to continue in the medium term.
 - ii) The Council holds reserves to offset specific strategic and operational risks. Therefore, these resources are not available to support operating expenditure, other than in conditions of financial crisis. These conditions do not pertain in the Council at this time.
57. The Council's reserves policy in the current MTFS is for General Fund Unearmarked Reserves to be maintained at a minimum of 5% of net expenditure. It is important to note that this policy means that the level of reserve required may fluctuate as net expenditure changes due to inflationary and demand pressures on Council services.

Transformation

58. In considering responses to the financial challenges that lie ahead the Council is very much aware that there is a need to modernise and transform the way that services are delivered to both external and internal customers. As part of this transformational agenda the Council has already established a Programme Management Office to form, guide and support the process of developing a suite of transformation programmes in the organisation and is in the final stages of confirming the governance arrangements that will support these initiatives at a strategic and operational level. To this end a Corporate Transformation Board has been established to which a suite of Service Programme Boards will be accountable. This provides assurance that the Directorates within the Council will be held to account for delivery of transformational outcomes and related targets by the Corporate Transformation Board on behalf of the Leadership team and Cabinet.
59. At the present date the following service programme boards and transformational programmes are already operating or are expected to begin operations within the next 3 months.
- a. Oracle Fusion: a programme led from Finance & Human Resources to replace the Council's outdated version of Oracle with a state of the art cloud based system. This will introduce to the organisation major improvements in Human Resources Management, Finance Management, Procurement, Executive Reporting and Payroll and will set in place a platform which will be capable of further exploitation.
 - b. Property Transformation: this programme is focussed on the implementation of the Corporate Landlord Model for the management of property assets and the organisation of office space.
 - c. Housing Transformation: led from the Housing Directorate this programme will embrace a suite of workstreams to improve service operating standards, modernise operating procedures and to develop new software systems to improve delivery and management information.
 - d. Adult Social Care: a major programme is to be launched shortly to acquire an implementation partner to assist the Council in developing more insightful management information and to use this to improve efficiency in service delivery.
 - e. Customer Services: led from the Corporate area but with input from across the Council this programme is planned to bring a more consistent approach to service delivery channels, to devise more efficient delivery structures and allow improvements in technology to enhance the customer experience in Sandwell.
60. Other programmes will be developed on the basis of need and opportunity in the period ahead.

Housing Revenue Account

61. The Housing Revenue Account (HRA) is a ring-fenced account for the Council's housing stock and is shown separately to the General Fund. Income comes from rent and service charges and expenditure relates to the management and maintenance of the stock. The HRA also has a Capital Programme for major repairs, refurbishment and new build housing.
62. A meeting of the Full Council on 12th December 2023 approved the increase in housing rental charges and housing service charges of 7.7% and the financial implications of these increases are reflected in the HRA base budget for 2024/25. Government announced that from 2020/21 rents can revert to the previous policy and be increased by CPI (at September of the previous year) plus 1%. This allows for a more optimistic forecast of the resources available to the HRA and continues the ability to reduce the level of debt (see below). CPI at September 2023 was 6.7% thus allowing for a 7.7% increase in rents from April 2024.
63. Appendix F of this report includes further detail of the HRA and Table 2 to that Appendix shows a balanced budget position for 2024/25.
64. The proposed HRA Capital Programme for 2024/25 of £58.945m includes £28.945m for new build and £30.000m for improvements to existing stock holdings. Details of these proposals and their financing are included in Appendix F.

Feedback on Budget Consultation, Scrutiny Committees and Equality Impact Assessments.

65. When making budgetary decisions, the Council has a duty to consult with those who are liable to pay council tax or non-domestic rates, as well as those who use or are likely to use services provided by the authority. The Council is also required to take into account their statutory public sector equality duty under the Equality Act (2010) and consider any relevant Equality Impact Assessments when formulating and agreeing proposals.
66. A public engagement exercise on the Council's budget was conducted in Summer 2023 seeking residents' views on how the Council should reduce spend in order to deliver a balanced budget. A further consultation exercise was conducted in Autumn 2023 on a basket of savings options which, if adopted for 2024/25, will impact residents and businesses in the Borough.
67. The feedback and results of Equality Impact Assessments are included at Appendix A, Annex 3 to this report.

Capital Programme

68. The Capital Programme for the General Fund is shown at Appendix E, along with the sources of finance. The total Capital Programme for 2024/25 is recommended to be set at £144.476m for General Fund. This is to be funded by a combination of grants, earmarked reserves and revenue contributions.
69. Prudential borrowing levels are budgeted to be £21.504m for the General Fund. The impact on the Council's Capital Financing Requirement and Prudential Indicators are reflected in Appendix J, which also includes the Council's Policy for Minimum Revenue Provision which describes how the General Fund is charged for prudential borrowing amounts.
70. This programme includes an indicative amount of £10m for the Schools Programme as the Basic Need Allocations have not yet been confirmed by Government. A separate report will be

brought to Cabinet with more detail on proposed schemes once allocations have been announced.

71. The Capital Strategy and Capital Financing Strategy, which sets out how all Capital expenditure will be managed and financed, are attached at Appendices G and H.

Treasury Management Strategy

72. The Council is required to set a Treasury Management Strategy and Investment Strategy each year. These set out how the Council manages its cash balances and how the financing of its Capital Programme through borrowing will be managed.
73. Based on the proposed capital investment programme it is currently anticipated that net new borrowing of £40.4m will take place during 2024/25. The Council's operational cash balances (i.e. working capital) will be maintained at £20m.
74. Included within this document is the policy for the Council's Minimum Revenue Provision which determines how historic prudential borrowing is to be charged to the Council's General Fund.
75. Also, as part of the Treasury Management Strategy, the Council is required to set Prudential Indicators which establish borrowing limits regarding affordability and capital investment plans, and a policy for investment counterparty selection criteria which ensures that the Council will only invest with approved counterparties meeting strict conditions. The Treasury Management Strategy Statement including the relevant indicators and policies is attached at Appendix J for Cabinet approval and recommendation to Council.

Revenues and Benefits Policy Framework

76. There is a comprehensive policy framework within Revenues and Benefits which require annual review and adoption including:
- i) Corporate Debt Recovery Policy
 - ii) Council Tax Award of Discount Policy
 - iii) Council Tax Discretionary Reduction Policy
 - iv) Flood Relief Policy
 - v) Discretionary Housing Payments Policy
 - vi) Local Welfare Provision Policy
 - vii) Non-Domestic Rate Hardship Relief Policy
 - viii) Non-Domestic Rates Discretionary Rate Relief Policy
 - ix) The Local Council Tax Reduction Scheme Policy
77. Appendix K to this report incorporates all the relevant policies for adoption and highlights any changes.

Alternative Options

78. Cabinet could request that alternative savings options be proposed and agreed, although there is limited time to do this and still be able to carry out the appropriate consultation on alternative savings. Cabinet could also consider an alternative Council Tax increase, subject to adhering to the Referendum Principles, or alternative increases in Fees and Charges. The consequences of adopting a lower Council Tax increase would entail that additional savings would be required and saving targets made larger in future years.

Implications

| | |
|-----------------------|---|
| Resources: | Resource implications are contained within the main body of the report. |
| Legal and Governance: | <p>Cabinet in making a decision and recommendation to Full Council in relation to budget and council tax proposals must take account of the following considerations.</p> <p>The Council is required under Part 1, Chapter III of the Local Government and Finance Act 1992 (the 1992 Act) to set a council tax for the forthcoming year and its budget estimates. The decision must be made before 11 March of the preceding year (i.e. by midnight on 10 March). Sections 31A and 31B of the 1992 Act require the Council to calculate its “council tax requirement”. This is reflected and set out in the recommendations and this report. The report sets out the duty to have regard to the assessments of the s.151 Chief Finance Officer under s.25 of the Local Government Act 2003.</p> <p>The Council is under a duty to agree a lawfully balanced budget. The Council’s prospective expenditure must not be likely to exceed its resources available to meet that expenditure. The proposals set out in this report meet this obligation. Any amending or substituted proposals must also achieve a balanced budget. The proposed Council Tax is under the statutory threshold which would require the City Council to hold a referendum of local electors to approve the increase.</p> <p>Under s.114 of the Local Government Finance Act 1988, the Council’s S151 Chief Finance Officer is required to report to all of the authority’s councillors if there is, or is likely to be, unlawful expenditure or an unbalanced budget (i.e. the council is unable to set or maintain a balanced budget). Failure to set a legal budget by 11 March would activate this duty. It may also lead to further intervention from the Secretary of State under s.15 of the Local Government Act 1999.</p> |

| | |
|-----------------------|---|
| | Members are subject to the Council's duty to set a balanced budget, and at common law owe a fiduciary duty to taxpayers to do so. Members must receive and take into account the advice of officers, particularly the section 151 officer, when considering and deciding the Council's budget. As the decision makers, members must have due regard to the Council's equalities duties when setting the budget. |
| Risk: | This information is contained within the main body of this report. |
| Equality: | <p>The Council's public sector equality duty under s.149 of the Equality Act 2010 requires it to have due regard to the achievement of its equalities duties when discharging its duties.</p> <p>It is important to note that the any recommendations endorsed by Cabinet and recommended to Full Council are the approval of the Council's council tax for 2024/25 and the budget (or "financial envelope") and its council tax and not final decisions in respect of service provision or savings proposals. This means that equalities assessments in respect of savings proposals are only formative at this stage and full and final assessments will need to be made when final decisions are made by the Cabinet or officers, taking account evidence and analysis at that time of their impact on protected groups.</p> <p>It remains open to future decision makers to amend or stop budget proposals being implemented having regard to the Council's equalities at this later stage but noting that compensating savings will need to be made from other services or expenditure to ensure a balanced budget in the forthcoming year and / or to protect the adequacy of the Council's reserves.</p> |
| Health and Wellbeing: | No direct implications arising from the recommendations. |
| Social Value | No direct implications arising from the recommendations. |

Background Papers

- a. Medium Term Financial Strategy Autumn 2023 Update – Cabinet 15th November 2023
- b. Review of Council Tenants Rents and Housing Related Property Charges – Cabinet 6th Dec 23
- c. Q2 Budget Monitoring 2023/24 – Cabinet 6th December 2023

Medium Term Financial Strategy

2024/25 to 2028/29

Sandwell Metropolitan Borough Council



Finance Directorate

Winter 2024

Prepared: February 2024

Version: MTFS Winter 2024 FINAL FOR COUNCIL

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Introduction

The Medium-Term Financial Strategy (MTFS) is a key document in the Council's financial planning cycle. This document sets out the strategic financial approach that the Council will adopt in supporting delivery and completion of the Improvement Plan and the portfolio of other strategies and plans that support delivery of the services in the Borough. The MTFS seeks to explain how the Council will distribute its resources in this endeavour over the next five years. In order to deliver the Corporate Plan the Council will need to operate carefully within specific quantitative financial targets. These targets manifest themselves as budget limits, within which the Council must deliver its services over the period of the MTFS. There will be no room for overspends on the future journey and the Council needs to refresh its approach to operate with highly disciplined financial management arrangements. By doing so, the Council will be able to minimise the risk of the financial perils which have engulfed some local authorities in the recent past and demonstrate a level of financial stability and good management that the community in Sandwell is entitled to expect.

Brendan Arnold FCPFA
Interim Director of Finance & Section 151 Officer

26 January 2024

The MTFS - Form and Purpose

1. The purpose of the Medium Term Financial Strategy (MTFS) is to set down the approaches that will be used by the Council in assembling, organising and deploying its financial resources to (i) deliver the objectives set down in the Improvement Plan presented to Full Council on 7 June 2022, and updated in December 2022, June 2023 and subsequently.
2. The MTFS contains a Medium Term Financial Plan (MTFP) which sets out the planning assumptions and financial limits formed by the relevant funding constraints presently assumed. These will be updated quarterly moving forward. This is the second presentation of a quarterly update to frame the development of the 2024/25 Budget at Full Council on 20 February 2024. This update reflects the impact of the Provisional Finance Settlement for 2024/25 and the adjusted MTFP appears at Annex 7. Accordingly, this version of the MTFS contains sufficient information to construct the framework within which the Council's Budget for 2024/25 is capable of being set.
3. It should be noted that development of the Council's MTFS is a key recommendation of the VFM Governance Review undertaken by Grant Thornton in 2021 and forms a notable action within the Council's Improvement Plan. Accordingly, the suitable development and use of the MTFS has been identified by Commissioners as one of the key considerations in advising the Secretary of State of progress made by the Council on its journey to improvement. More generally, it is important to note that like all Councils, the Council is *required under statute* to set a balanced Budget for 2024/25 during March 2024.
4. The MTFS sets out (i) a set of Guiding Principles which are presented for agreement by Cabinet and Council in seeking to obtain sustainable financial balance in the medium term and (ii) the design and operation of specific programmes and other initiatives that will provide savings and cost reductions sufficient to be considered in balancing the 2024/25 Budget on 20 February 2024.
5. It follows that this document is to be seen as a dynamic part of the Council's financial operations in the future and is of critical importance on the Council's ongoing improvement journey.

Background & Context

6. On 22 March 2022 a process of Intervention was initiated by the Secretary of State in response to the issuance by the External Auditor of their report following the Value for Money Governance Review containing statutory recommendations.
7. In seeking to address the recommendations from the External Auditor's report as well as those resulting from the CIPFA Financial Management Review and a Local Government Association Peer Challenge, the Council has – with the oversight of the Commissioners – adopted an Improvement Plan which is closely monitored by the Leadership Team, the Cabinet, Scrutiny function and Full Council. Although Intervention was not driven from a financial perspective as part of this process the Council needs to be able to assure that its financial affairs can be managed in a sustainable way.

Strategic Goals

8. The MTFS has the following strategic goals:
 - a. To provide a framework within which the Council is able to achieve a series of balanced budgets in the medium term to support the delivery of the Corporate Plan and Improvement Plan, demonstrating sustainable improvement.
 - b. By so doing to reach for and assure both financial stability and sustainability and to deliver these in the short, medium and long terms.
 - c. To enable successive budgets to be balanced using a set of Guiding Principles that are commonly adopted across the Local Government Sector and to apply these rigorously; and
 - d. To provide a budget and risk structure within which the Corporate Plan and Improvement Plan can be completed to meet the needs of stakeholders.

Key Points of Briefing

9. The MTFS and accompanying MTFP - following an extensive and detailed review including receipt of the Provisional Finance Settlement - is suggesting that the previously forecast Budget shortfall in the region of £13m in 2024/25 was substantially correct. Looking backwards, this figure has changed in the course of financial year 2023/24, reflecting the usual and expected refinement and testing of initial planning assumptions.
10. The movement between the Budget in 2023/24 and the Draft Budget 2024/25 are shown in Annex 8 and include the following changes.
 - a. Additional savings identified.
 - b. Downward adjustment and stress testing of anticipated savings following a review of the underlying assumptions.
 - c. The challenging and adjustment of cost pressures previously admitted to the MTFP.
 - d. The impact of the Provisional Finance Settlement 2024/25 received on the 18 December 2023 and the Final Finance Settlement 2024/25 received on the 5 February 2024.
11. From the analysis presented it is clear that it remains the case that the Council must select ongoing savings amounting to £11.988m to balance 2024/25 Budget and a further £7m of temporary cost reductions to deal with short term pressures; the overall total is £18.988m as shown in Table 1.
12. In any local authority the overall suite of savings selected to ensure that the MTFP is balanced in the medium term will reflect a blend of (a) savings gathered from efficiencies and adoption of best practice (b) the adjustment of service levels (sometimes suspension or cessation of previous service levels) and (c) transformational savings. The Council has explored will continue to explore all of these dimensions as it considers the means of balancing the Budget in 2024/25 and, subsequently, in the years following.

13. As part of this process the Council has already taken steps to deliver a *transformational* approach to delivering savings and will seek to widen and strengthen its response in this direction in both the short and medium terms. To this end a transformation programme to implement *Oracle Fusion* - a corporate Enterprise Resource Planning (ERP) system - is already underway and set to go live in the early Summer of 2024. In addition, a Transformation Strategy has been prepared, and a Corporate Transformation Board has been established to guide and control the use of transformational approaches in the years ahead. These materials are attached to this report at Annex 10. It should be clear that the benefits of the transformational endeavours described are to develop better value for service users and to enhance the customer journey.
14. As part of these ambitions the Council acknowledges the need to organise many of its activities along more commercial lines including adopting the Corporate Landlord Model (itself a transformational programme) for management of its property estate. As part of this emergent Property Transformation programme the Council acknowledges a need to further develop its proposals for significant asset disposals and to bring these to decision at pace. Equipping these approaches with policies around flexible working, team building and to develop a One Team approach to service delivery are already underway and will be further developed.
15. Additional opportunities in the application of transformational approaches exist in Housing, Adult Social Care, Customer Services and elsewhere (with regard to the delivery of transactional services generally); work is underway to inform development of clear business cases in these areas during 2024/25 and 2025/26. In addition to programmes that are service focussed, a range of other projects has been assembled. The Transformation Strategy appears at Annex 10.
16. The Council has commenced a resident engagement exercise through the Summer and Autumn of 2023 and this - together with the Consultation and Engagement Plan (See Annexes 3 & 4) - forms the Council's approach to meeting its responsibilities in this area as part of setting the Budget for 2024/25. The savings of c. £12m for which approval is sought to balance the 2024/25 Budget are shown in Annex 5.
17. A Budget Timetable for the 2024/25 Budget process is also presented and appears at Annex 2. In line with the highest standards of transparent governance this timetable includes specific challenge and review on 15 January 2024 by the Council's Overview & Scrutiny function through the Budget & Corporate Scrutiny Management Board as part of the consultation process.
18. The MTFs (and MTFP) will be further updated for subsequent meetings of Cabinet, the Scrutiny function and Full Council in the course of financial year 2024/25.

The Guiding Principles

19. In undertaking its financial operations over the period of the MTFs the Council is asked to adopt the following Guiding Principles ('The Principles'). The Principles are based on sound management and professional practice. They are presented as *Guiding Principles* because there may be occasions where – after careful consideration - the exigencies of strategic or operational management may necessitate from time to time a departure from the Principles.

| No. | Guiding Principles |
|-----|--|
| 1 | Fees & Charges will be reviewed annually and adjusted for inflation, comparability and competitiveness. |
| 2 | As a compassionate Council, in setting charges, the impact on vulnerable groups will be considered carefully and equalities impact assessments prepared where needed. |
| 3 | Service level spend will be benchmarked regularly with a suitable peer group and proposals to align with the benchmark will be brought forward. |
| 4 | The Council will seek to adopt incrementally a policy of Digital First in service delivery generally but as a compassionate Council will be mindful of the risks of <i>digital exclusion</i> in doing so. |
| 5 | A rolling programme of Service Reviews launched as part of the Star Chamber process will continue from time to time within the timeframe of the MTFS and will be used to ensure that operating models, organisational design and cost footprints are subject to regular review and adjustment across the Council. |
| 6 | Service developments, savings and investment will be brought forward on the basis of business cases that must demonstrate feasibility, deliverability, and appropriate financial pay back and other investment appraisal techniques. |
| 7 | The Council will consult with residents and other stakeholders in the Borough in forming budget options. |
| 8 | Where business cases are prepared for decision a proactive approach will operate encompassing review in depth prior to such presentation; this will include rigorous application of investment appraisal techniques, peer review and use of the Scrutiny function to achieve searching review and challenge before business cases are adopted. |
| 9 | The Council will welcome approaches from regional and other partners for joint working and joint management initiatives. |
| 10 | The Council will seek to reach and maintain Unearmarked Reserves at a level of at least 5% of Net Expenditure (i.e. £16.65m based on estimated net expenditure in 2024/25 of £333m). |
| 11 | Given the financial position of the Council and the need to maintain key statutory services the Council will seek to maximise receipts from Council Tax and optimise receipts from fees and charges and other income over the period of the MTFS. |
| 12 | Growth in service budgets must be funded from (a) grants or other contributions, (b) realistic estimates of commercial income or fees and charges or (c) revenue savings. Following the setting of the 2024/25 Budget there will be a general planning assumption that no other growth will be adopted into the Budget within the period of the MTFS unless under the most pressing circumstances. |
| 13 | Council will develop moving forward enhanced means of assessing and managing risks at both strategic and operational levels and these will be used to inform the annual Budget process. |
| 14 | The Council will seek to make Value for Money decisions and be mindful of its obligations to obtain best value for the 'public purse' generally. |
| 15 | The Council will consider invest to save proposals in preparing the MTFS generally. |
| 16 | In making decisions to buy goods and services the Council will be mindful of powers to seek social value in procurement and reduce the carbon impact of decisions to assist with Net Zero. |
| 17 | In forming its budget plans the Council will specifically consider and take action to meet existing savings targets and reduce the cost of property holding where the continued holding of property is not justified by the need; in doing so the Council will seek to reduce overheads and channel resources to frontline services. |
| 18 | The Council – as a general guideline – will seek to constrain its Debt Service Costs (including MRP) within 7% of its Net Revenue Budget. In 2024/25 the figure is predicted to be 6%. |

Financial Challenges: Governance & Decision Making

20. A full Budget Timetable appears at Annex 2 to this report. It must be noted that - following the Intervention already referred to - the Commissioners will in support of Cabinet - consider and receive the materials referred to below and will guide and advise the Council in fulfilment of their supporting role as part of the overall Improvement journey.
21. In summary, the following arrangements apply for decision making to set the 2024/25 Budget on 20 February 2024.
 - a. The Budget & Corporate Scrutiny Management Board held a Budget Enquiry and Review meeting to consider the Draft Budget proposals on 15 January 2024.
 - b. Cabinet to receive the recommendations from the Budget & Corporate Scrutiny Management Board at its meeting on 7 February 2024; and
 - c. Full Council to consider the setting of the 2024/25 Budget on 20 February 2024 following a decision of Cabinet to recommend the Draft Budget to Full Council.

Consultation & Engagement

22. The views of Sandwell's residents, businesses and communities are integral to the development of a MTFs that reflects the priorities of the Borough. A two phased approach to engagement and consultation has been devised to support the development of the 2024/25 Budget and the MTFP. This has been designed to align to the Council's Consultation Principles:
23. Consultation lies at the heart of effective public policy development and service to the public. It should be a first thought and not an afterthought.
24. Consultation should never be used to communicate decisions already taken, and the outcome of consultation should never be pre-determined.
25. Consultation should be inclusive. Whenever possible, it should involve all parties/groups, including our children and young people, who can contribute to or are affected by the outcome of the consultation.
26. Phase One consisted of a face-to-face public engagement exercise with a representative sample of residents in Summer 2023. Building on the budget consultation activity conducted in 2022, this survey offered the opportunity for residents to provide input on their local priorities and preferences for delivering further council savings going into the budget setting process for 2024/25. The results of this helped inform the development of options for future savings. Details on the methodology used and responses are included at Annex 4. At the same time, the Council also conducted the SHAPE survey with primary and secondary school age children across the Borough. This survey captured the experiences of children and young people in Sandwell and what matters to them.

27. Phase Two commenced following approval from Cabinet on 15 November 2023. From 15 November 2023. This phase involved consultation with residents, businesses and communities on a basket of savings proposals set out in the Cabinet report to address the projected shortfall at that time. These savings options were shared with focus groups which represented residents and communities across Sandwell, and their views sought on whether the Council should adopt these options and what impact they could have. The timing of this consultation period was scheduled to feed into the meetings of Cabinet and Full Council in February 2024 that will be asked to take decisions on the Budget for 2024/25.

The focus groups were held as follows:

| Focus Group | Date | In person / online | Number of Participants |
|--|-------------------------|--|------------------------|
| Residents | 21 and 27 November 2023 | Online (at preference of participants) | 9 |
| Children and Young People (SHAPE Forum) | 30 November | In person | 7 |
| Voluntary and Community Sector Organisations | 7 December 2023 | In Person | 9 |
| Business Ambassadors | 11 January 2024 | In Person | 13 |

28. The detailed methodology and responses to the focus groups can be found in Annex 4.

29. An online survey was also conducted during this period, open for responses from 20 November 2023 to 2 January 2024. Upon close of the survey, the council had received 416 responses in total. A breakdown of the demographic profile of respondents can be found in Annex 4.

30. Whilst the number of participants in the focus groups and online survey do not represent a statistically representative sample of Sandwell's, the comments made by the different groups provide a useful insight into the views of different communities across the borough. The following points are a summary of the consistent themes which arose in the focus groups and online survey:

- Residents and representatives of the business community who participated in this exercise were largely unaware of budget challenge facing the Council, but accepted savings needed to be made.
- Voluntary and Community Sector organisations were more aware than residents of the Council's financial position, and also recognised savings are required.
- Selling or renting out assets was supported as good way to make savings, as per the previous budget consultation activities. Communities expressed a preference for being more involved in determining the future of locally important or culturally significant assets.
- There was support for reducing the number of leisure centres in the borough, as long as easy access to centres was retained
- Increases in charges for businesses and development or where there is choice in using the service were supported, more so than increases in charges for services to vulnerable people
- Respondents would like to see events covering their costs rather than being subsidised

- by the council, as well as sponsorship by local businesses being explored
- There was strong support for improving efficiency of support services, use of Council fleet and focus on prevention and early intervention across all focus groups
- Green spaces in Sandwell are popular and valued – residents would like to see improvements in grounds maintenance, especially in parks and street cleansing
- Concerns shared that changes to waste management approaches will see an increase in littering, anti-social behaviour and fly tipping
- Support for savings from promoting independence and transformation of adult social care, providing care needs were met
- Respondents were keen that cuts across the board did not adversely affect residents who may be vulnerable, elderly or on low incomes
- There is a need to communicate more with residents on what changes will be made and the impact on residents.

Equality Impact Assessments

31. Where savings proposals related to a change of approach to service delivery in 2024/25, Service Leads have completed an Equality Impact Assessment screening assessment for each saving proposal to determine whether a full Equality Impact Assessment was required. The Equality Impact Assessment enables Service Leads to fully understand the risks and implications of removal, reduction, or a change in delivery. This has been undertaken in parallel to the consultation process.
32. A large proportion of savings for 2024/25 will be achieved through reduction in budgets that are no longer required to deliver services or increasing income targets in line with current levels achieved or based on reliable forecasts. Therefore, these proposals did not require a full Equality Impact Assessment.
33. Where a full Equality Impact Assessment has been undertaken, a small number of savings proposals have been identified as having a potentially negative impact on some protected groups. Where groups will be potentially negatively impacted, actions have been identified to mitigate the impact on residents and service users. These actions are documented in the Equality Impact Assessments and will be reviewed by services through existing governance processes.
34. There are a number of savings that may have an impact on the Council's staffing structures which will be subject to the Council's policies and procedures. As far as possible, these savings will be achieved through deletion of vacant posts. Until the consultation process is complete, the actual savings level or staffing impact cannot be confirmed. However, the savings proposals are still considered to be a prudent assessment of overall savings opportunities.
35. The outcome of the Equality Impact Assessments, alongside the findings of the consultation process, have been assessed and used to prepare final recommendations that are presented to Cabinet in February for approval.

The National Financial Background

36. The National economy is being driven by international economic events not least the impact of the war in Ukraine, ongoing issues with international supply chains and the ongoing impact of the Pandemic. One of the key issues that has emerged is the emergence of high levels of inflation in energy, food and other products and commodities which has caused very significant inflationary pressures in wholesale and retail markets across a range of goods and services; naturally these pressures have also related to increases in labour costs. The resulting inflationary pressure has not been seen in the

UK economy since the very high levels experienced during the late 1970's and early 1980's.

37. In recent years Local Government has received a much higher proportion of funding from local rather than national sources as has historically been the case. It follows that Government has inherited a position where it no longer has the appropriate levers or – following the support afforded to communities and businesses through and following the Pandemic and energy crisis – the resources to meet the inflationary pressure in the cost of service delivery.
38. The result is that much of the financial pressure has been left for local councils to manage and this has resulted and will continue to entail a need for largescale savings across the Local Government sector. That said, the savings currently required in this Council are currently forecast to be at the lower end of the savings envelope faced by some other local authorities.
39. On the back of these developments a 'cost of living' crisis has been described. This is something of which the Council is keenly aware. Accordingly, the Council will be invited subsequently in this budget approval process to maintain the Council Tax Support Scheme in Sandwell for 2024/25 without any downward adjustment to the level of support provided. There also needs to be an awareness that in the UK economy where inflation has been seen to rise beyond 6% per annum in the recent past, levels of Council Tax met by residents are likely to be have become less costly in real terms in recent years.

The Pandemic and ongoing Societal Changes

40. The ongoing impact of the Pandemic has resulted in a number of behavioural changes at a societal level which result in additional costs for local authority budgets. Examples nationally have included - but are not confined to - higher waste collection costs, pressure on the collection of commercial rents, changes in the demand for office accommodation associated with the emergence of 'working from home' as a 'new normal' and a consequential adverse impact on car parking income..
41. Although some of these effects are estimated to recover towards former levels in the medium term (particularly commercial rental income and car parking revenues) the evident financial pressures are expected to continue into the medium term. This is the case in Sandwell as for other councils.

General Budget Planning Assumptions

42. The following paragraphs set out a suite of headline planning assumptions which inform the construction of the MTFP; greater detail is presented in Annex 6.

Council Tax

43. As a response to the inflationary pressures in the economy the Government has in the Provisional Finance Settlement 2024/25 set the referendum threshold for Council Tax increases to an overall total of 2.99% and an additional Adult Social Care Precept of 2% for upper tier councils such as Sandwell.
44. The increase in Council Tax will be a decision of Council in each year moving forward but to do other than maximise potential increases would imperil the Council's ability to sustain statutory services at a reasonable level.

National Non-Domestic Rates (NNDR)

45. The Government has for some years been considering reform of the NNDR system amid concerns from the business sector that the Rate imposes an unwarranted burden on the commercial sector. To this point no firm proposals have been brought forward by Government and so the MTFP uses the existing methodology to forecast the yield in the forward period of the Plan.
46. In addition, for Sandwell, the proposed Devolution Deal negotiated between the West Midlands Combined Authority and Government envisages maintenance of the existing NNDR pooling arrangements in the West Midlands to which the Council presently belongs for a further 10 years. These arrangements are expected to be to the advantage of the Council.

The Capital Programme

47. Services have undertaken a detailed review of the Capital Programme previously agreed by Council in February 2023 and this has been supplemented by new schemes requested by services. The overall level of programming requested to meet service priorities - where these require support from the Council - have been accommodated within the available revenue funding available. Further information appears in the Capital Programme reports (Appendices E, G and H to the Draft Budget report 2024/25).

The Capital Planning Principles

48. As previously agreed by Council in preparing the Capital Programme for 2024/25 (and looking forward generally within the period of this MTFS) the following *Capital Planning Principles* have been used in forming the Capital Programme which will be presented to Full Council for approval. In future, proposals that do not fall within these 'Capital Principles' will not – except in conditions of compelling exigency - be included within the Draft Capital Programme for the General Fund or the Housing Revenue Account.
 - a. Items of programming that relate to essential health and safety works and deliver compliance to the regulations within in the Council's property estate.
 - b. Items of programming that have a measurable beneficial impact on the carbon footprint of the Council and the Borough and which have affordable cost implications.
 - c. Essential investment in Information & Communications Technology (both hardware and software) to ensure that the Council has fit for purpose and secure tools and infrastructure to support operations generally and transformational programmes where there are suitable business cases to support such investment.
 - d. Items where - following provision of external grant support (principally from Government, Government Agencies or the West Midlands Combined Authority) - specific resources are provided to the Council by to complete or partially complete certain specified schemes that support the Council's objectives or wider regional ambitions such that match funding is required. Such match funding must be affordable to the Council and decisions made must demonstrate the Council's duty to achieve VFM in the decisions made.

- e. Any schemes that can be shown to be wholly funded from external resources (e.g. Government Grants, external contributions) without implying additional cost burdens for the Council.
 - f. Where proposals are estimated to return a measurable revenue saving; for example, leasing of the Council's commercial property portfolio which may require modest upfront capital investment and which then return a beneficial income stream to the revenue budget.
 - g. Schemes for which there may be a perception of compelling need but where such schemes are wholly dependent on Council funding. In these cases, a rigorous business case must be prepared which demonstrates that additional cost pressures can be assuaged by alternative savings or removal of capital programming. This approach will ensure that the Council seeks to enhance the approaches already in play in forming the Council's Capital Programme in the years ahead.
49. For the avoidance of doubt, on grounds of affordability there will be no other new borrowing for capital purposes in the General Fund during the period of the MTFs.

Reserves

50. In previous years the Council has sometimes used significant contributions from Reserves to support service delivery. In taking this approach the Council – as has happened in certain other local authorities – may face the future prospect of compromising its ability to manage strategic risks at some future point. Accordingly, unless in case of grave exigency, or in respect of use of reserves that has been previously planned, the Draft Budget 2024/25 has reduced to less than £0.5m the call on reserves to achieve balance in that year.

Fees & Charges

51. In line with Guiding Principle (1) the Council's portfolio of Fees and Charges has been updated using a figure of 5% unless charges are specified by Government or there are other relevant constraints. In a small number of cases charges have been raised beyond this adjustment factor. The detail appears at Annex 12 to this report.

Debt Service in the General Fund

52. The Council's General Fund holds a current debt portfolio of £123m for which the annual debt service costs are currently estimated at c. £15m per annum which represents less than 4.7% of the Net Budget in 2023/24. In 2024/25 the forecast figure is c. 6%. The fact that this percentage is relatively modest compared with similar authorities is a significant factor in the budget shortfall in Sandwell being lower compared with such authorities. The position with regard to the Housing Revenue Account is discussed within the separate HRA Budget Report 2024/25 which appears at Appendix F to the report setting the Draft Budget 2024/25.

The Finance Settlement 2024/25: Key Points

53. The Provisional Local Government Finance Settlement for 2024/25 was received on 18 December 2023 and the Final Finance Settlement was published on 5 February 2024.

The Council's forecasts with regard to the content of the Settlement proved to be remarkably accurate.

54. The key points of briefing in relation to the Settlement and matters arising are:

- a. New Homes Bonus: Government has been considering reform or phasing out of New Homes Bonus for some years but for 2024/25 has resolved to continue the existing methodology for a further year. The amount received is £0.776m compared to £0.111m in the current year which reflects the construction activity in the Borough presently.
- b. Controls on use of packaging and waste volumes – the Government is planning to establish a system where the producers of packaging waste are charged a levy related to the waste volumes that result such that the proceeds - net of regulatory costs - are passed on to local Councils. The Government has deferred implementation until 2025/26.
- c. Planning Fees – as announced in the Autumn Statement Government has re-set planning fees which is expected to provide a benefit of £250,000 to the Council in 2024/25.
- d. Council Tax: Government has confirmed is that the referendum limit for Council Tax will increase by 2.99% in 2024/25 and as is standard across the Local Government sector this is the present planning assumption throughout the term of the MTFP.
- e. The Collection Fund in respect of Council Tax is currently estimated to be in deficit at end of 2023/24 and a charge to the General Fund of £0.5m has been included in the current MTFP to account for this.
- f. The Adult Social Care Precept – contrary of expectations within the sector – has once again been made available to Councils at the level of 2% in 2024/25.
- g. The NNDR Pool - it has been clarified that the Council will continue to be a member of the West Midlands Business Rates Pool in 2024/25 and for the 9 years following under the auspices of the Devolution Deal negotiated by the WMCA.
- h. The Provisional Social Care Grants allocation saw increases locally and nationally with the Social Care Grant increasing to £42.8m for Sandwell, being an increase of £7.0m (nationally allocation of £4.5bn being a £692m increase); the Adult Social Care Discharge Fund increasing by £2.1m to £5.4m (national increase of £200m to take total allocation to £500m); and the Adult Social Care Market Sustainability Improvement Fund increasing by £3.8m resulting in Sandwell's grant being £8.1m for 2024/25 (the national allocation was £1.05bn). The Final Settlement included the additional £500m of national funding as announced on 24th January 2024. This resulted in an additional £3.849m being made available to Sandwell.

Other Planning Assumptions

55. Further planning assumptions made in the Medium Term Financial Plan appear at Annex 6.

Budget Savings

56. The Council has assembled a list of savings opportunities to the value of £18m and has undertaken consultation and engagement on these; as a result of this process savings of

c. £12m are recommended for implementation and these are set out in Annex 5 of the MTFS.

Delivery of Savings in 2023/24

57. A review of savings has been undertaken to assess whether the targeted savings were delivered in 2022/23 and 2023/24 as planned. Should this not have been the case, the additional cost this implies would remain within the forward years of the MTFP as a pressure. At the present time there is evidence to suggest that the great majority of savings for 2023/24 are set to be delivered by the end of the year or are capable of delivery in the near future.

Flexible Use of Capital Receipts

58. The Council will wish to make use of the facility - if offered by Government - to use capital receipts to fund revenue expenditure incurred to further business change and transformation. For this reason, a draft plan has been produced and included at Annex 11 to this report, following which – after further amendment - the plan will be shared with the Government Department (DLUHC) as required in recent guidance from Government.

Property

59. The holding and management of property assets is a significant activity for the Council and as previously described in this report work is proceeding on a number of strands to form a transformation programme in this service area. The principal components are considered to be:
- a. Operation of the Corporate Landlord model which is expected to drive efficiency by unified management of all property assets within the Council; this to release revenue savings in the cost of management of these assets and also to reduce significantly the property holding costs in the revenue budget.
 - b. The Council holds some 4,000 property assets including buildings and parcels of land of various kinds. This includes a number of properties for which the Council has no economic use and which drive a cost stream including maintenance, security, business rates and others which can only be assuaged through the disposal of the surplus property. This is complicit with the need to deliver savings targets already agreed by Council in setting the budget for the current financial year (2023/24) and for which delivery needs to continue.

The Medium Term Financial Plan (MTFP)

60. The Council's MTFP (MTFS Autumn 2023/24), is shown in Table 1. The MTFP is the product of (i) detailed technical analysis (ii) detailed discussion with the Directorates and their respective management teams regarding the pressures identified and (iii) further engagement to assist the Directorates to identify savings to bridge the Budget shortfall identified.

61. The full detail of the MTFP is shown in Annex 7 and the movements between the original figures and those now presented are shown in Annex 8.

Table 1: Medium Term Financial Plan 2024/25 to 2028/29

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|-----------|-----------|-----------|-----------|-----------|
| | £m | £m | £m | £m | £m |
| Opening Net Budget | 317.103 | 351.996 | 370.954 | 386.220 | 400.338 |
| Budget pressures and technical adjustments | 52.661 | 18.958 | 15.266 | 14.118 | 13.899 |
| Changes in government funding within services | (17.768) | - | - | - | - |
| Revised Net Budget | 351.996 | 370.954 | 386.220 | 400.338 | 414.237 |
| Funding | (333.008) | (340.530) | (350.942) | (361.725) | (372.894) |
| Net Deficit before savings | 18.988 | 30.424 | 35.278 | 38.613 | 41.343 |
| Savings Proposals | (11.988) | (17.924) | (19.570) | (19.570) | (19.570) |
| Other short term reductions | (7.000) | - | - | - | - |
| Net Budget (Surplus)/ Deficit | - | 12.500 | 15.708 | 19.043 | 21.773 |

The MTFS & MTFP: Governance & Reporting

62. The MTFP will continue to be updated on a rolling basis from this point forward and will be reported periodically to Cabinet, Scrutiny Management Boards, Full Council, and the Commissioners. This will enable stakeholders to receive regular briefing on observed changes to the forecasts that are from time to time observed.

Risk Assessment & Management

63. The Council has a need to develop structured arrangements to manage risk with regard to strategic and operational dimensions of its operations. The principal risks associated with maintenance of the Council's services within the financial constraints identified in the MTFS and associated MTFP together with headline mitigations are set out in Annex 9.

Summary

64. This document has set out the MTFS and the embedded MTFP and the acceptance and application of these documents can be summarised as follows:

- a. The Council has identified a set of Guiding Principles which will assist in shaping responses to future revenue budget shortfalls.
- b. The Council is aware of the challenging financial pressures that bear on the 2024/25 Budget and beyond and has understood the issues that this presents.
- c. The Council has taken effective action to identify a portfolio of potential savings opportunities in the order of £18m which may be considered in order to balance the 2024/25 Budget shortfall of which £11.988m ongoing savings are recommended to be taken to balance the Draft Budget 2024/25 together with temporary short term reductions of £7m.

- d. It will be key across the years of the MTFS for the Council to maximise funding streams including Council Tax and this should continue – as in previous years – to inform planning assumptions in the MTFS and MTFP.
- e. MTFP Planning assumptions will continue to be refined and reviewed on an ongoing basis; accordingly, the figures contained in this report will continue to change in the Medium term as the forecasts are updated.
- f. The Council has also identified *Capital Planning Principles* to inform capital planning moving forward and has acknowledged a need to review its capital programme methodology in the period ahead.

Recommendations

65. It is recommended that Cabinet.

- a. Approve the MTFS and embedded MTFP as an estimate of the Council's current financial position at January 2024.
- b. Approve the Guiding Principles as framework for financial planning for the period of the MTFS.
- c. Approve the Capital Planning Principles to guide the preparation of the Capital Programme in the years ahead.
- d. Note the planned development of the Transformation Programme to date and through 2024/25 and endorses the extension of the transformational approach to other services of the Council.
- e. Note the Budget Timetable set out in this report.
- f. Approve the submission to DLUHC of a proposal to use flexible use of capital receipts in financial year 2024/25 and to delegate the amendment and final approval of this proposal to the Portfolio Holder for Finance and Interim Director of Finance together with the Assistant Chief Executive.
- g. Approve the onward submission of the Winter 2024 update of the MTFS to the next meeting of Full Council.
- h. Approve the adjustments to fee and charges as set out in Annex 12.
- i. Approve the savings proposals set out at Annex 5.

The Role of Commissioners

On 22 March 2022 the Secretary of State for Levelling Up, Housing and Communities announced an [intervention package](#) and a set of [Directions](#) to ensure Sandwell Council was able to comply with its best value duty under Part 1 of the Local Government Act 1999. These Directions were in-part influenced by the Grant Thornton report following their [Value for Money Governance Review of December 2021](#). The Directions remain in force until 22 March 2024 unless amended by the Secretary of State.

In response to the Directions, the council developed a single [Improvement Plan](#) that combined the actions to address not only the Grant Thornton Review, but also the findings of the [CIPFA Financial Management Review \(January 2022\)](#) and the [LGA Corporate Peer Challenge \(February 2022\)](#). Robust programme management and assurance arrangements are in place to manage the delivery of the Improvement Plan and ensure that it remains a live document. A [revised Improvement Plan](#) was approved by Cabinet in March 2023 to incorporate recommendations from follow-up reviews by [Grant Thornton](#) and the [LGA](#). An [Annual Report](#) was approved by Cabinet in June 2023, setting out the council's improvement journey over the preceding 12 months and the priorities for further improvement during the intervention period.

The Directions of the Secretary of State (March 2022) enable the Commissioners to exercise the following functions:

1. All functions associated with the governance and scrutiny of strategic decision making by the Authority.
2. All functions relating to the appointment and dismissal of persons to positions the holders of which are to be designated as statutory officers, and the designation of those persons as statutory officers, to include:
 - a. The functions of designating a person as a statutory officer and removing a person from a statutory office.
 - b. The functions under section 112 of the Local Government Act 1972 of:
 - i. appointing and determining the terms and conditions of employment of an officer of the Authority, insofar as those functions are exercised for the purpose of appointing a person as an officer of the Authority principally in order for that person to be designated as a statutory officer; and
 - ii. dismissing any person who has been designated as a statutory officer from his or her position as an officer of the Authority

The Commissioners submit a report to the Secretary of State every six months on Sandwell Council's progress in addressing the issues that led to government intervention. In their [letter of June 2023](#), the Commissioners noted that they had seen "*significant progress on the single improvement plan*" since their last report, and that "*substantial progress has also been achieved on nearly all*" of the priorities highlighted in their previous report. In the same letter, the Commissioners stated that they believed the council needed to give particular focus to the following four areas:

1. Developing the strategic capacity of the organisation.
2. Further work on implementation of the culture and values work.
3. A comprehensive transformation programme linked to delivering the Council's MTFs.
4. The 2020/21 accounts approved by auditors and a clear timetable for the approval of the 2021/22 accounts.

The Budget Timetable for 2024/25 Budget

| Timeline | Activity | Status |
|--------------------------|---|--|
| August '23 | Budget Consultation feedback received; Star Chambers conducted | Completed |
| Early October '23 | Business case development and review | Completed |
| 15 November '23 | Autumn 2023 MTFS report to Cabinet and commencement of next phase consultation | Completed |
| Nov 2023 –Jan '24 | Consultation period on savings opportunities to include residents, businesses and communities. | Completed |
| January 2024 | Budget & Corporate Scrutiny Management Board to consider Draft Budget 2024/25 | <i>Completed</i> |
| February 2024 | Cabinet to receive recommendations from B&CSMB and to approve Draft Budget 2024/25 for submission to Full Council | <i>Cabinet scheduled for 7 February and Full Council for 20 February 2024.</i> |

Sandwell Council Budget Survey report

Key Findings Report July 2023



Research objectives and method



In June and early July 2023 M·E·L Research interviewed a randomly selected sample of 1,100 Sandwell residents.

Following last year's budget consultation, in which residents stated that rationalising buildings and assets would be the preferred method to achieve required savings, Sandwell Council set itself savings targets and examined ways to reduce running costs.

This survey offered the opportunity for residents to provide input on their local priorities, and preferences for delivering further council savings going into the budget setting process for 2024/25.



A stratified random locational sampling approach was used. In each ward, Census Output Areas (COAs) were ranked by the Index of Multiple Deprivation (IMD). COAs were then selected at random as sampling points. The number of sampling points selected was proportional to the interviewing target for each ward. All addresses for each COA sampling point were made available to interviewers, with a target of 10 interviews set per sampling point.

At ward level quotas were set by age and gender to ensure that the sample reflected the characteristics of the borough's population. Quotas were set using Census 2021 data.

Spatial Analysis

The sample size of this research does not allow robust analysis at ward level. In order to analyse the data at a more statistically robust geographies, wards have been grouped into towns. These towns, as defined by the table on the right, will be used throughout the analysis.

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Towns and Wards in Sandwell



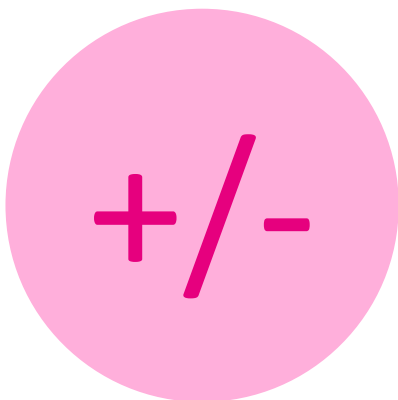
Contains Ordnance Survey data. © Crown copyright and database right 2018.

| Town | Ward |
|---------------|----------------------------|
| Oldbury | Bristnall |
| | Langley |
| | Old Warley |
| | Oldbury |
| Rowley Regis | Blackheath |
| | Cradley Heath and Old Hill |
| | Tividale |
| Smethwick | Rowley |
| | Abbey |
| | Smethwick |
| | Soho and Victoria |
| Tipton | St Pauls |
| | Great Bridge |
| | Tipton Green |
| | Princes End |
| Wednesbury | Friar Park |
| | Wednesbury North |
| | Wednesbury South |
| West Bromwich | West Bromwich Central |
| | Hateley Heath |
| | Greets Green and Lyng |
| | Newton |
| | Great Barr with Yew Tree |
| | Charlemont with Grove Vale |

Data weighting and confidence level



In total 1100 interviews were completed. While the application of quotas at ward level ensured a diverse mix of residents were interviewed, the final dataset was weighted. This weighting eliminated the effect of differential response rates by geography and between demographic groups so that the resulting data is fully representative of the borough. The final data has been weighted by ward, age and gender, using 2021 Census population data.



The sample size of 1,100 means that this dataset has a maximum confidence level of +/- 2.95 at the borough level (at a 95% level of confidence). This means that we can say with 95% confidence that the responses reported will be no more than 2.95 percentage-points different than if all residents of the borough were interviewed.

Sub-group analysis i.e., comparing responses from particular resident groups or from specific locations within the borough will have higher confidence intervals.

Note on analysis of priorities

- A number of questions within the research design asked respondents to rank priority issues or to place possible council strategies in rank order. In our analysis we have shown the top three choices selected, plus a mean score across the rankings given.
- For the latter the first choice has been given the highest score. So from a list of 5 choices the first choice has a score of 5, the second a score of 4 and so on, with a mean score calculated for each issue/proposal.
- The higher the mean score the greater the public support for that option.
- Please note that because for certain strategic themes a different number of options were presented to respondents (between 4-6) the mean a scores per question/topic should not be compared.



Budget priorities



Contextual information given to respondents

In last year's budget consultation residents said their preferred way for us to achieve the required savings was to rationalise our buildings and assets, we have taken this on board and set a target saving in 2023/24 to look at ways we can reduce the running costs of the buildings that we currently operate from. This includes sharing our space with partners to generate more income and looking at running services from fewer buildings, especially where we have multiple buildings close together.

The Council is facing similar pressure to residents from inflation and rising costs. The cost of living crisis is also creating more demand for some council services. This means that difficult decisions need to be made when the Council sets its budget.

We have identified and delivering savings of over £30m in the last two years and our current Medium Term Financial Plan shows that further savings of around £8m will be needed for next year.

The Council spends around £318m on our day-to-day services, such as refuse collections, street cleansing, providing libraries and leisure centres and our adult and children's social care services. We must meet all our legal requirements but can make choices in how we deliver some of these services.

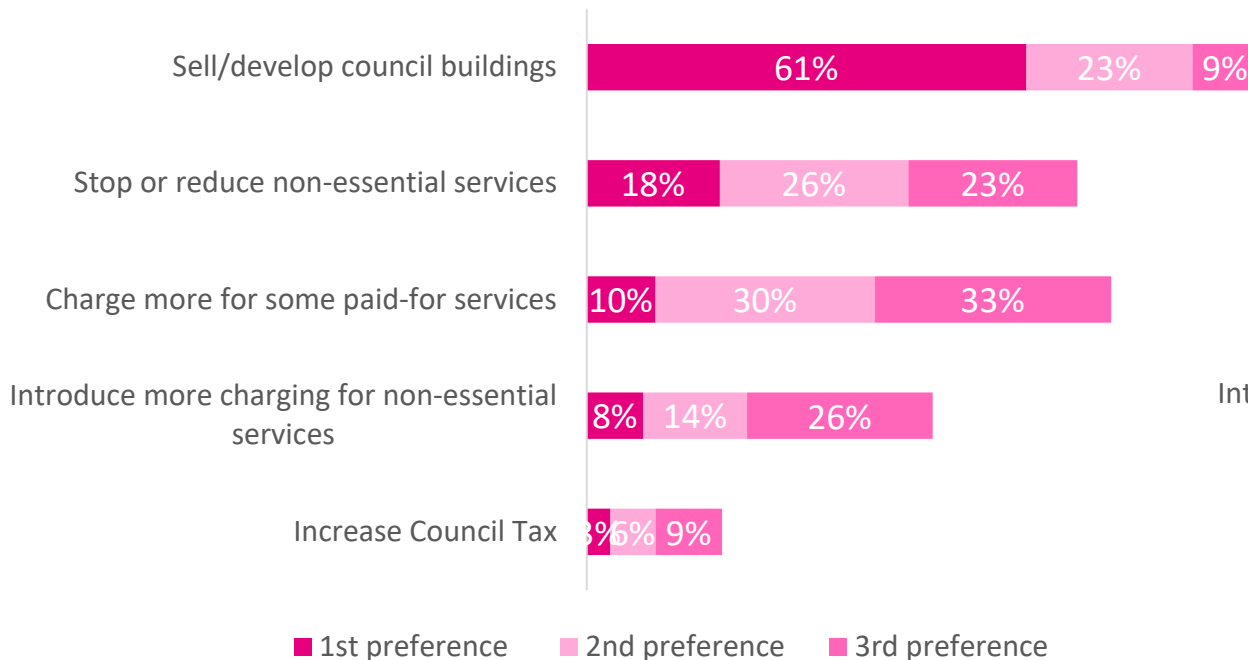


Preferred approach for delivering the Council savings needed

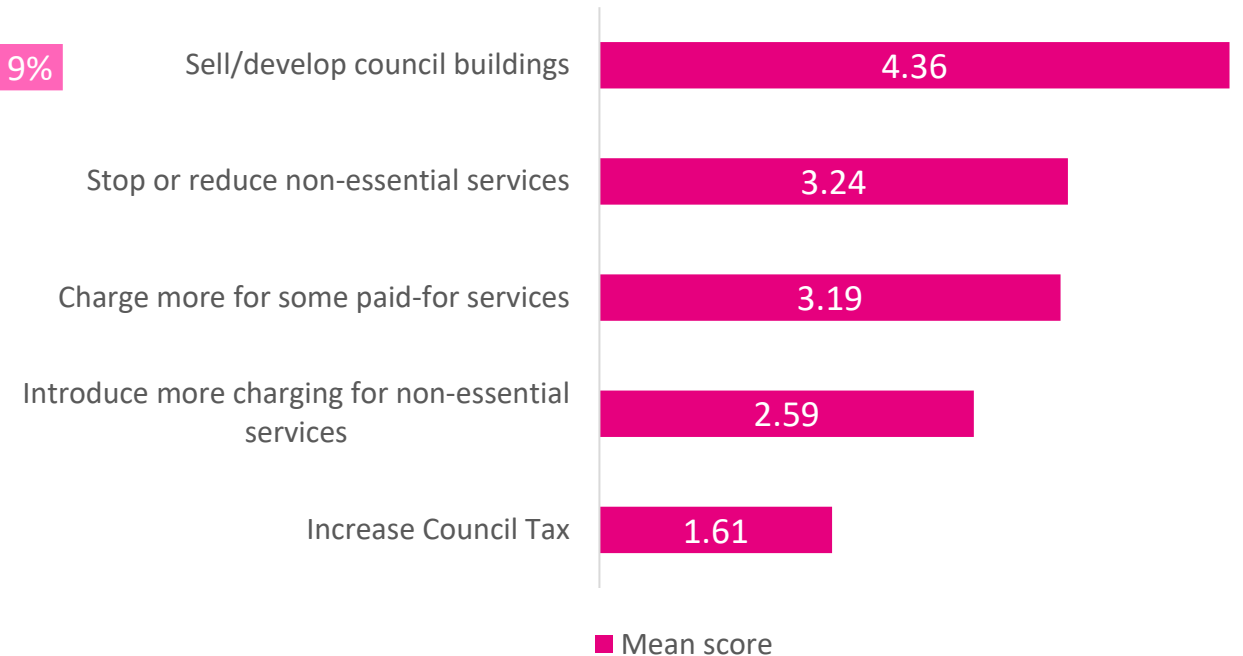
Selling or developing council buildings is the most preferred method of achieving Council savings goals rather than making changes to services or their cost at point of use. Increasing Council Tax, the option that would most directly affect residents financially is the least commonly favoured option.

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Top 3 choices



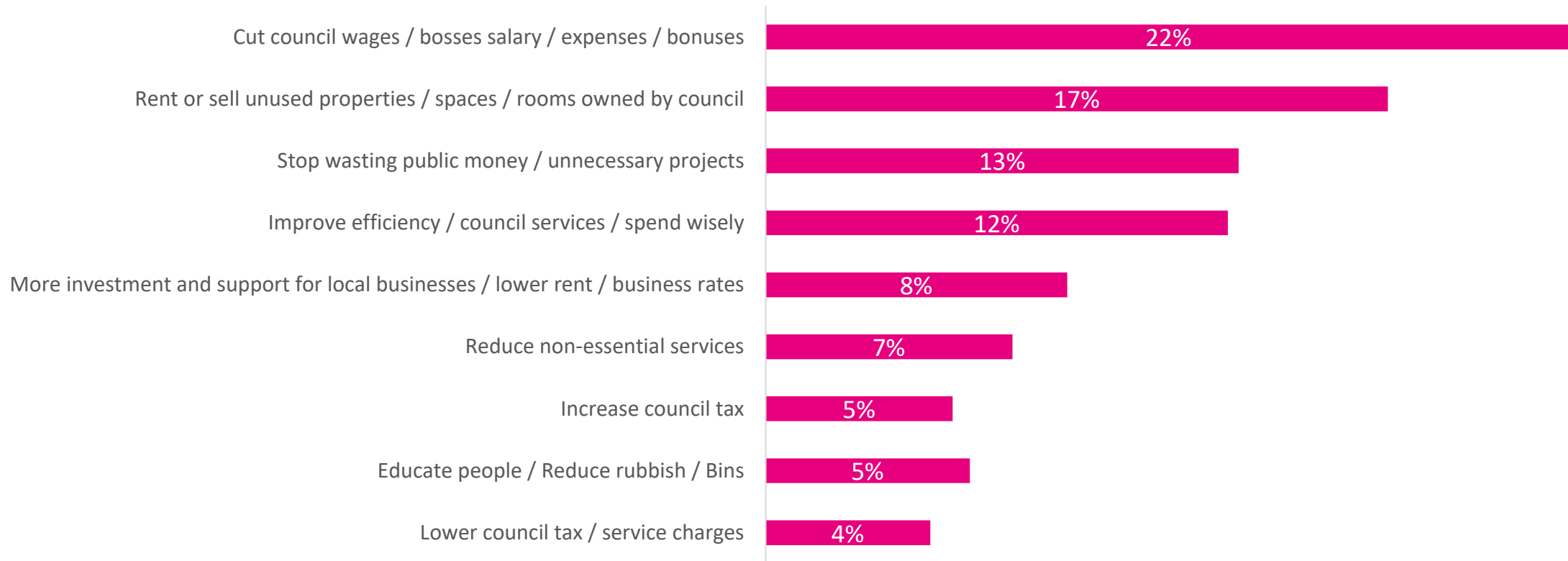
Mean score of choices



Suggested approaches for delivering the Council savings needed

Of the 120 residents who provided alternative suggestions as to how budget savings can be achieved, 22% suggested cutting wages of council workers, including reducing bonuses and expenses. 17% proposed renting or selling unused properties and spaces which go unused by the council and 13% suggested the council should be more stringent when deciding which projects to fund.

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Q1b. Are there any other things that you think the Council can do to make savings?
Unweighted sample base: 120

Responses given by 3% or less of the sample not shown

All residents were presented with the Council's six strategic outcomes and were asked to consider how important these are to them...

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Our Strategic Outcomes



THE BEST START IN LIFE FOR CHILDREN AND YOUNG PEOPLE



PEOPLE LIVE WELL AND AGE WELL



STRONG RESILIENT COMMUNITIES



QUALITY HOMES IN THRIVING NEIGHBOURHOODS



A STRONG AND INCLUSIVE ECONOMY



A CONNECTED AND ACCESSIBLE SANDWELL



ONE COUNCIL ONE TEAM

Priorities when considering strategic outcomes

The best start in life for Children and Young People (Theme 1) is the strategic priority most commonly selected as important by residents (34%), followed by strong, resilient communities. Theme 1 is significantly more likely to be chosen by those aged 18 – 34 (44%), those who are struggling financially (35%) and women (38%). The best start in life is however less likely to be a top priority for those 55 -74 (26%) and 75+ (12%). These older age groups are significantly more likely to select Theme 2, People Living and Aging well as a top priority (26% and 48% respectively).



Residents' priorities for Sandwell: detailed analysis

- **Theme 1: The Best Start in Life for Children and Young People** – this theme is most likely to be selected by those aged 18-34 (44%), females (38%), and residents who are economically active (38%) This could be a reflection of these demographics being the most likely to be those who have young families. There is evidence of this within the explanations residents gave for their choices (examples in the next slide). Residents living in Tipton are significant less likely to prioritise Theme 1 (25% cf. 34%), along with older residents (55-74: 26%; 75+: 12%).
- **Theme 2: People Living Well and Aging Well** – This theme appears to be a more prominent priority in Wednesbury (26%) and among those who are economically inactive (perhaps as a result of being retired – 24%) and understandably, those aged 55-74 (26%) and 75+ (48%). Young people (18-34: 11%; 35-54: 12%) are less likely to prioritise spending in this area, along with those who are financially struggling (14%). Those who prioritised this theme, cited relevance to them as an ageing person as their primary reason for doing so, along with there being an ageing population in their area.

"I'm from that age group"
Theme 2

"I HAVE A CHILD AND SUPPORT SHOULD BE PROVIDED TO HELP GET A GOOD START IN LIFE"
Theme 1

"I have children my own and it's good for our area"
Theme 1

"They should look after the younger generation and for this community too"
Theme 1

"Older generation needs some help and support"
Theme 2

"A lot of cut backs older people need company and somewhere to go and beat loneliness for their own mental health"
Theme 2

"It's good for the health of this community"
Theme 2

"They need a good start especially if they are coming from a different background"
Theme 1

"Young people are the future of this country"
Theme 1

"People are not living well because of the cost of living crisis"
Theme 2

“We have some safety issues, so they should concentrate more for safety and security in this area”
Theme 3

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“All are important but safety is more I don't want to be scared in my area”
Theme 3

“There are poor condition of homes currently and need new improved homes”
Theme 4

“Affordable housing is important for this borough”
Theme 4

“The streets were clean and safe years ago they are not anymore and people get mugged”
Theme 3

“They need to spend on the safety and security of this area”
Theme 3

“Safe place leads to safe place for kids, infrastructures will follow”
Theme 3

“We never have had quality homes”
Theme 4

“We need affordable and quality housing services”
Theme 4

“Everything starts at home and having a good home”
Theme 4

“Safe and clean living environment is very important for everyone”
Theme 3

“It's important to feel happy safe and comfortable where we live”
Theme 3

Residents' priorities for Sandwell: detailed analysis

- **Theme 3: Strong, Resilient Communities – A safe, clean and green place to live** – This theme is significantly more likely to be selected as a priority by residents in Tipton (31%) and Smethwick (29%), more so than the overall and the other towns. Those in Rowley Regis are significantly less likely to prioritise Theme 3, (16%). Amongst tenure types, there is little significant variation in the priority given to this theme. The theme is also prioritised by a similar proportion of each age cohort.
- **Theme 4: Quality Homes in Thriving Neighbourhoods** – Theme 4 is the lowest priority theme for residents of Sandwell (7% selected this). Residents in Wednesbury are more likely to consider Quality Homes and Neighbourhoods a priority than residents of other areas (9%), though not significantly so. Residents in Oldbury are the least likely to indicate that Theme 4 is the most important to them.

Residents' priorities for Sandwell: detailed analysis

- **Theme 5: A Connected and Accessible Sandwell – good quality public transport and road networks. Good internet connectivity for residents and businesses** – There is no significant variation between towns in the proportion of residents who prioritise this theme, with between 6% and 8% selecting it as the most important to them. Selection of this theme was done consistently by age.
- **Theme 6: A strong and Inclusive Economy– spending money locally to grow the local economy -** Residents aged 35 -54 are significantly more likely than the survey average (16% cf. 11%) to value a strong and inclusive economy. Male residents are significantly more likely than women (14% cf. 9%) to rate a strong and inclusive as important to them. Perhaps surprisingly, those who are concerned about the cost of living crisis are significantly less likely to consider the economy as the most important theme, as mentioned, prioritising instead giving children and young people the best start in life.

“We need a good network routes”
Theme 5

“Good quality public transport will enable people to get around without congestion and associated air pollution”
Theme 5

“The way the economy is at the moment something needs to be done”
Theme 6

“Continuous growth if we haven't got that how are we going to live”
Theme 6

“It will benefit everyone locally”
Theme 6

“Good road network is very important for a better economy”
Theme 5

“It means we are able to our of Sandwell for work and education more easily”
Theme 5

“Mainly because the community will be a better place”
Theme 5

“We can build a strong economy it's going to help children”
Theme 6

“Money will stay in this area and can use for the local community”
Theme 6

“Encourages people to invest and look after property”
Theme 6

“We need a better condition of roads and a bigger network of buses”
Theme 5

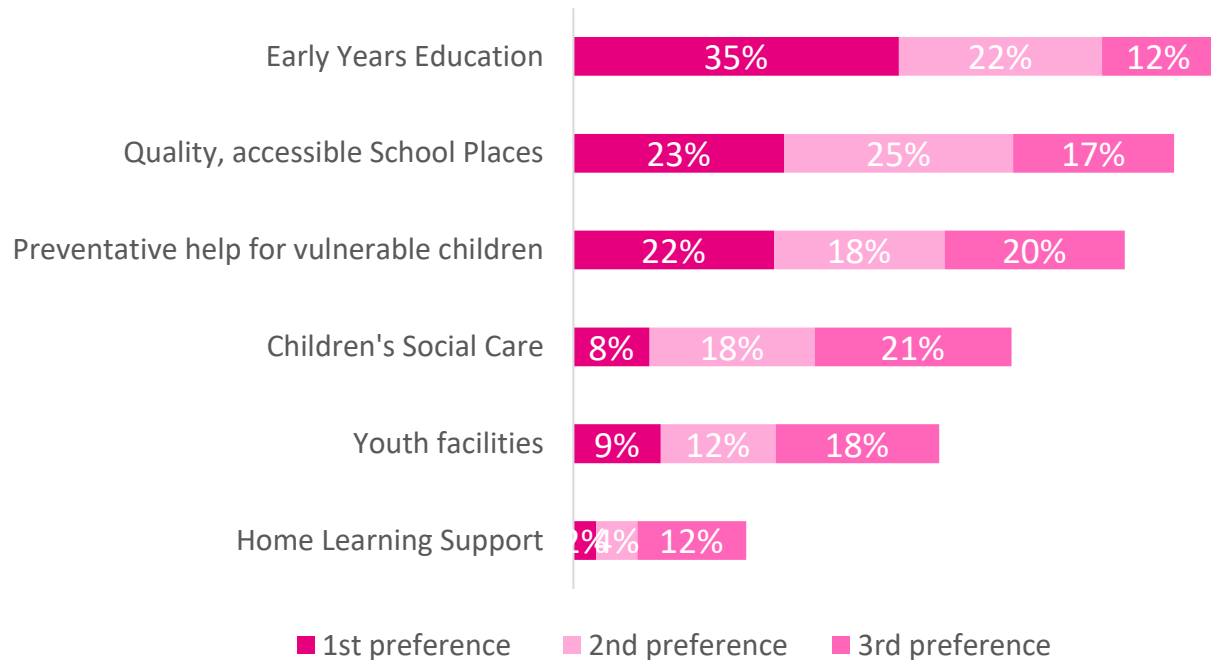
Theme 1: The best start in life for children and young people



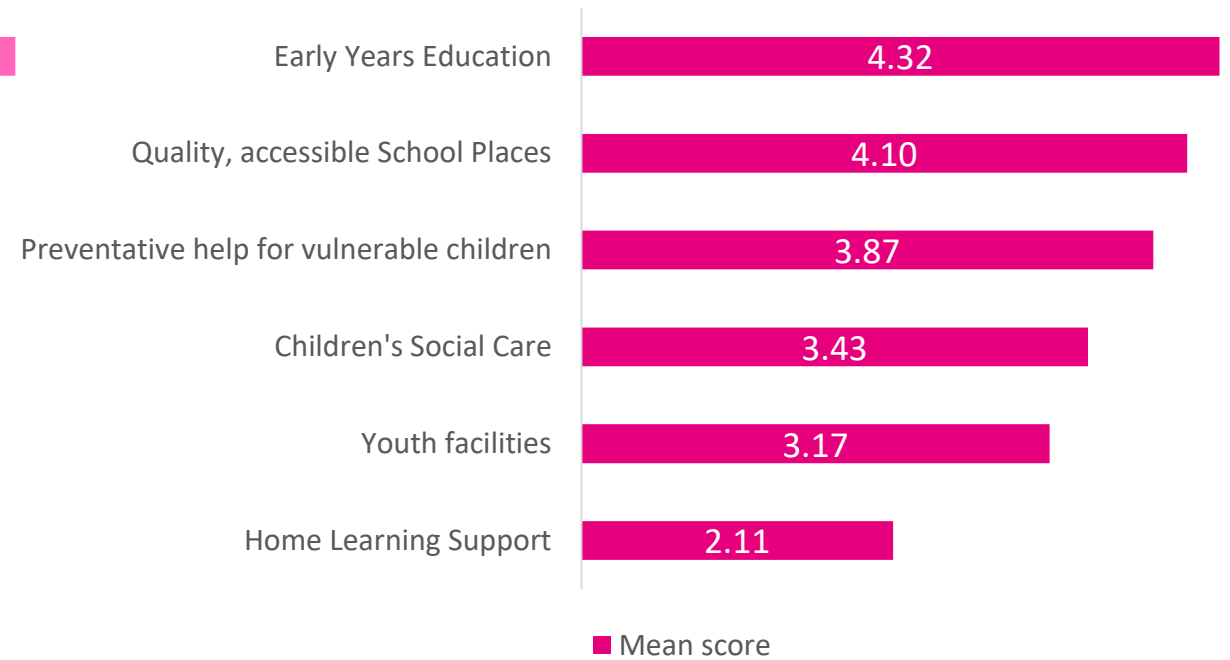
Priorities within Theme 1: the best start in life for children and young people

All residents were asked for their top priorities within each strategic theme, regardless of which theme they considered to be most important. Within Theme 1, early years education (4.32), quality and accessible school places (4.10) and preventative help for vulnerable children (3.87) are the service areas most commonly favoured. Home learning support was least commonly chosen as a priority by residents.

Top 3 choices



Mean score of choices



Theme 1: The best start in life for children and young people – notable variations in opinion

Looking specifically at those who earlier selected Theme 1 as most important, this group are even more likely than the total sample to rank early years education as their 1st priority (41% cf. 35%). Otherwise, the Theme 1 priorities among this sub-group of residents is similar to the overall sample, with home learning support least commonly prioritised along with youth facilities.



Those aged **18 to 34** are significantly more likely than the total sample to select early years education as their top priority (44% cf. 35%). This age group are also more likely than the overall to prioritise home learning support, though this is still their lowest priority.



Early years education is consistently the first choice in residents living in all five towns. However, beneath this there is slightly stronger support for quality and accessible school places being the top priority within Smethwick and Tipton.

Theme 2: people live well and age well

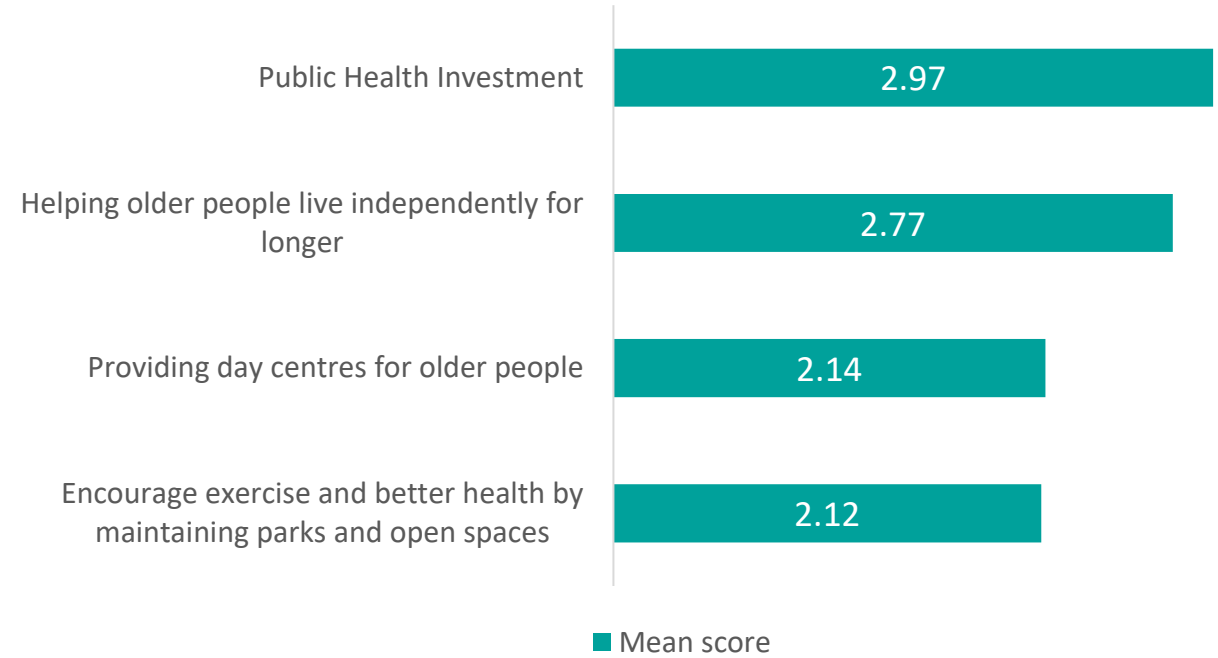
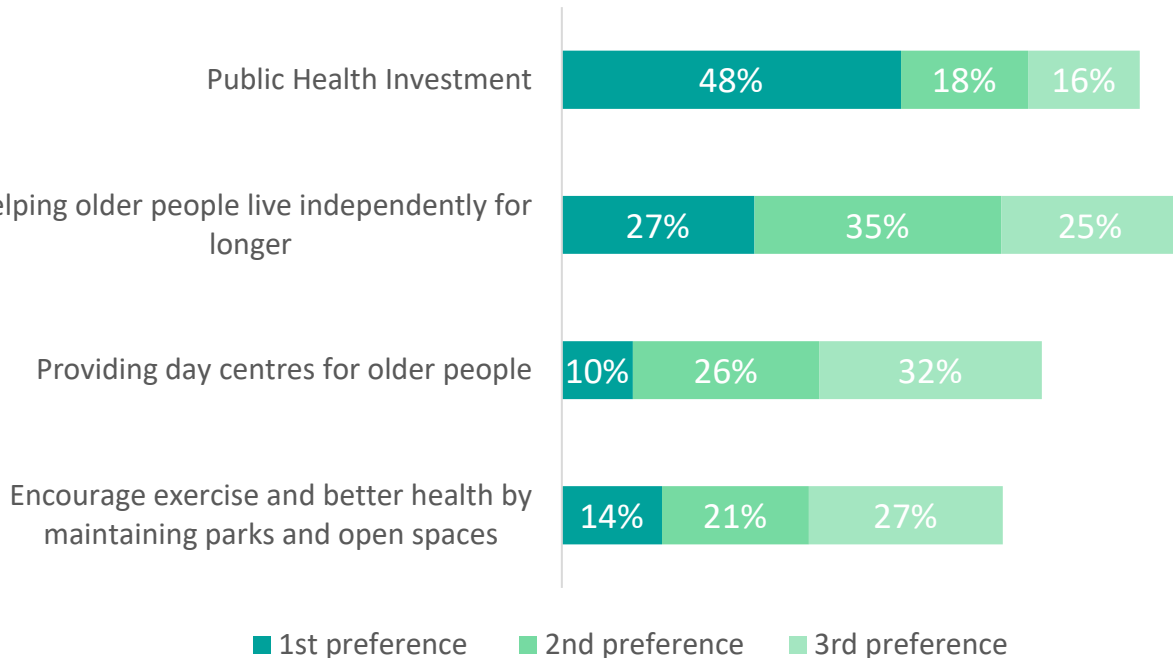


Priorities within Theme 2: people live well and age well

When asked for their priorities within Theme 2, residents most commonly chose Public Health Investment in their top 3, followed by helping older people to live independently for longer and providing day centres for elderly people. Public Health Investment is almost twice as likely to be chosen as a top priority than helping older people live independently for longer (48% and 27% respectively). Encouraging exercise and better health via parks and open spaces is the lowest priority for residents, with only 14% considering this the top priority.

Top 3 choices

Mean score of choices



Theme 2: People Live Well and Age Well – notable variations in opinion

While public health investment has the most support overall within this Theme, among residents who consider **helping residents to live and age well as the most important theme**, the top priority based on mean is 'helping older people to live independently' (2.95). 35% of this group consider this as the top priority, significantly higher than the overall population (27%).



Younger residents are significantly more likely than older residents to prioritise public health investment (18 – 34: 3.27; 75+: 2.57). Older residents are more likely to support budget spending on helping older people to live independently ahead of public health investment. Men and women prioritise the options similarly, with the exception of men being significantly less likely than women to prioritise providing day centres for elderly people (men: 2.09, women: 2.20).



Residents in **Smethwick** have slightly different priorities to the overall, considering encouraging exercise as a higher priority than providing day centres (2.39 compared to 2.12 in the overall).

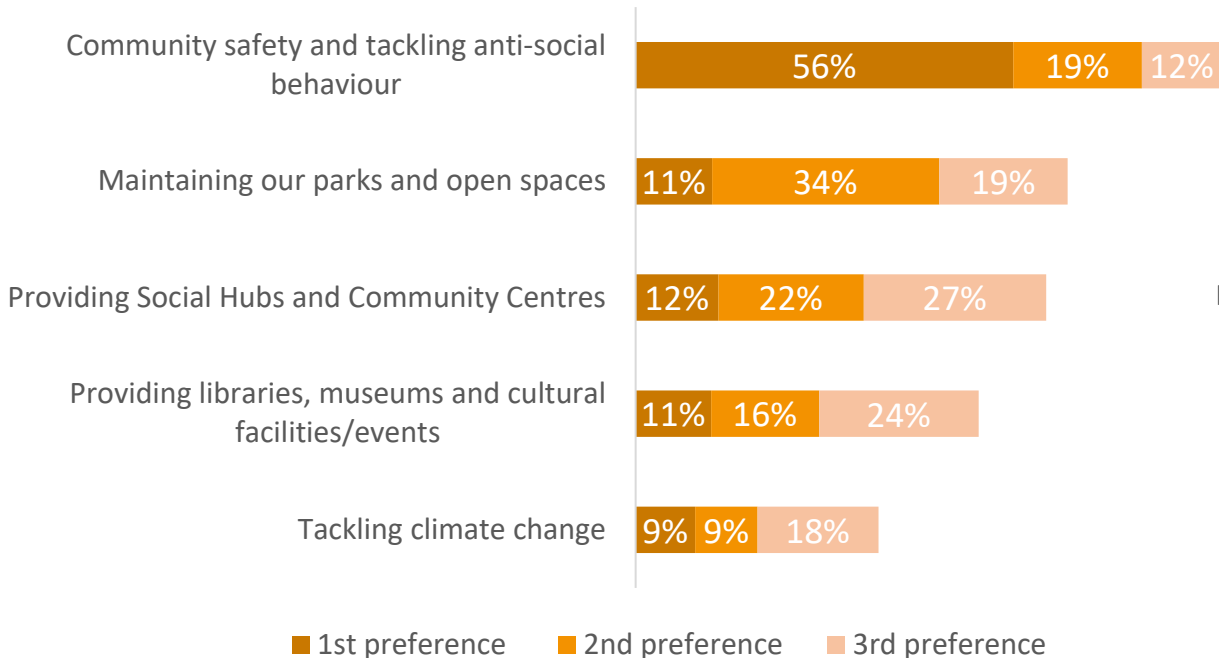
Theme 3: strong, resilient communities



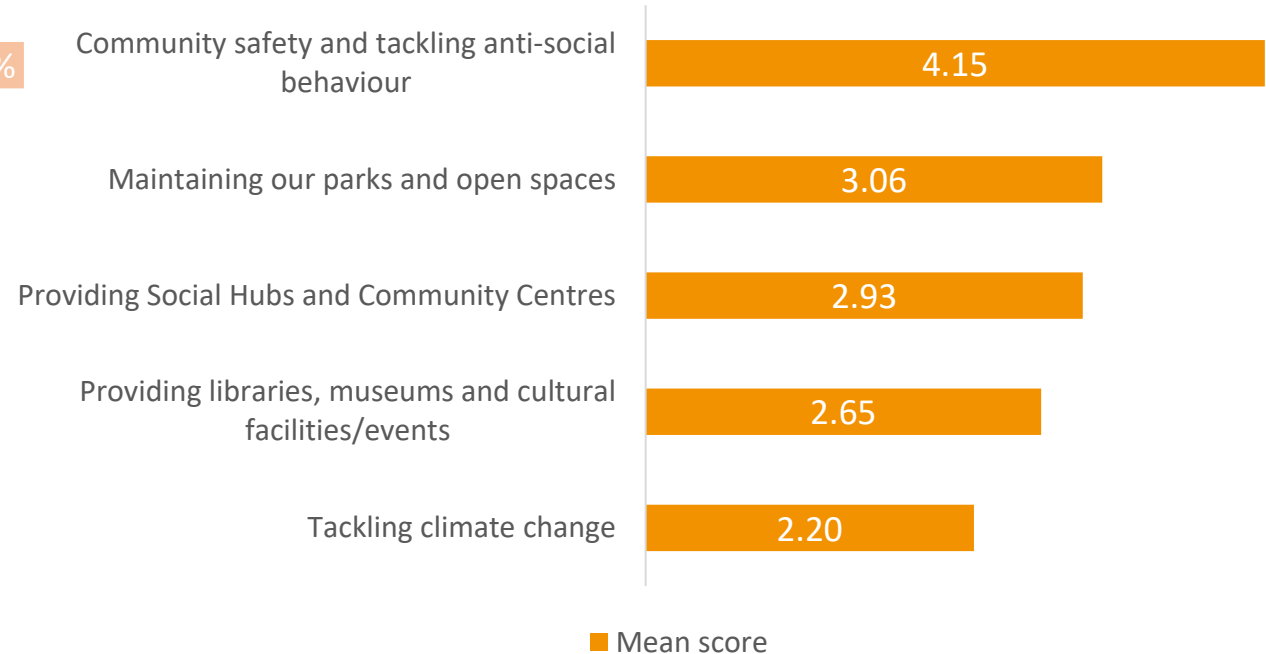
Priorities within Theme 3: strong, resilient communities

When considering detailed choices within Theme 3, community safety and tackling anti-social behaviour is most likely to be considered a top priority by residents (4.15). Over half chose (56%) this as their first choice, providing a clear message that this is a priority issue. In the context of this Theme, maintenance of parks and open spaces is a priority, whereas this did not seem to be the case in the context of improving public health (see slide 22).

Top 3 choices



Mean score of choices



Theme 3: Strong, Resilient Communities – notable variations in opinion

Among residents who **selected Theme 3 as most important to them** community safety is the key priority, with 69% of this group selecting this as their top priority compared to 56% of all residents. Residents who consider Theme 3 as most important rank the options in the same order as the total sample.



Ranking of priorities is largely consistent across different demographic groups, mirroring the overall results, with community safety and tackling ASB the top priority and tackling climate change the lowest priority. **Residents aged 35 and above** are likely to feel more strongly that community safety should be a priority with approximately 60% of each of these cohorts selecting this as the top priority compared with 49% of those **aged 18 – 35**.



Whilst community safety is consistently the top priority across towns in Sandwell, there is some spatial variation in the lower order priorities. **Oldbury, Wednesbury and Tipton** residents consider Providing Social Hubs and Community Centres as a higher priority than the survey average (with this the second highest scoring priority by mean for these areas, above maintaining parks). Whilst **Smethwick** residents chose a ranking of priorities that was consistent with those chosen by all residents, they are more likely to consider community hubs the lowest priority (23% cf. 14%).

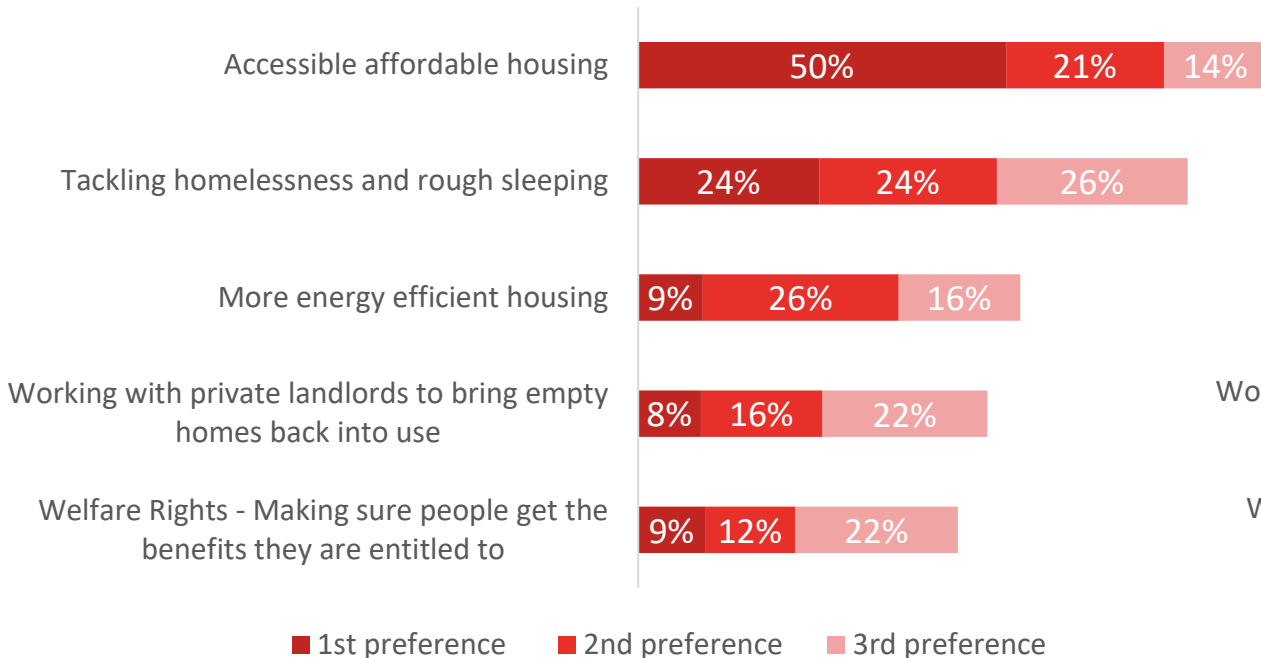
Theme 4: quality homes in thriving neighbourhoods



Priorities within Theme 4: quality homes in thriving neighbourhoods

Within Theme 4 accessible affordable housing is the top priority for Sandwell residents, with approximately 85% considering this a top 3 choice, and 50% considering this the ultimate priority. Tackling homelessness and rough sleeping is also important to residents, though to a lesser extent than affordable housing. Welfare rights are much less of a priority. More energy efficient housing and working with private landlords on empty homes are considered to be of relatively similar importance to residents.

Top 3 choices



Mean score of choices



Theme 4: Quality Homes in Thriving Neighbourhoods - – notable variations in opinion

The priorities of residents who earlier **selected Theme 4 as the most important** mirror those chosen among the overall population. Among this group affordable housing is the top priority, even more so than among all residents (64% selected this as their first choice cf. 50%).



The ranking of priorities within Theme 4 is largely consistent across demographic groups, with accessible affording housing a priority for all. **Those aged 18 to 34** are likely to feel more strongly that accessible affordable housing is the ultimate priority (57% cf. 50%).



Residents in **Oldbury** are less likely to rank more energy efficient housing as a priority, with this being considered a priority by a lower proportion of residents in this area than working with private landlords and welfare rights. Residents in **Rowley Regis** are more likely to consider homelessness and rough sleeping a top priority compared to the total sample (31% cf. 24%).

Theme 5: A connected and accessible Sandwell

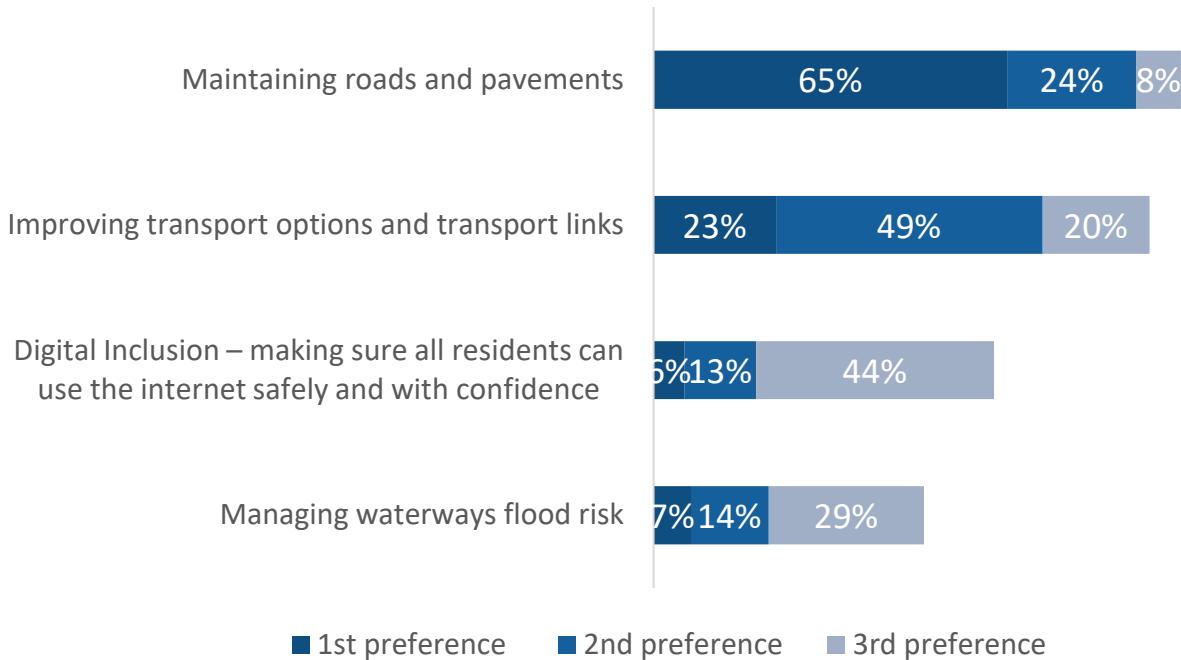


Priorities within Theme 5: a connected and accessible Sandwell

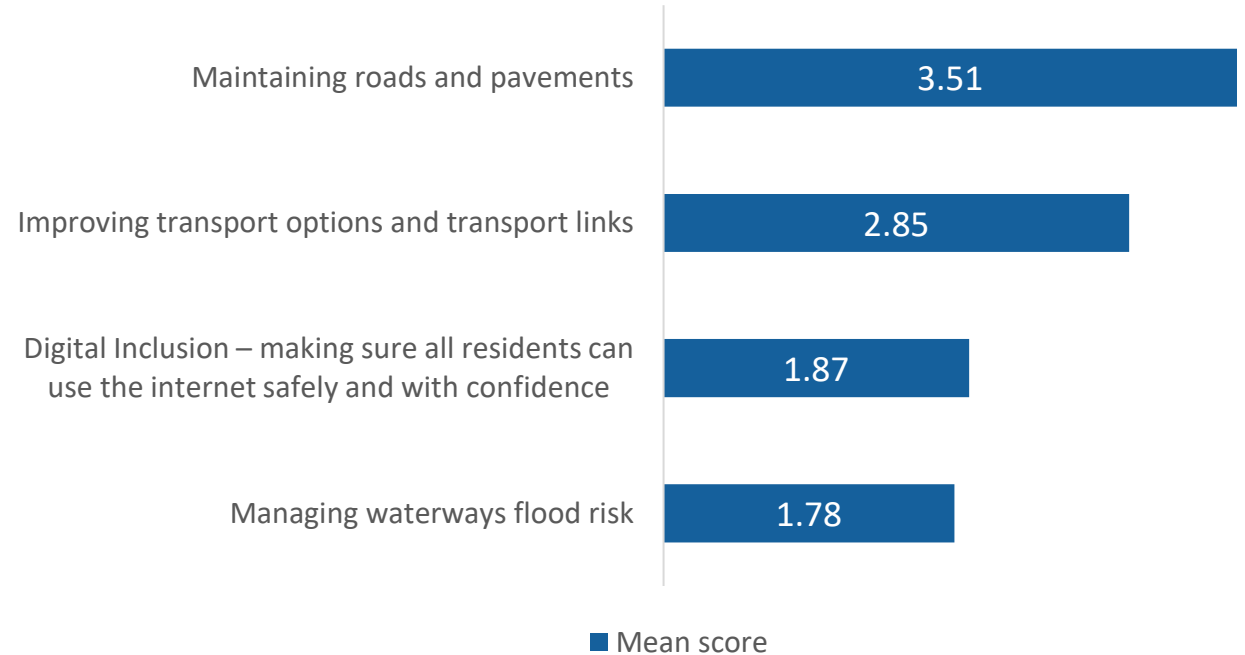
Within Theme 5 maintenance of roads and pavements is the dominant priority, with nearly two-thirds (65%) choosing this as their highest priority. Improving transport links is the second highest priority, with nearly half of residents (49%) choosing this as their second priority. Managing waterways flood risk is least commonly considered a priority within this Theme.

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Top 3 choices



Mean score of choices



Theme 5: A Connected and Accessible Sandwell – notable variations in opinion

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Theme 5

Residents who earlier **selected Theme 5 as the most important** chose maintaining roads and pavements as the top priority (43%), albeit to a significantly lesser extent than the all residents (65%). Those suggesting a connected and accessible Sandwell is the key strategic priority for them, are equally likely to consider improvement of transport options and links as their ultimate priority (44%) alongside the maintenance of roads and pavements.



Residents' **aged 75+** are less likely to consider digital inclusion a priority, with 51% of these residents ranking it as the lowest priority, the highest proportion of any age cohort to do so.



Improved transport options are most commonly chosen as a top priority by residents of **Wednesbury** (57%) and **Smethwick** (54%). Residents in **Tipton**, consider managing waterway flood risk as a top priority more often than those in other areas (15% cf. 7%), suggesting that this may need to be considered more in relation to this town, despite being the lowest ranked priority overall.

Theme 6: A strong and inclusive economy

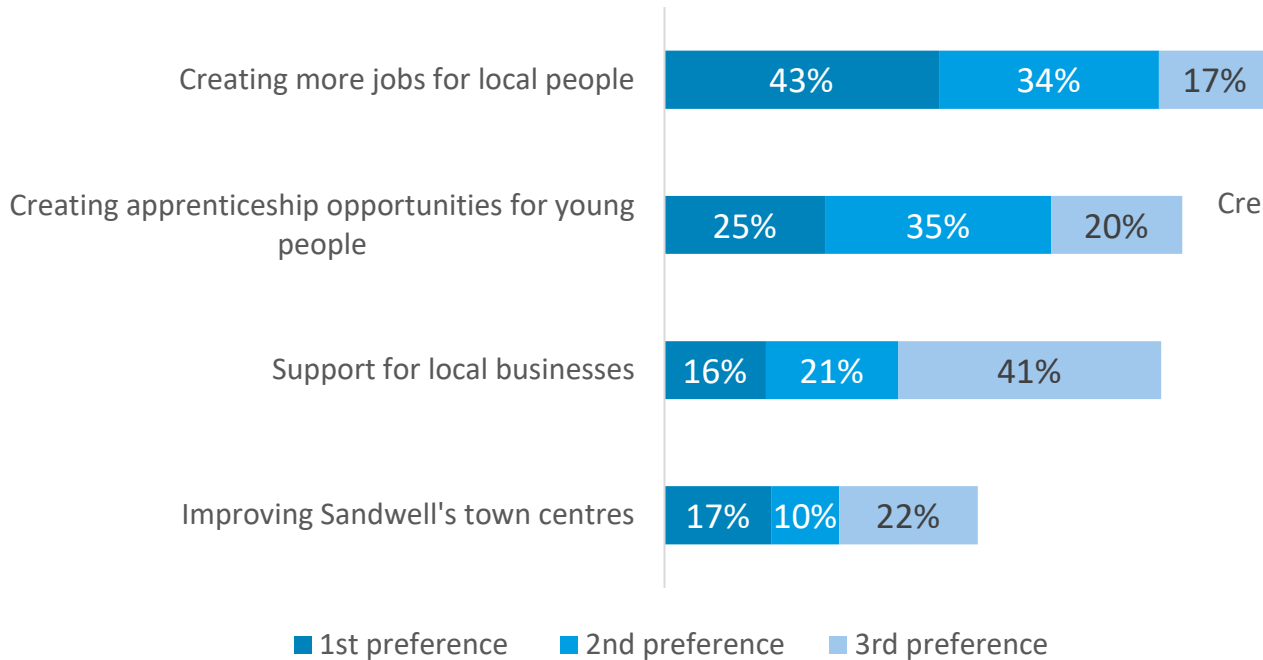


Priorities within Theme 6: a strong and inclusive economy

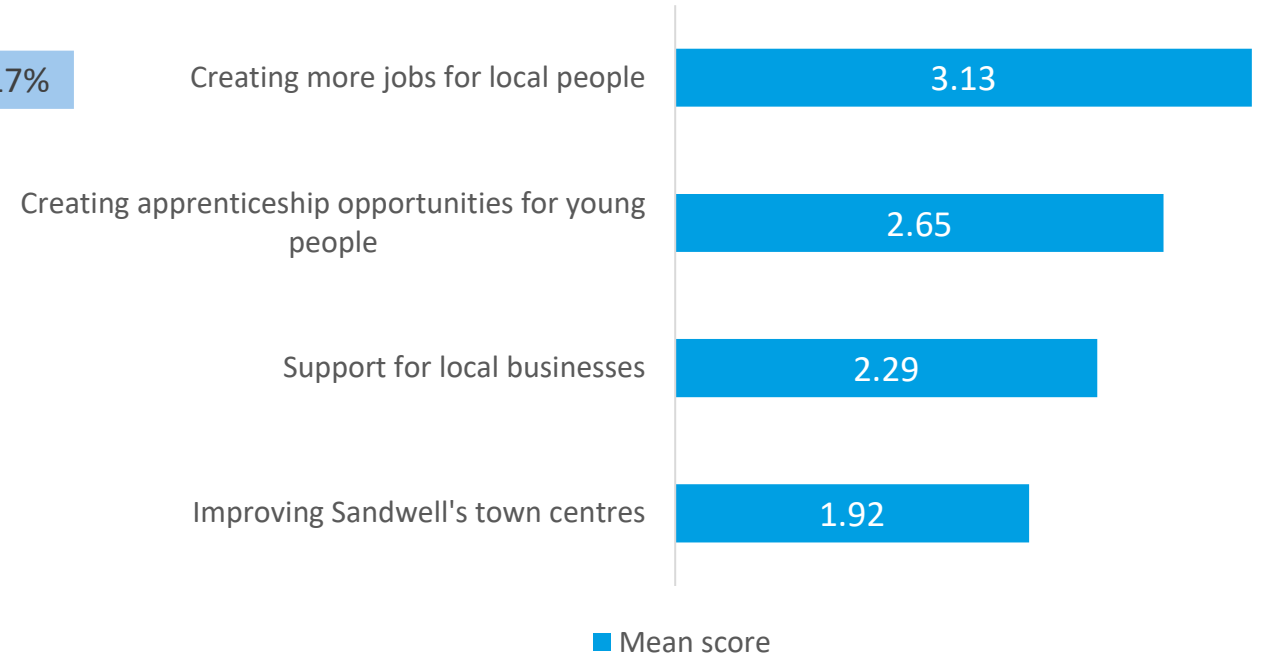
Within this Theme creating jobs for local people is the highest priority for Sandwell residents, with two in five (43%) selecting this as their top priority and a further third ranking this second. Improving Sandwell's town centre is the lowest priority in this question context of improving the local economy.

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Top 3 choices

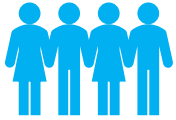


Mean score of choices



Theme 6: A strong and inclusive economy – notable variations in opinion

Residents who earlier said that **Theme 6 was the most important to them** most commonly prioritise job creation followed by creating apprenticeship opportunities.



Residents aged between 55 -74 are significantly more likely to prioritise the improvement of Sandwell’s town centres with 24% considering this their top priority (cf. 17%). This age group are significantly less likely to consider creating jobs as their top priority (34% cf. 43%). This pattern is reversed amongst **those aged 18 – 34** who are significantly more likely to prioritise job creation (47%) at the expense of improving town centres (12%).



By area, **Tipton** is most likely to advocate for supporting local businesses (2.38), significantly more so than the average and **Wednesbury** (1.87) and **Oldbury** (1.62). Across all areas, creating more jobs is consistently a top priority, indicating a desire for this to be area of focus.

Alternative energy

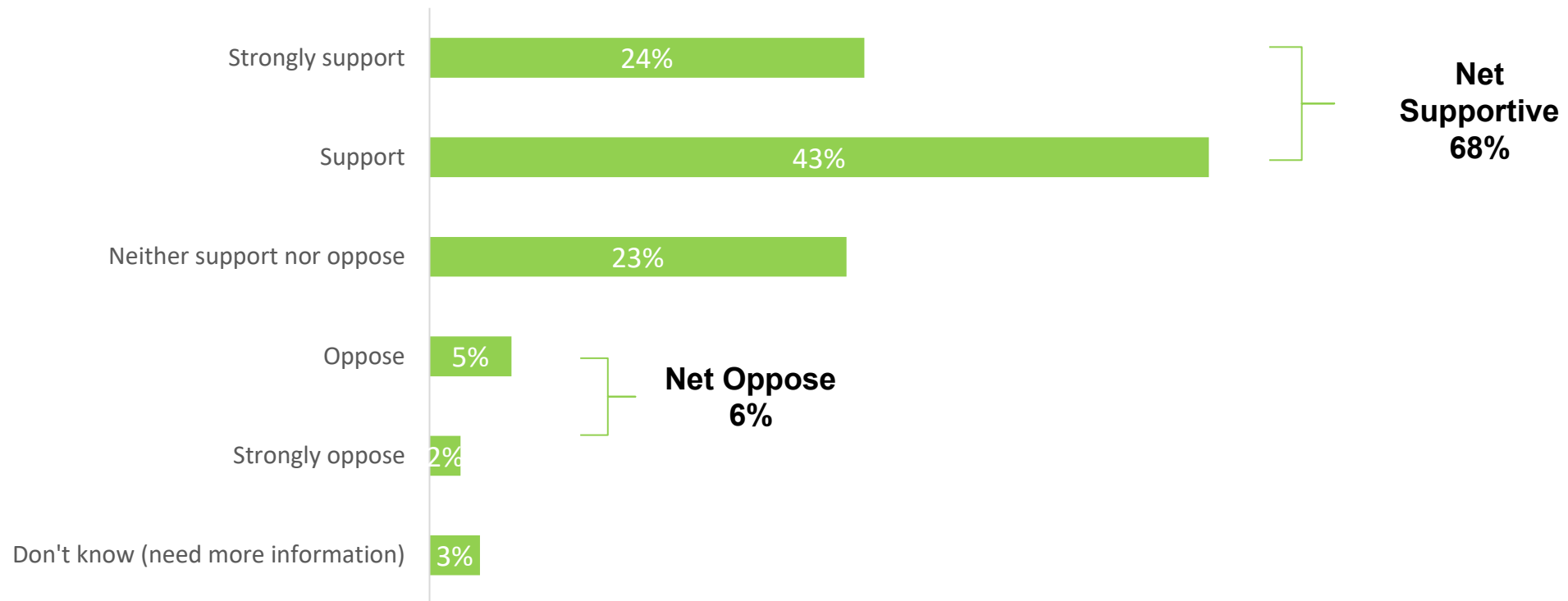


Support for renewable energy generation...

Two-thirds (68%) of residents actively support Sandwell Council exploring renewable energy generation opportunities, with a quarter (24%), strongly supporting such measures. Opposition is low with only 6% stating they are opposed. Please note that the question wording mentioned both energy security and tackling climate change as the rationale for this approach.

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Support for renewable energy



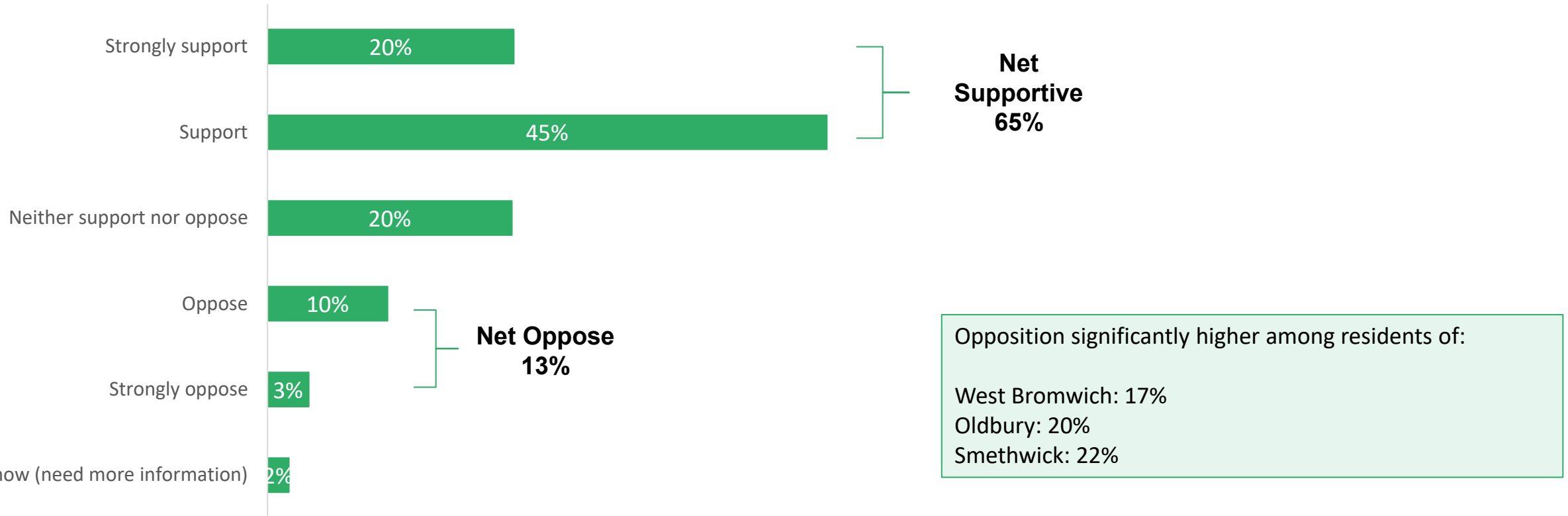
Rewilding



Residents' support for rewilding

Support for rewilding some areas of Sandwell's parks and open spaces is expressed by two-thirds of residents (65%), including one in five (20%) who strongly supporting this approach. In total 13% oppose rewilding in Sandwell's parks and open spaces.

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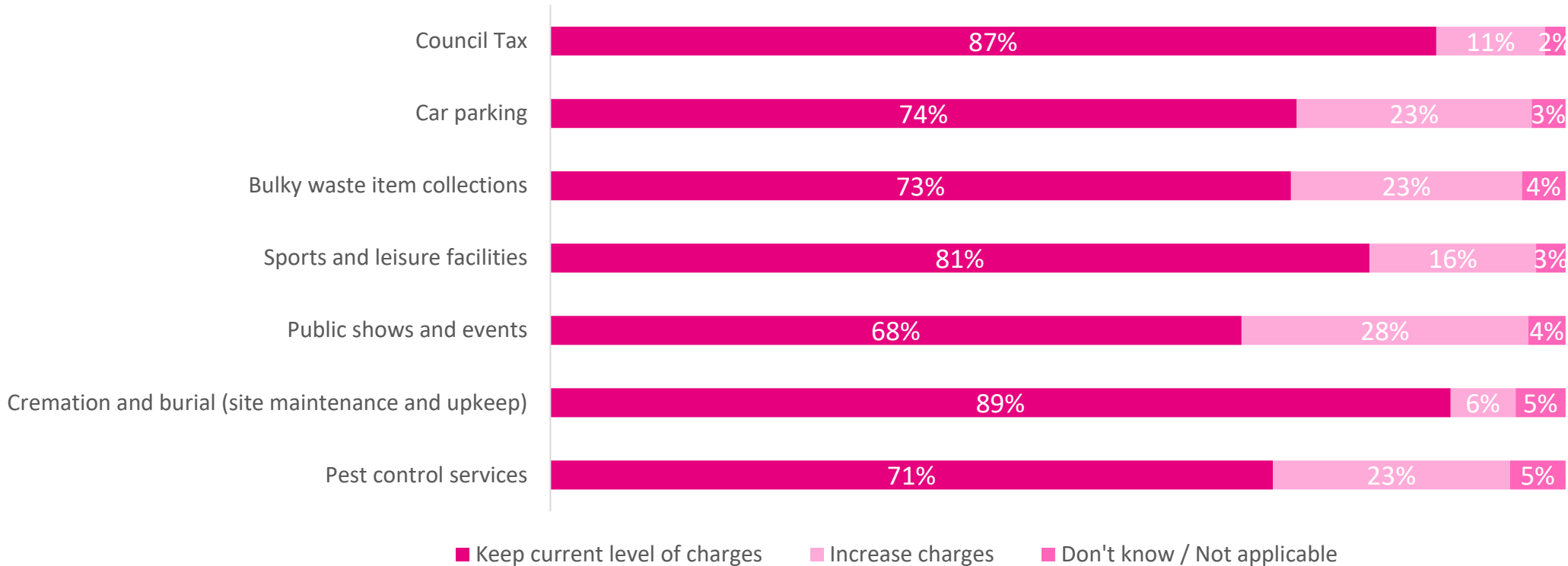
Service Changes



Paying more for Council services

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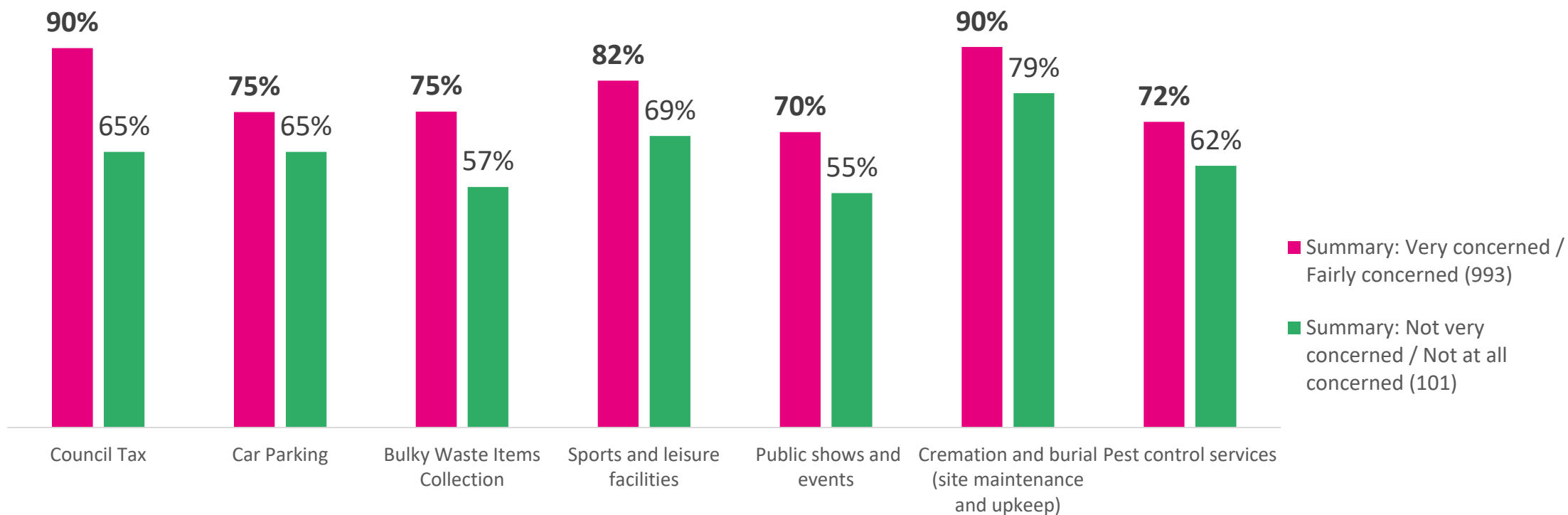
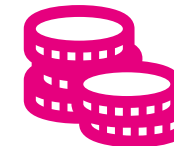
Generally speaking, the majority of residents would prefer not to see changes to service related charges, with more than two-thirds stating that current charges should stay the same for each service. The most acceptable increases to service charges would be for public shows and events (28%) and for use of pest control services (23%), although even for these a majority remain opposed.



Views on charging for services based on current financial circumstances

Perhaps unsurprisingly, given the current cost of living crisis, those who are **fairly or very concerned about their financial situation** are more likely to **oppose the increase of service charges**.

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Summary: Q12. Taking into consideration the financial challenge the Council is facing, and in order to set a balanced budget and limit any reductions to services, which of the below would you be prepared to pay more for?
Base Sizes in Chart Legend

Views on Council Tax increases

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87%
Keep the Same

11%
Increase Charges

2%
Don't Know / Not
Applicable

Support for keeping the same higher among:

- Social Renters – 93%
- Private Renters – 91%
- Females – 90%
- Fairly / very concerned about cost of Living – 90%

Support for an increase is higher among:

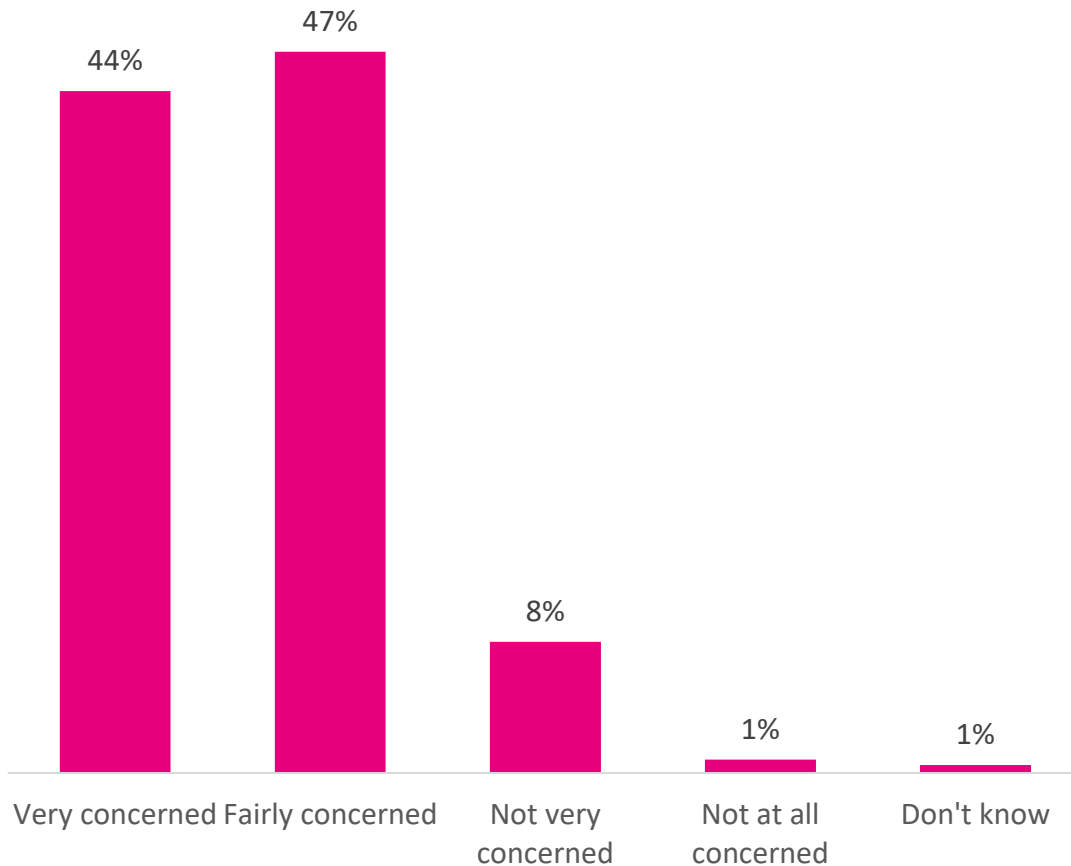
- Those not very concerned about the cost-of-living crisis – 33%
- Those aged 75+ - 19%
- Homeowner - 17%
- Male – 15%

- Council Tax is the thing that residents most emphatically want to stay the same (87%).
- Younger cohorts are less supportive of increases in Council Tax charges than those aged 75+. Residents who are aged 75 and over are significantly more likely than the average to be willing to accept council tax increases (17%).

Financial Security

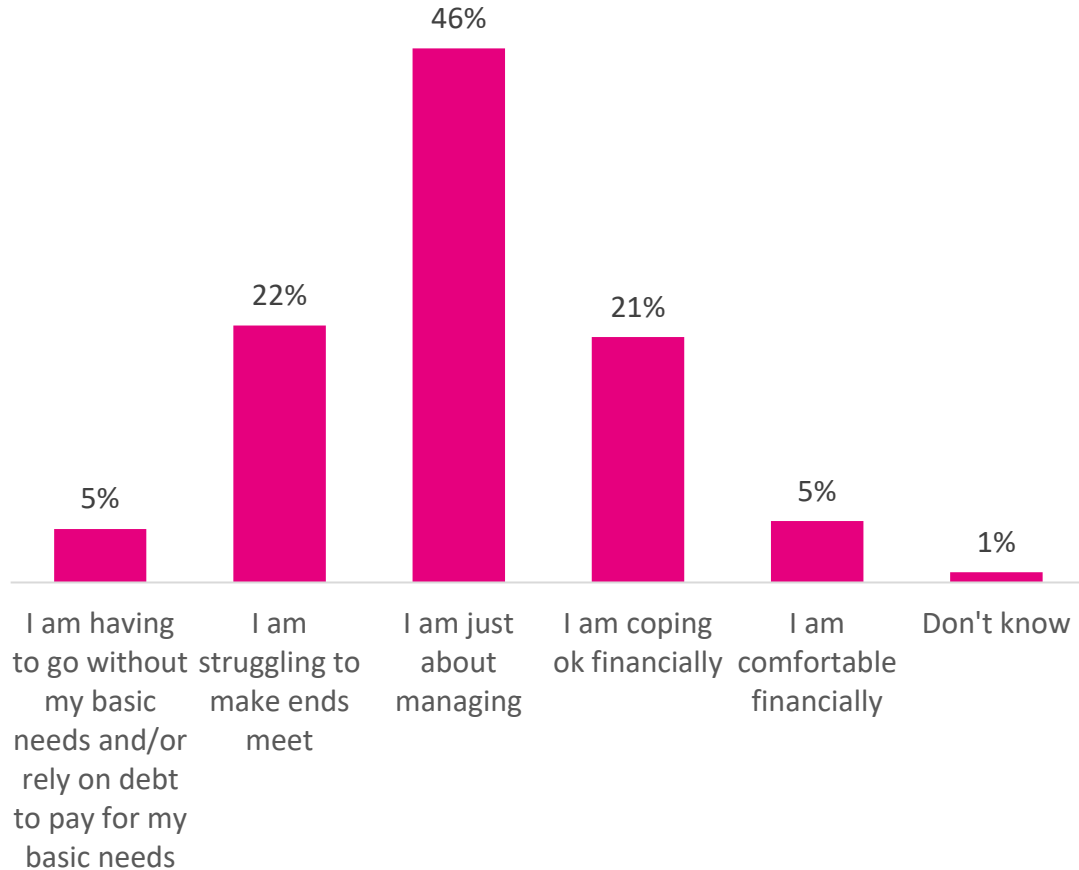


Concerns about the cost of living



- To put residents' views on how Sandwell Council sets its budget in 2024/25 into context, two questions were asked regarding personal financial circumstances.
- Nine in ten residents in Sandwell are at least fairly concerned about the current cost of living. Within this, two in five residents (44%) give the most extreme response of 'very concerned'. This demonstrates that the council's choices will have to be made when there is a heightened sensitivity to impacts upon household budgets.
- Concern about the cost of living is prevalent in all age groups, although older residents more commonly state that they are not very or not at all concerned about the current cost of living (75+: 18%; 55 -74: 13%).

Residents' financial security



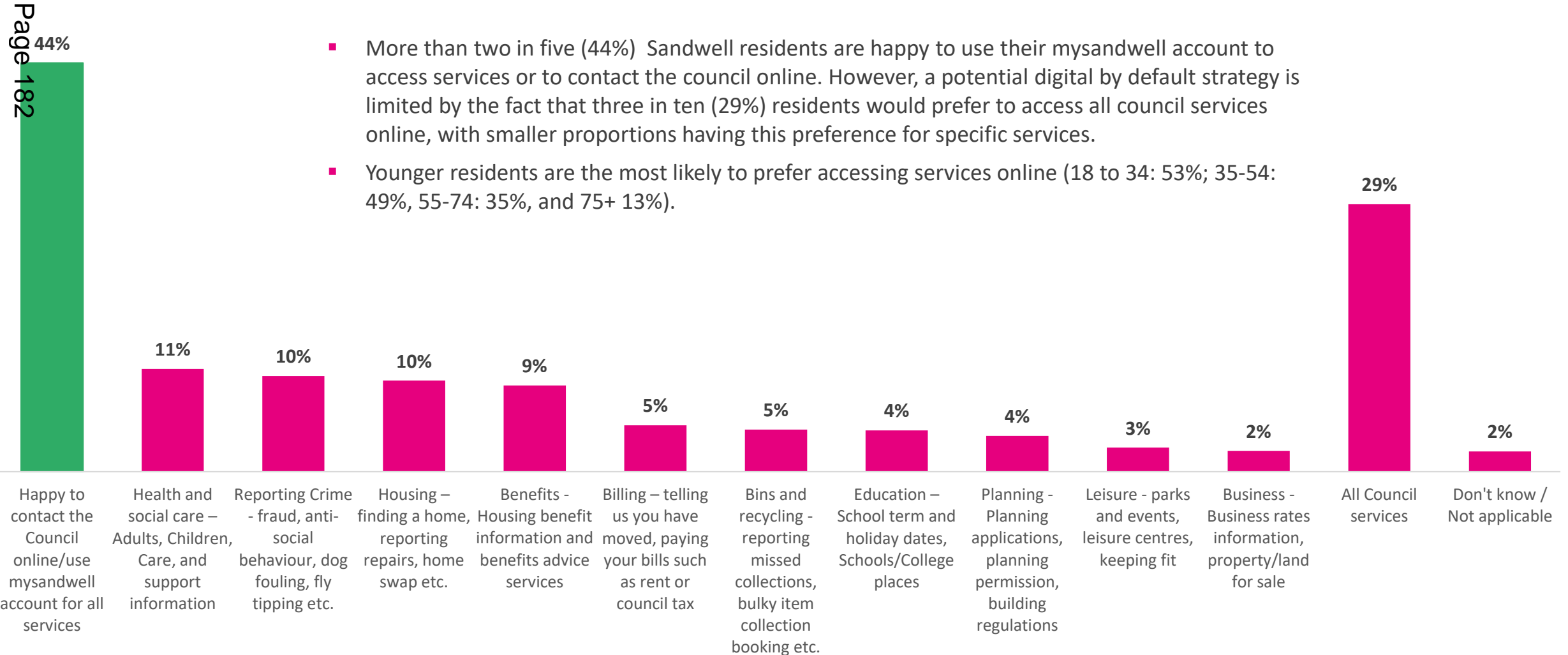
- Approximately one quarter of Sandwell residents say that they are currently struggling to make ends meet (22%) or are having to go without basic needs (5%).
- This level of financial vulnerability has potential implications not only for the potential of the council to leverage extra revenue from Council Tax and service related charges, but also on future service demand.
- Regarding the strategic themes discussed in this report, residents who are going without or struggling are significantly more likely to prioritise Theme 1 – providing the best start in life for children and young people (42% chose this).

Contact Preferences



Preferred methods for accessing services

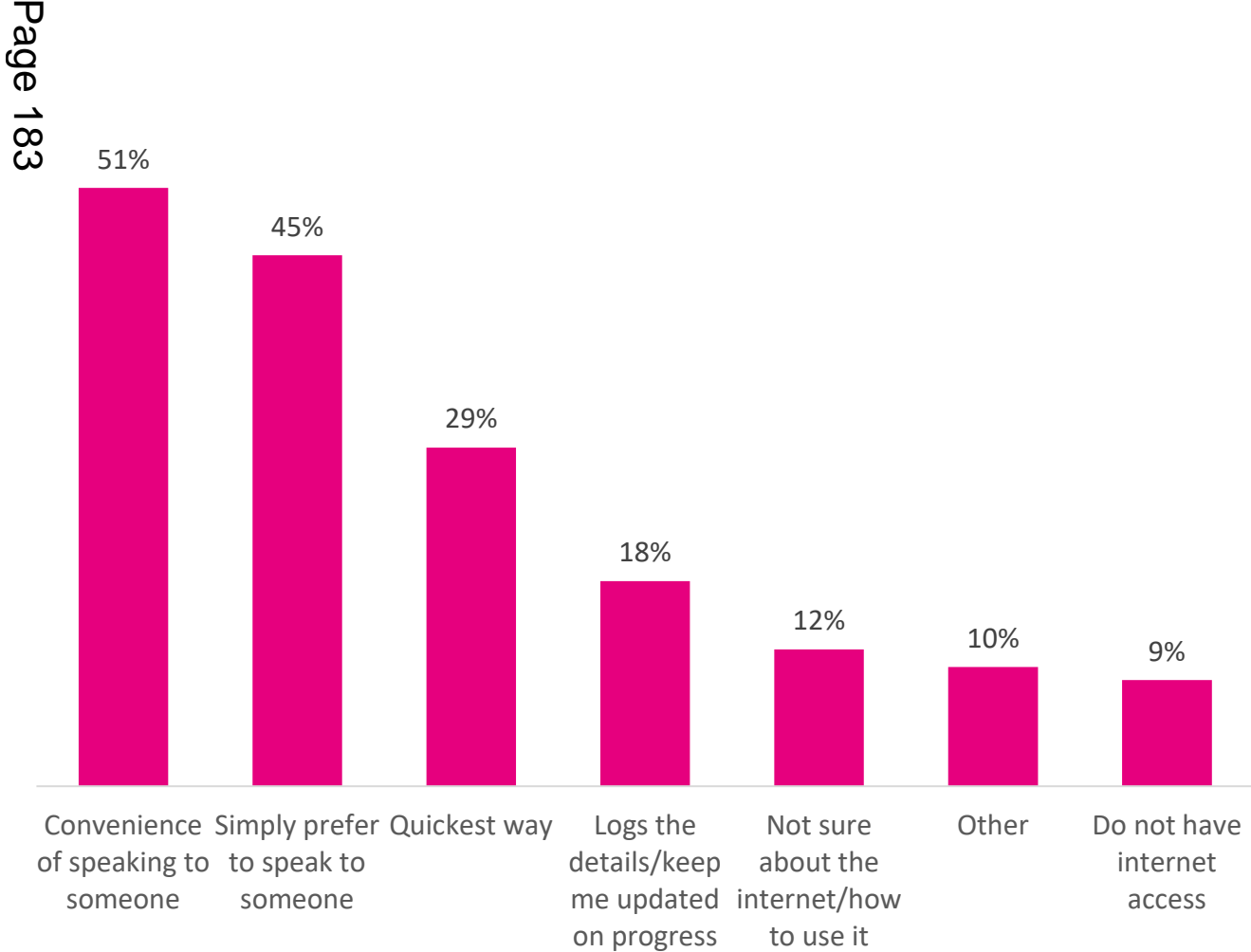
Are there any services that you would prefer to access in-person or on the telephone, rather than online/using mysandwell account?



- More than two in five (44%) Sandwell residents are happy to use their mysandwell account to access services or to contact the council online. However, a potential digital by default strategy is limited by the fact that three in ten (29%) residents would prefer to access all council services online, with smaller proportions having this preference for specific services.
- Younger residents are the most likely to prefer accessing services online (18 to 34: 53%; 35-54: 49%, 55-74: 35%, and 75+ 13%).

For those who would prefer to contact by telephone or in-person...

Why would you prefer to contact the Council in-person or by telephone?



- Residents who prefer to contact by telephone or speak to someone face to face, most frequently cite the convenience of speaking to someone (51%) and simply preferring to speak to someone as the reason why they prefer to do so (45%). On the basis of these responses, it is service quality, ease and speed that drive these preferences much more so than a lack of digital skills (12%) or internet access (9%).



Diversity and inclusion issues



Variations in response by ethnic origin

Within the budget survey residents were asked to state their ethnic origin. Looking at the responses given by those who are White, those who have a Mixed ethnic origin, those who are Asian/Asian British and those who are Black/Black British there is no consistent variation in the responses given/the priorities chosen.

- The order of strategic properties chosen is largely consistent among each ethnic group. Whilst Theme 1 remains the top priority for Asian/Asian British residents, this group are significantly more likely to prioritise Theme 3: Strong, Resilient Communities – A safe, clean and green place to live (34% cf. 23%), and as a result significantly less likely to prioritise Theme 2: People Living Well and Aging Well (9% cf. 18%).
- Black/Black British residents are significantly more likely to prioritise Theme 4: Quality Homes in Thriving Neighbourhoods (15% cf. 7%). This shows that there is some variation in priorities in different communities, which the council must be sensitive to when making budgeting choices.
- Non-white residents are significantly more likely to oppose Council Tax increases. This may be related to their higher concern about the current cost of living crisis. That 95% of Asian / Asian British and 94% of Black British residents' feel fairly or very concerned about the cost-of-living crisis suggest that financial resilience may be lower among these communities.

Formal Consultation Undertaken for Potential Changes to Discretionary Services

Summary of Responses

Purpose

This report sets out the methodology used to capture the views of residents and representatives of communities across Sandwell on the savings options put forward by the Council to address the anticipated budget shortfall of £13m (as at 15 November 2023). The report also sets out the results of the consultation activity, with a summary of key headline views from across all focus groups before setting out the detailed responses from each group.

Methodology

A basket of savings options totalling £18m for 2024/25 was set out in the Medium-Term Financial Strategy Autumn 2023 Update as reported to Cabinet on 15 November 2023. These savings options were shared with focus groups which represented residents and communities across Sandwell, and their views sought on whether the Council should adopt these options and what impact they could have.

The focus groups were held as follows:

| Focus Group | Date | In person / online | Number of Participants |
|---|-------------------------|--|------------------------|
| Residents | 21 and 27 November 2023 | Online (at preference of participants) | 9 |
| Children and Young People (SHAPE Forum) | 30 November | In person | 7 |
| Voluntary and Community Sector Organisations | 7 December 2023 | In Person | 9 |
| Business Ambassadors | 11 January 2024 | In Person | 13 |

An online survey was also conducted during this period, open for responses from 20 November 2023 to 2 January 2024. At close of the survey, the Council had received 416 responses.

Key Headlines

Whilst the number of participants in the focus groups and online survey do not represent a statistically representative sample of Sandwell's, the comments made by the different groups provide a useful insight into the views of different communities across the borough. The following points are a summary of the consistent themes which arose in the focus groups and online survey:

- Residents and representatives of the business community who participated in this exercise were largely unaware of budget challenge facing the Council, but accepted savings needed to be made.
- Voluntary and Community Sector organisations were more aware than residents of the Council's financial position, and also recognised savings are required.

- Selling or renting out assets was supported as good way to make savings, as per the previous budget consultation activities. Communities expressed a preference for being more involved in determining the future of locally important or culturally significant assets.
- There was support for reducing the number of leisure centres in the borough, as long as easy access to centres was retained
- Increases in charges for businesses and development or where there is choice in using the service were supported, more so than increases in charges for services to vulnerable people
- Respondents would like to see events covering their costs rather than being subsidised by the council, as well as sponsorship by local businesses being explored
- There was strong support for improving efficiency of support services, use of Council fleet and focus on prevention and early intervention across all focus groups
- Green spaces in Sandwell are popular and valued – residents would like to see improvements in grounds maintenance, especially in parks and street cleansing
- Concerns shared that changes to waste management approaches will see an increase in littering, anti-social behaviour and fly tipping
- Support for savings from promoting independence and transformation of adult social care, providing care needs were met
- Respondents were keen that cuts across the board did not adversely affect residents who may be vulnerable, elderly or on low incomes
- There is a need to communicate more with residents on what changes will be made and the impact on residents.

Residents

Two focus groups were conducted in November 2023 – participants were invited from the respondents to the Budget Consultation Survey conducted in Summer 2023. Participants were contacted by email and phone to boost recruitment, and an incentive was offered for participating in the focus group. The events were conducted online at the request of the participants to encourage attendance. In total nine residents participated - six female residents and three male residents of varied ages, ethnic origins and employment status. Residents were from Tipton, Wednesbury, West Bromwich, Smethwick and Rowley Regis. No residents from Oldbury attended the focus groups.

Key messages

- Residents were largely unaware of the budget challenge facing the council, and whilst as one resident admitted, everyone would prefer no changes in services, it was recognised that there would need to be changes to make the required savings.
- Reflecting the budget survey findings (May 2023), residents in the focus groups agreed that selling assets was a good way to make savings, if there are other council buildings that can be used in the area, this included selling older leisure centres with the provision of newer centres in the borough.
- There were discussions however, as to whether it would be better to rent out unused buildings for a more sustained income. Here, residents were typically thinking of more medium and longer term income, rather than the need to make savings for the 2024/25 budget.
- Residents in the group were most open to changes in charges where a service was seen as “optional” such as marriage registration or attending events; or where a service suggested a higher level of income for example planning costs or private rented sector fees.

- For the medium and longer term, the council may also wish to consider (if it hasn't done so already) aspects of commercialisation it can undertake through The General Power of Competence, enshrined in the 2011 Localism Act.
- Participants were also more receptive to increased charges for businesses including building regulation fees and development and commercial property rates, as businesses are seen as more able to accommodate price increases.
- In order to further save costs, residents in the groups suggested that the council outsource (e.g. via sponsorship) high-cost events to local business to make savings – using the example of firework displays to exemplify this.

However, some saving measures were rejected completely, including changes to waste collection or services that vulnerable people may depend upon.

- Suggestions to change the frequency of bin collections were rejected on a whole by residents. Most often due to concerns about increased anti-social behaviour, including fly-tipping, and pests as a result of decreased cleanliness that residents predict will stem from reduced waste collection.
- Whilst residents agreed that the council could make savings by reducing reliance on Sandwell's adult social care infrastructure and promoting independence, whether this by more closely assessing needs or increased digitalization; making sure cuts did not adversely affect residents who may be vulnerable, elderly or on low incomes was a priority for all.
- Many agreed savings or agreed costs were accepted by residents provided that services were maintained at concessionary rates for the elderly or those with low incomes.
- Increased charges for services such as meals on wheels or birth and death registrations, that are seen by residents as essential or unavoidable, were vehemently rejected.
- A consistent trend was a clear need to communicate with residents what changes will be made, what impact these are likely to have on residents and how these will help make the budget savings needed; as some felt that they were brought into the conversation "too late".

Online Survey

An online survey was hosted on Sandwell Consultation Hub from 20 November 2023 to 2 January 2024. It was promoted via residents' newsletters, internal staff newsletters, on front page of website and on social media. The survey asked respondents if they were responding as a resident or on behalf of a business or voluntary/community sector organisation operating within Sandwell.

The total responses to the survey numbered 416: 93.8% residents; 1.2% VCS organisations; 4.8% 'other'

The demographic profile of respondents was as follows:

- Gender: 51.7% female; 37.9% male; 10.3% prefer not to say.
- Age: Responses were received from all age groups between 20-24 and 90+; most responses from 50-54 group (14.7%), followed by 55-59 (13.2%), 60-64 (11.1%) and 35-39 (9.9%). Just under 10% of respondents preferred not to say. In total, the 50-64 age group represented 38.9% of responses, compared to 17.9% of Sandwell's population being in this age group at the 2021 Census.
- Ethnic Group: Highest proportion of responses were from respondents who identified themselves as White British at 70.2%, followed by 14.7% 'prefer not to say'. In total, only 15% of respondents identified themselves as belonging to a Black, Asian or

Minority Ethnic group; this is significantly below the borough's demographic profile at the 2021 Census of 49.7% of the population.

- Geographic spread: the highest response rate was from the Oldbury (7.2%), West Bromwich Central (6.73%) and Rowley (6.5%) wards. At a town level, most respondents came from Rowley Regis (18.9%), followed by West Bromwich (17.5%) and Oldbury (14.9%); Wednesbury had the lowest proportion of respondents to the survey at 9.7%.

Summary of results:

- Top five savings options that respondents were most in favour of:
 - Reducing cost of Christmas Lights events programme (98.3%)
 - Making better use of the council's vehicle fleet / being smarter in how we procure ICT contracts (both 90.4%)
 - Smarter internal HR and business management processes / making cash handling more efficient (both 82.5%)
 - Increasing Building Regulation Fees (73.6%)
 - Maximising use of external grants and contributions (70.7%)
- Top five savings options that respondents did not support:
 - Reducing cost of Green Spaces Services – 67.3% of respondents to this question did not support this savings option; comments focused on improving performance in this area
 - Increases to charges over 5% for Garden Waste Subscription (56.3%) or Meals on Wheels (54.6%). Comments focused on ensuring valued services were maintained for vulnerable residents
 - School Crossing Patrols – 55.1% of respondents did not support changes to how the service was funded/delivered, with 35.3% in favour.
 - Closure of Shop Mobility – 51% of respondents to this question did not support the proposal; 35.3% of respondents were in favour.
 - Reviewing the approach to waste management services (47.6%)

Respondents were invited to submit comments on the savings proposals. Many respondents requested further information on the impact that the proposal would have on the resident/service user. From an analysis of the comments made, the following themes are apparent:

- Residents suggested that income generating events should breakeven
- Income could be generated by increasing categories of fines and related enforcement
- Green Spaces are popular, and residents want to see improvements in maintenance rather than cuts
- Increased use of technology to improve efficiencies in Adult Social Care was supported, and there was recognition that the transition from Child to Adult Services needs reviewing. There was strong support for ensuring that care needs continue to be met throughout.
- Improving contract monitoring to ensure compliance and enforcing contract penalties

Voluntary and Community Sector Organisations

A focus group of representatives from voluntary and community organisations operating in Sandwell was held in early December 2023. Participants were invited from 18 organisations

ranging from borough-wide to operating in specific localities and from a range of disciplines. Representatives of nine organisations attended the focus group; the following points are a summary of the comments made on the savings options:

- Participants recognised that savings need to be made.
- Highlighted a general concern about the unintentional impact of reducing services on vulnerable people and the increased demand on VCS organisations to provide support, e.g. increasing charges for meals on wheels may lead to already-vulnerable people skipping meals
- There was a challenge to the council on how deliverable/achievable savings proposals are (e.g. transitions from children's services to adult social care)
- Strong support for the council's focus to be on prevention and early intervention. Therefore, VCS organisations challenged whether the reduction or removal of support to vulnerable young people and their families would save money in the long run.
- Reminder to the council that facilities in Sandwell should be for all residents, especially those who cannot afford to travel to facilities (e.g. parks, Christmas lights events) in other boroughs/cities

Children and Young People

The SHAPE Youth Forum is part of Sandwell's child's voice initiative, the SHAPE Programme. It is a valuable tool to involve young people in continuing development of the borough of Sandwell. Members provide a voice for young people across Sandwell and have been consistently used as a consultative body for various initiatives concerning young people. At the meeting of the SHAPE Forum on 30 November 2023, members were invited to identify whether they supported the savings options or not, and comments on impact of the options from their perspective. Some seven young people of ages 14-19 and from a range of ethnicities attended the session.

Overall, SHAPE Forum members who attended showed support for proposals including:

- Generating income through increasing fees and charges or being more 'commercial' in our approach to cost recovery
- Reducing cost of discretionary services
- Reviewing delivery models for some services, including Appointeeship Unit, Customer contact centres, community sports plans, better use of council's fleet, part-night street lighting, support to families with NRPF.

Participants in this session wanted to see improvements in grounds maintenance in parks and street cleansing before making savings from these areas and waste management services. This comment is in line with the results from the SHAPE Survey 2023 which showed that litter was the key issue that children and young people wanted the council to improve.

The SHAPE Survey 2023, conducted across primary and secondary schools, identified that, as well as school work and exams, the key issues affecting children and young people were vaping, gangs and youth violence, knife crime, drugs, and prospects after GCSEs. The survey also asked if they were in charge of Sandwell Council for a day, what problem would they solve; respondents from both primary and secondary schools identified cost of living, littering, crime and bullying as key areas that they would address.

Business Community

The Business Ambassadors are a collective of business people in the Sandwell area with the aim of supporting the Sandwell Business Community. The Ambassadors are independent of the council, but do receive a small level of council funding for marketing and communications. At the meeting of the Business Ambassadors on 11 January 2024, representatives of 13 businesses received a briefing on the council's financial position and Medium-Term Financial Plan, including savings proposals to address the anticipated budget gap for 2024/25.

The Business Ambassadors welcomed the briefing to gain a deeper understanding of the council's financial position and plans, which provided context for the decisions required by the council. Discussion of the group focused on the following points:

- Proportion of the council's budget allocated to staff costs
- Productivity of staff who are able to work at home
- Opportunities to use savings to invest in front-line services, such as in adult social care services, or to work in collaboration with other partners to provide a holistic approach to service delivery
- The proportion of council income generated through business rates, and what this was spent on

Overall, the view from the group was that Sandwell Council have 'managed the budget well'. However, as per the findings from other groups consulted on the 2024/25 budget, it is clear that this group would benefit from further communications on the council's budget position and how the funding generated from council tax and business rates contributes to the overall delivery of council services.

Proposed Savings to Balance the 2024/25 Budget

| Summary – Directorate Totals | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Organisational/Corporate/Transformational | -8,349 | -3,049 | -4,249 | -4,249 | -4,249 |
| Children & Education | -2,099 | -2,140 | -2,140 | -2,140 | -2,140 |
| Adult Social Care | -4,358 | -5,763 | -5,763 | -5,763 | -5,763 |
| Borough Economy | -2,101 | -2,987 | -3,237 | -3,237 | -3,237 |
| Regeneration, Growth & General Fund Housing | -1,296 | -2,390 | -2,390 | -2,390 | -2,390 |
| Finance, Law, ACE & Public Health | -785 | -1,595 | -1,791 | -1,791 | -1,791 |
| Total | -18,988 | -17,924 | -19,570 | -19,570 | -19,570 |

Detailed list of savings by Directorate:

| Theme | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|---------------|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Maximising Income & Commercial Opportunities | -1,099 | -2,299 | -3,499 | -3,499 | -3,499 |
| Smarter Support Services | 0 | -500 | -500 | -500 | -500 |
| Sustainable Delivery Models | -250 | -250 | -250 | -250 | -250 |
| Funded Vacancy Freeze | -7,000 | - | - | - | - |
| Total: Council Wide | -8,349 | -3,049 | -4,249 | -4,249 | -4,249 |

| Proposal | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| System review of SEND Transport – outline scoping paper under development with PWC. Mitigations captured in a service report. Service transformation will require Council Policy change. | -700 | -700 | -700 | -700 | -700 |
| Central Services Budget – Legacy Human Rights cases, Long Service Awards, Vacant Post | -317 | -317 | -317 | -317 | -317 |
| Learning and Advisory Support (SIAs) – re-direct of DSG funding | -47 | -47 | -47 | -47 | -47 |
| Early Years and Childcare – income from workforce development activities | -60 | -60 | -60 | -60 | -60 |
| Planning Performance and Business Support Services – reduction in head count through vacancy/retirement | -58 | -88 | -88 | -88 | -88 |
| Data Team – increase income from Academies to cover costs | -25 | -25 | -25 | -25 | -25 |
| School Benefits – removal of vacant post and reduction in supplies and services budget | -49 | -49 | -49 | -49 | -49 |

| | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Attendance and Safeguarding – increase Penalty Notice Income | -34 | -34 | -34 | -34 | -34 |
| Youth Service – reduce vacant posts; relocate Tipton Youth Club to Coneygree | -43 | -43 | -43 | -43 | -43 |
| SRES – increase commercial activity to generate surplus income (commercialisation opportunity under development) | -24 | -24 | -24 | -24 | -24 |
| Play and Holiday Activity Fund – reduction of grants | -70 | -70 | -70 | -70 | -70 |
| No Recourse to Public Funds | -58 | -58 | -58 | -58 | -58 |
| Connexions – removal of vacant post | -51 | -68 | -68 | -68 | -68 |
| Employment and Skills – removal of vacant post, reduce Supplies and Services, further reduce VCS grant | -90 | -90 | -90 | -90 | -90 |
| Connexions | 0 | 17 | 17 | 17 | 17 |
| Employment & Skills | -12 | -23 | -23 | -23 | -23 |
| Efficiencies and Value for Money Initiatives across Children’s Services | -461 | -461 | -461 | -461 | -461 |
| Total: Children & Education | -2,099 | -2,140 | -2,140 | -2,140 | -2,140 |

| Proposal | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|---------------|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Review of the transition between Children and Adult Social Care | -50 | -50 | -50 | -50 | -50 |
| Reduction in high cost services through Transformation Programme (in development) | -1,000 | -2,000 | -2,000 | -2,000 | -2,000 |
| Assistive technology and reablement | -200 | -500 | -500 | -500 | -500 |
| Review the in-house Day Services Transport in conjunction with Children’s Services | -145 | -250 | -250 | -250 | -250 |
| Meals on Wheels - Increase charge by 20% (£4.02 to £4.82) | -32 | -32 | -32 | -32 | -32 |
| Shared Lives – expansion or outsourcing of our current service offer, focus on alternative to residential and respite provision for younger adults with a LD. | -86 | -86 | -86 | -86 | -86 |
| Savings identified from project efficiencies | -132 | -132 | -132 | -132 | -132 |
| Increase Better Care Fund funding to cover 2023/24 pay award | -1,800 | -1,800 | -1,800 | -1,800 | -1,800 |
| Mobilisation and delivery of strategic commissioning and transformation plan | -913 | -913 | -913 | -913 | -913 |
| Total: Adult Social Care | -4,358 | -5,763 | -5,763 | -5,763 | -5,763 |

| Proposal | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Review of Pest Control delivery model | -50 | -100 | -100 | -100 | -100 |
| Reducing cost of discretionary services: Green Spaces, Parks, Grounds Maintenance, Events and Sandwell Valley | -736 | -736 | -736 | -736 | -736 |
| Leisure Facilities – review of facilities provision | 0 | -536 | -536 | -536 | -536 |

| | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Community Sports – reduce Community Sports Plan | -135 | -135 | -135 | -135 | -135 |
| Waste Management – increase Green Waste Subscription Fee | 0 | -200 | -400 | -400 | -400 |
| Libraries – vacant posts, supplies and services | -256 | -256 | -256 | -256 | -256 |
| Visitor Services and Events | -140 | -140 | -140 | -140 | -140 |
| Highways Street Lighting - Part night lighting | -40 | -140 | -140 | -140 | -140 |
| Highways - School Crossing Patrols | -198 | -198 | -198 | -198 | -198 |
| Highways - Christmas Lights | -0 | 0 | -50 | -50 | -50 |
| Highways - Reallocation of eligible Revenue cost to Streetworks Permit charges to offset a reduction in Permit Charges otherwise required by Regulations | -40 | -40 | -40 | -40 | -40 |
| Public Protection - Removal of grant budget | -15 | -15 | -15 | -15 | -15 |
| Public Protection - Use of Domestic Abuse grant funding (% of administration costs funded from New Burdens Funding) | -60 | -60 | -60 | -60 | -60 |
| Public Protection - Use of Domestic Abuse grant funding (services built into New Burdens Funding) | -75 | -75 | -75 | -75 | -75 |
| Public Protection - Reduce Community Safety post to 0.5 | -18 | -18 | -18 | -18 | -18 |
| Public Protection - Reduce Regulatory Compliance office capacity | -23 | -23 | -23 | -23 | -23 |
| Remove surplus budget held in Directorate Management cost centre | -240 | -240 | -240 | -240 | -240 |
| Reduce posts in Green Spaces | -60 | -60 | -60 | -60 | -60 |
| Reduction in Arts café budget | -15 | -15 | -15 | -15 | -15 |
| Total: Borough Economy | -2,101 | -2,987 | -3,237 | -3,237 | -3,237 |

| Proposal | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Asset Rationalisation Strategy | 0 | -840 | -840 | -840 | -840 |
| Aquatic Centre Utilities Budget | -360 | -360 | -360 | -360 | -360 |
| Wednesbury Heritage Action Zone Project | -50 | -50 | -50 | -50 | -50 |
| Funding of Business Growth Team through contributions from grants | -54 | -54 | -54 | -54 | -54 |
| Development and Commercial Property Rates – Budget no longer required | -28 | -28 | -28 | -28 | -28 |
| Planning Fees - 35%/25% increase in Fees (<i>subject to parliamentary approval</i>) | -250 | -250 | -250 | -250 | -250 |
| Planning Fees - Pre App Fees 10% Increase | -3 | -3 | -3 | -3 | -3 |
| Building Regulation Fees - 5% Increase | -27 | -27 | -27 | -27 | -27 |
| Deletion of Land Charges Assistant Post (vacant) | -14 | -14 | -14 | -14 | -14 |
| Reduction in Dangerous Structures Budget | -100 | -100 | -100 | -100 | -100 |
| Climate Change Budget – funding from Public Health Grant | -67 | -67 | -67 | -67 | -67 |
| Reduction in Court House premises budgets no longer required | -138 | -138 | -138 | -138 | -138 |

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Reduction in supplies and services budgets in Planning and Policy | -10 | -10 | -10 | -10 | -10 |
| Reduction in supplies and services budgets in Regeneration directorate management budgets | -9 | -9 | -9 | -9 | -9 |
| Total Regeneration & Growth | -1,110 | -1,950 | -1,950 | -1,950 | -1,950 |

| Proposal | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|-------------|-------------|-------------|-------------|-------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Purchase of properties for use as temporary accommodation to reduce subsidy loss | 0 | -250 | -250 | -250 | -250 |
| Executive Support – removal of post | -33 | -33 | -33 | -33 | -33 |
| Increase in Private Rented Sector Fee Budget (income from enforcement) | -20 | -20 | -20 | -20 | -20 |
| Closure of Shop Mobility | -53 | -106 | -106 | -106 | -106 |
| Floating Support – remove General Fund funding, continue with Disabled Facilities Grant | -80 | -31 | -31 | -31 | -31 |
| Total: Housing | -186 | -440 | -440 | -440 | -440 |

| Proposal | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|-------------|-------------|-------------|-------------|-------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Review of Appointeeship Unit | -100 | -200 | -200 | -200 | -200 |
| Cashless Strategy | 0 | -190 | -190 | -190 | -190 |
| ICT - Enterprise Services savings relating to hardware contract savings | -70 | -70 | -70 | -70 | -70 |
| ICT – Alternative provision on GDPR and Cyber Security training (Meta Compliance) | -10 | -10 | -10 | -10 | -10 |
| Finance - Review of Audit, Risk, Insurance and Fraud Services | -11 | -11 | -11 | -11 | -11 |
| Reduction of supplies and services budgets and deletion of vacant posts | -124 | -124 | -124 | -124 | -124 |
| Total: Finance | -315 | -605 | -605 | -605 | -605 |

| Proposal | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|-------------|-------------|-------------|-------------|-------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Registration Services - 7% increase in fees and charges over the next two years and inclusion of additional Met Hospital (Registrations) | -119 | -246 | -246 | -246 | -246 |
| Organisational design within Law and Governance | -112 | -112 | -112 | -112 | -112 |
| Deletion of a post within Law and Governance | -40 | -40 | -40 | -40 | -40 |
| Reduction in supplies and services budgets across Law and Governance | -28 | -28 | -28 | -28 | -28 |
| Total: Law & Governance | -299 | -426 | -426 | -426 | -426 |

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|-------------|-------------|-------------|-------------|-------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Review of contact centre model | 0 | -313 | -313 | -313 | -313 |
| Human Resources – streamlined services | 0 | -35 | -134 | -134 | -134 |
| Human Resources - Oracle Fusion - streamlining Transactional Services | 0 | -35 | -142 | -142 | -142 |
| Human Resources - Bring first aid training in-house | 0 | -10 | -10 | -10 | -10 |
| Strategy and Performance - Deletion of post within Adult Social Care Performance Analysis & Intelligence | -35 | -35 | -35 | -35 | -35 |
| Strategy and Performance - Citizenspace - additional funding from Public Health grant | -10 | -10 | 0 | 0 | 0 |
| Deletion of Digital Transformation Officer post | -35 | -35 | -35 | -35 | -35 |
| Deletion of HR Consultant post | -25 | -25 | -25 | -25 | -25 |
| Reduction of supplies and services budgets in Service Improvement | -2 | -2 | -2 | -2 | -2 |
| Total: Assistant Chief Executive | -107 | -500 | -696 | -696 | -696 |

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|------------|------------|------------|------------|------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Increase use of Public Health grant to fund entire Public Health directorate costs | -64 | -64 | -64 | -64 | -64 |
| Total Public Health | -64 | -64 | -64 | -64 | -64 |

| | | | | | |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Grand Total | -18,988 | -17,924 | -19,570 | -19,570 | -19,570 |
|--------------------|----------------|----------------|----------------|----------------|----------------|

General Budget Planning Assumptions

The key points of briefing in relation to the Provisional Finance Settlement and the implications arising are:

- a. New Homes Bonus – The Government has been considering reform or phasing out of New Homes Bonus and currently the grant is calculated on a one-off annual basis. It is assumed that the Council will receive a commensurate sum in 2024/25 only due to uncertainty.
- b. Collection Fund – the working assumption is that Council Tax is assumed to increase by 2.99% throughout each year of the MTFP, the maximum permitted under current Government guidance for core tax increases. The Collection Fund is currently estimated to be in deficit at the end of the current financial year and therefore £0.5m has been included in the MTFP as a charge to account for the Council's share of that deficit.
- c. NNDR Income – the assumption is that Sandwell will continue to retain 99% of its business rates (with 1% being provided for West Midlands Fire). From 2024/25 it has been agreed that the Council will be part of the new Devolution Deal which is effectively a continuation of the current retention arrangements. At this time, it is considered unlikely that there will be a reset of the business rates baseline and therefore future income in the MTFP is a continuation of current baseline levels with no growth assumptions due to the current economic climate.
- d. Social Care Grants saw increases locally and nationally with the Social Care Grant increasing to £42.8m for Sandwell, being an increase of £7.0m (nationally allocation of £4.5bn being a £692m increase); the Adult Social Care Discharge Fund increasing by £2.1m to £5.4m (national increase of £200m to take total allocation to £500m); and the Adult Social Care Market Sustainability Improvement Fund increasing by £3.8m resulting in Sandwell's grant being £8.1m for 2024/25 (the national allocation was £1.05bn). No further increases have been included in future years within the MTFP. An additional £3.849m was provided within the final Local Government Finance Settlement; the associated spending power is complicit with the Draft Budget 2024/25.

Other Assumptions:

- e. Controls on use of packaging and waste volumes – the Government is planning to establish a system where the producers of packaging waste are charged a levy related to the waste volumes that result such that the proceeds - net of regulatory costs - are passed on to local Councils. Government has confirmed that implementation will be deferred until 2025/26.
- e. Inflation is only provided on key contracts (e.g. SERCO waste management, Sandwell Children's Trust and utilities). Other inflationary pressures are to be managed within existing service budgets.
- f. Pay inflation is provided for at an estimated level, with year 1 of the MTFP taking into account an adjustment for the difference between budgeted and actual pay awards in the current year (i.e. 2023/24). Future estimated pay awards are currently calculated on a 4% increase in 2024/25 and 4% thereafter as core CPI inflation is brought back to target levels.
- g. In financial year 2024/25 Council Tax is recommended to increase by 2.99% and the Adult Social Care Precept by 2% to an overall total of 4.99%. Throughout the MTFP Council Tax has been modelled with an increase of 3% per annum.

Medium Term Financial Plan 2024/25 to 2028/29 – Winter 2024

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £m | £m | £m | £m | £m |
| Opening Net Budget | 317.103 | 333.008 | 353.030 | 366.650 | 380.768 |
| Pay Inflation | 9.601 | 6.336 | 6.590 | 6.736 | 7.006 |
| Technical Adjustments (debt financing & investment income) | 2.636 | 1.964 | -0.500 | 1.100 | 0.600 |
| Other Technical Adjustments | -4.631 | -1.784 | 0.010 | 0.008 | 0.009 |
| Total Pay and Technical Adjustments | 7.606 | 6.516 | 6.100 | 7.844 | 7.615 |
| Other Service Pressures: | | | | | |
| Growth | 4.969 | 0.709 | 0.158 | - | - |
| Demographic Changes | 3.662 | 3.262 | 3.262 | 2.447 | 2.446 |
| Inflationary Increases | 18.021 | 10.320 | 6.746 | 3.827 | 3.838 |
| Unachieved saving | 0.490 | - | - | - | - |
| Loss of Funding | 0.189 | -0.189 | - | - | - |
| Changes in recharges | 0.621 | - | - | - | - |
| SEND Transport | 12.500 | -1.000 | -1.000 | - | - |
| Budget corrections | 4.603 | -0.660 | - | - | - |
| Total Service Pressures | 45.055 | 12.442 | 9.166 | 6.274 | 6.284 |
| Revised Net Budget Subtotal (1) | 369.764 | 351.966 | 368.296 | 380.768 | 394.667 |
| Changes in Government funding within services | -17.768 | - | - | - | - |
| Agreed Savings Proposals | -18.988 | 1.064 | -1.646 | - | - |
| Revised Net Budget Subtotal (2) | 333.008 | 353.030 | 366.650 | 380.768 | 394.667 |
| Funded by: | | | | | |
| Non Ringfenced Government Grants | -1.424 | - | - | - | - |
| Retained Business Rates (including Section 31 and top-up grant) | -194.607 | -198.499 | -202.470 | -206.520 | -210.651 |
| Council Tax Income | -135.870 | -142.031 | -148.472 | -155.205 | -162.243 |
| Collection Fund (Surplus)/ Deficit | -1.107 | - | - | - | - |
| Total Funding | -333.008 | -340.530 | -350.942 | -361.725 | -372.894 |
| Net Budget -Surplus/ Deficit | - | 12.500 | 15.708 | 19.043 | 21.773 |

The MTFP Change Log

Movement of Savings Target from June 2023 MTFP Report

| | 2024/25 £m |
|---|---------------|
| Shortfall reported in June 2023 | 8.859 |
| Changes in Council Net Expenditure: | |
| Reduction in Pressures: | (5.892) |
| Removal of assumed increase in ASC Service Grant pending autumn statement announcements and provisional local government finance settlement | 10.009 |
| Total Changes in net expenditure | 4.117 |
| Changes in Funding: | |
| Revised council tax base generating additional council tax income | (0.513) |
| Estimated Council Tax Deficit to be charged to the General Fund | 0.500 |
| Total Changes in Funding | (0.013) |
| Total Changes | 4.104 |
| Shortfall reported in November 2023 | 12.963 |
| Changes in Council Net Expenditure: | |
| New/ Increased Pressures | 14.393 |
| Reduction in existing pressures after review | (1.374) |
| Business Change Contingency Reserve | 2.500 |
| Increase in Government grants to services (provisional financial settlement) net of conditional spend requirements | (10.780) |
| Changes in Treasury Management costs/ income to fund Prudential Borrowing | 2.336 |
| Other technical adjustments | (0.456) |
| Net increases in council net expenditure | 6.619 |
| Changes in Funding: | |
| Provisional Local Government Finance Settlement – reduction in non-ringfenced grants | 2.803 |
| Income from 2% Adult Social Care Precept | (3.397) |
| Total Changes in Funding | (0.594) |
| Net Shortfall | 18.988 |
| Savings Proposals (Annex 6) | (18.988) |
| Net (Surplus)/ Deficit | 0 |

Risks: Principal Risks to the MTFS & Headline Mitigation

| Risks | Headline Mitigation |
|--|--|
| Failure to constrain expenditures within relevant budget targets. | The Council's financial reporting arrangements including the chart of accounts, budget management approaches, and forecasting are under review. This will be completed in financial years 2023/24 & 2024/25. |
| Failure to prepare for balancing the 2024/25 Budget shortfall. | The preparation of this MTFS at this point in the financial year, the generation of savings options, the planned launch of consultation and engagement and the promulgation of the Budget Timetable incorporating two meetings of Full Council to take decisions on savings. |
| Failure to increase Reserves. | The Council has a medium term intention to maintain essential reserves at a level to maximise assurance that strategic exigencies can be met within the term of the MTFS. Accordingly, there are presently no plans to employ significant reserves to balance the 2024/25 Budget shortfall. |
| Failure to assure Commissioners that sufficient progress has been made in building a robust MTFS | The preparation and endorsement of this MTFS and MTFP by the Statutory Officers, Leadership Team and Cabinet, together with the development of a robust approach to consultation and review by the Scrutiny function is relevant here. |
| Failure to deliver savings. | The Council has reviewed savings delivery in 2023/24 and is enhancing monitoring for the Leadership Team, Cabinet and the Scrutiny function. |
| Failure to arrange cover for expected cost increases | The Council has set in place a process whereby the MTFP is updated quarterly, and the thoroughness of review and analysis will be enhanced on each occasion as additional information becomes available and insight gained. In addition, the Council will adjust its fees and charges annually in the future to ensure that the net cost of services is moderated where it is equitable to do. |
| Inability to Fund the Capital Programme arising from continued rises in interest rates and higher cost of borrowing. | Capital Principles to set down a clear and affordable framework for capital planning have been recommended to Cabinet. Further work to develop an affordable Capital Programme will be undertaken for inclusion in the Draft Budget to be received by Full Council in February 2024. |



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CREATING A COUNCIL FOR THE **FUTURE**



Purpose and Vision

Page 202

We are fortunate to work in a Council that has an ambitious and determined vision to create a modern and agile organisation, that is laid out in clear terms in the Strategic Outcomes of our plan. At the heart of the Plan, and front and centre of everything we do is to ensure we improve our Borough by investing in what matters for the positive benefit of the residents of Sandwell.

In such uncertain and turbulent times, we should be proud of the enormous amount that has already been achieved in the last two years. The Council now feels stable, safe and has a clearer appreciation of what it needs to achieve, building on the foundations of our Improvement Plan. And with that clarity also comes an understanding that there is still much more to be done, not only to invest in the vital services that our residents need, but to also make the Council sustainable and relevant for the future. We must challenge ourselves to ensure everything we do has real measurable impact, because to deliver everything we want to do affordably and effectively we will need to have a clear focus on how and why we do things and how we work together with each other and in partnership with the community to codesign services for the future. We will need to do more of the things that matter and reduce or stop the things that do not.

We must not forget that these are not easy times for our residents and thousands of them are living with poverty and hardship, but together we have a real opportunity to address these challenges and deliver the outcomes that will make a real difference.



Where We Are Now

Page 209
To achieve the impact that we want needs a step change in how we do business. We face critical funding and growth pressures and the way that our budgets are currently constructed means that our planned level of future expenditure leaves significant challenges to deliver savings in the later years of the MTFs that can only be met through transformation. It should be clear that whilst the Council was not put into statutory intervention because of its financial position at the time, it is likely that without a plan for transformation and a steadying of the finances it is highly likely that we would have been.

We cannot afford to reduce the pace of the change needed as delivery of some savings will take time to embed. We also cannot meet this challenge through incremental and marginal savings – often described as ‘salami slicing’ – to all areas of expenditure. Instead, there needs to be a clear focus on the services we provide now and want to provide in the future, taking a standard approach to managing our projects and programmes of change. We need a fresh look at the contribution that everything we do has to the outcomes that we want to achieve as part of our vision. Rather than a threat or a burden, we need to treat this as an opportunity to ‘reset’ ourselves and re-imagine our Council for the future.

The transformation needs to be challenging but achievable and capable of being delivered in the timescales we say it can. Without this level of commitment and focus on evidence to show impact, we cannot be certain of moving out of intervention.



Customer
focused



One
Team



Accountable



Ambitious



Inclusive

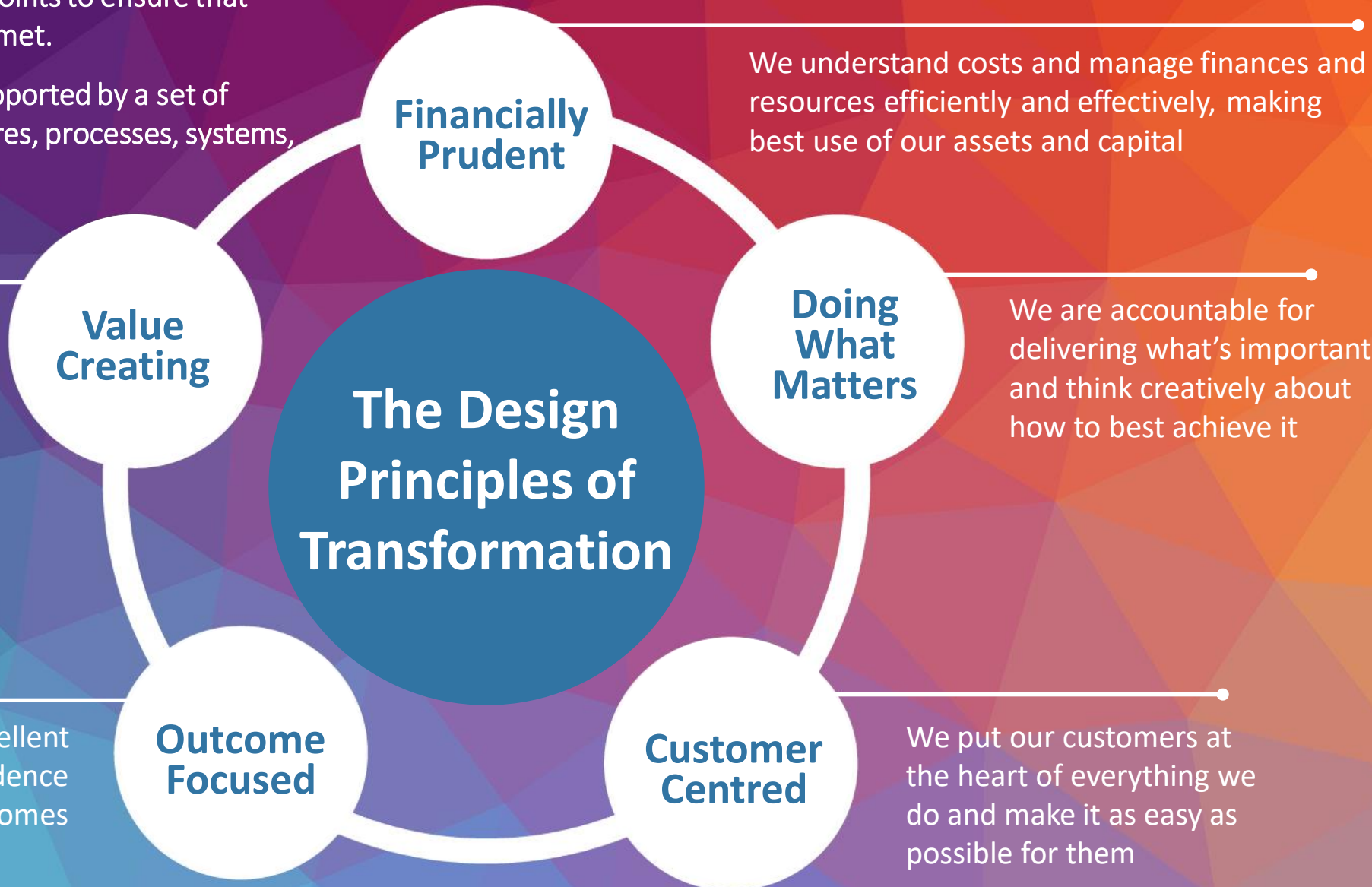
The Design Principles for Transformation are the guiding tenets that will be used as checkpoints to ensure that the 'rules' for transformation are met.

The standard approach will be supported by a set of standard enablers around structures, processes, systems, people, culture and behaviours.

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Everything we do adds value to the Council or our customers, through our understanding and insight, allowing people to help themselves and each other

We deliver timely and excellent results focusing on evidence based outcomes



Transformation Fundamentals – The Brilliant Basics

The starting point for our transformation is a blend of key Directorate projects prioritised to deliver in the next year and some critical cross cutting projects.

Page 205

Key Directorate projects include...

SEND Service Transformation
SEN Transport

Transitions

Community Hubs, Enforcement
Leisure Review, Waste Review

Housing Repairs Transformation
Housing Asset Mgt System

Major contracts & commissioning review

Asset & Estate Rationalisation Strategy,
Neighbourhood Working

Governance & Decision Making

Key Corporate projects include...

A **business support** project is underway which aims to provide a single professional service with consistent standards, staff training and career prospects; gaining greater efficiencies by utilising new technology and applying lean business processes across the organisation.

Ensuring the best customer experience is a critical element of our improvement journey and our **customer journey** programme will ensure we deliver on this so we add maximum value to our customer in everything we do, making it as easy as possible for them to interact with us.

Developing a comprehensive **digital strategy** means embedding the new tools currently under development, such as Oracle Fusion, which will allow for improved processes and more self-service. It also means ensuring all our other systems are optimised to allow us to work intelligently and seamlessly across the organisation for the benefit of our customers.

Ongoing Transformation – Sustainability

Page 206

The key to the delivery of a sustainable transformation programme to ensure that we can link everything we do to the outcomes we want to achieve. As part of this we will have a Framework that ensures a clear link between...

Purpose

Inputs

Outputs

Outcomes

Impact

It is a way to show the direct relationship between *what we do* and the *difference we make*.

Projects that are considered to form part of the programme will be tested against the design principles and then assessed to ensure they have positive impact, either on our customers, or our finances, or both. They will also be looked at in terms of risk – and issues such as capacity to deliver addressed.



What it will mean for staff

Page 207
To deliver this kind of transformation there will need to be positive leadership at all levels of the Council. This means having a mindset that is open to the possibilities of thinking what the Council can be in the future. They will uphold the agreements of the transformation and help their staff to deliver the change, providing the opportunities, the moral conviction and the learning.

The transformation cannot be seen as a distraction from current priority programme of delivery. On the contrary, it must be recognised as the critical enabler for our future success. We will continue to invest in and develop our people as we know they are our greatest asset and continue to work hard to embed Equality, Diversity and Inclusion in our workforce, so they represent our community.

We value our people and want to see them thrive. Whilst this transformation means we will see a change in what people do and how they do it and this may mean that we stop, reduce or re-think how we do many things, equally there will be new things to do and new opportunities. We will also look at how we are structured in terms of our hierarchies and spans of control, and how each person contributes to our outcomes, ensuring synergies with performance management.



As we change, grow and develop, we will invest in staff – in their learning and development - to help them achieve new things for the maximum impact of Sandwell and for themselves.

THE TIMELINE FOR CHANGE

2023/2024

**Brilliant
Basics**

2024/2028

**Sustainable
Transformation**

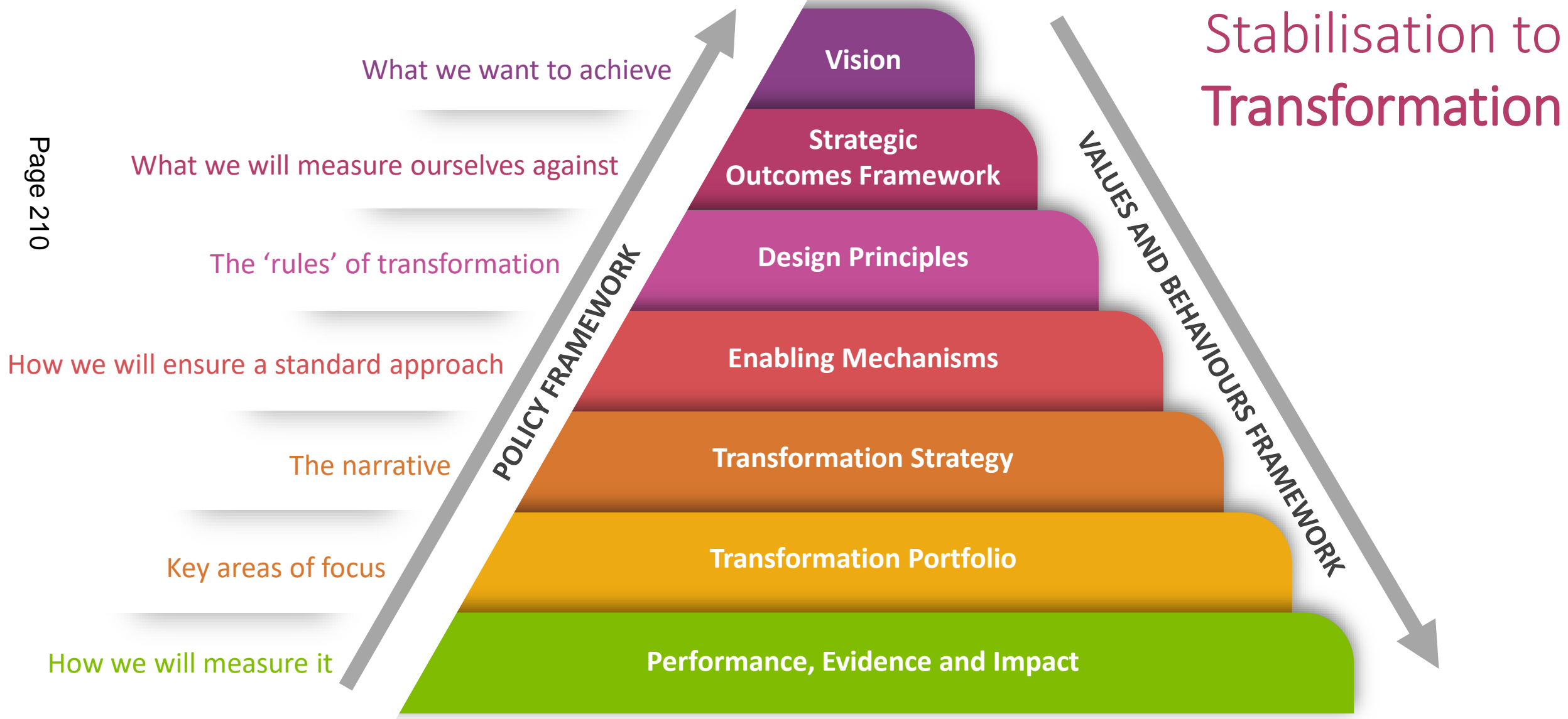
Beyond

**Continuous
Improvement**

To make such a fundamental shift in how we do business is a long-term commitment, not an overnight fix, with a new model that may emerge from the work that will not only be around process and structure, but also culture and behaviours. That is not to say there will not be short- and medium-term changes in how we do business, focused around our Brilliant Basics programme - and we will take every opportunity that arises, as long as it aligns to our long-term vision and strategic outcomes.

Our Brilliant Basics programme will commence immediately – in fact the majority of projects are already in hand. So, this is our focus for 2023/24. And whilst work will also commence on the longer-term sustainable transformation programme, this will be our focus from 2024 onwards. As we move forward, there will of course be new challenges and opportunities and our programme will adjust to reflect that, as well as continuing to improve everything else we do. We will ensure we measure, manage, test and learn from all projects as we go along, ensuring we focus our efforts on what works.

How will this be delivered in practice



Alignment to the Vision

Page 211

Our Vision is

‘to create a modern, outstanding council,
one where our organisational structure,
business systems, process and people and
cultural working practices are fully aligned
to deliver our strategic outcomes’.



Strategic Outcomes Framework

Page 212
Our Strategic Outcomes are the basis on which we deliver our services:

- The best start in life for children and young people
- People live well and age well
- Strong, resilient communities
- Quality homes in thriving neighbourhoods
- A strong and inclusive economy
- A connected and accessible Sandwell
- One Council, One Team

The development of a Strategic Outcomes Framework ensures a coherent linkage between purpose, inputs, outputs, outcomes and impact. It is a way to show the direct relationship between what we do and the difference we make.



Design Principles

These are the 'rules' we will apply to ensure all change is aligned to the Transformation Vision.

DESIGN PRINCIPLES

We put our customers at the heart of everything we do and make it as easy as possible for them

Customer Centred

Everything we do adds value to the Council or our customers, through our understanding and insight, allowing people to help themselves and each other

Value Creating

We deliver timely and excellent results focusing on evidence-based outcomes

Outcome Focused

We understand costs and manage finances and resources efficiently and effectively, making best use of our assets and capital

Financially Prudent

We are accountable for delivering what's important and think creatively about how to best achieve it

Doing What Matters

TRANSFORMATION VISION

To create a modern, outstanding council, one where our organisational structure, business systems, process and people and cultural working practices are fully aligned to deliver our strategic outcomes.



The enabling mechanisms

Design Principles

Customer Centred

Value Creating

Outcome Focussed

Financially Prudent

Doing what matters

The best start in life for children and young people

People live well and age well

Strong, resilient communities

Quality homes in thriving neighbourhoods

A strong and inclusive economy

A connected and accessible Sandwell

One Council, One Team

Structures

Systems

Processes

People

Culture & Behaviours

The Enabling Mechanisms

Vision

To create a modern, outstanding council, one where our organisational structure, business systems, process and people and cultural working practices are fully aligned to deliver our strategic outcomes.

Understanding the Enabling Mechanisms

Mechanism

Structures

Systems

Processes

People

Culture & Behaviours

Governance

PMO & Gateways

Approach

Spans of Control and contribution to outcomes

Digital Blueprint and improved self service

Redesign Toolkit and methodology

Workforce Strategy and succession planning

Behaviour framework and Organisation Development approach

Overview

Structures ensure there are the right people in the right place

Systems ensure the right technology is there to deliver on the programme

Processes ensure the right work is being done in the most efficient way

People ensures that we have a sufficient capacity of people with the right skills and capabilities

Culture cuts across all themes and without it none of the other enablers will deliver



The Strategic Outcome-led Transformation Portfolio



Assessing the Significance

Page 218

The council has adopted a system that uses a number of inputs to consider the level of support and assurance required. A PM Threshold Tool has been created and based on the inputs the project will be identified as level 1, 2, 3 or 4 – this can then be the basis of a discussion with the PMO in terms of resourcing and requirements. This is illustrated below:

| Thresholds | Tiering | | Menu of PMO Support | Scoring |
|------------|---------|-----------|---|---------|
| Value | 1 | Intense | Full range of support including project management | 1 |
| Complexity | 2 | High | Project officer support working alongside service on delivery | 1 |
| Risk | 3 | Medium | Oversight of the project giving advice and guidance | 1 |
| Capacity | 4 | Reporting | Templates and tools available for services to use | 1 |



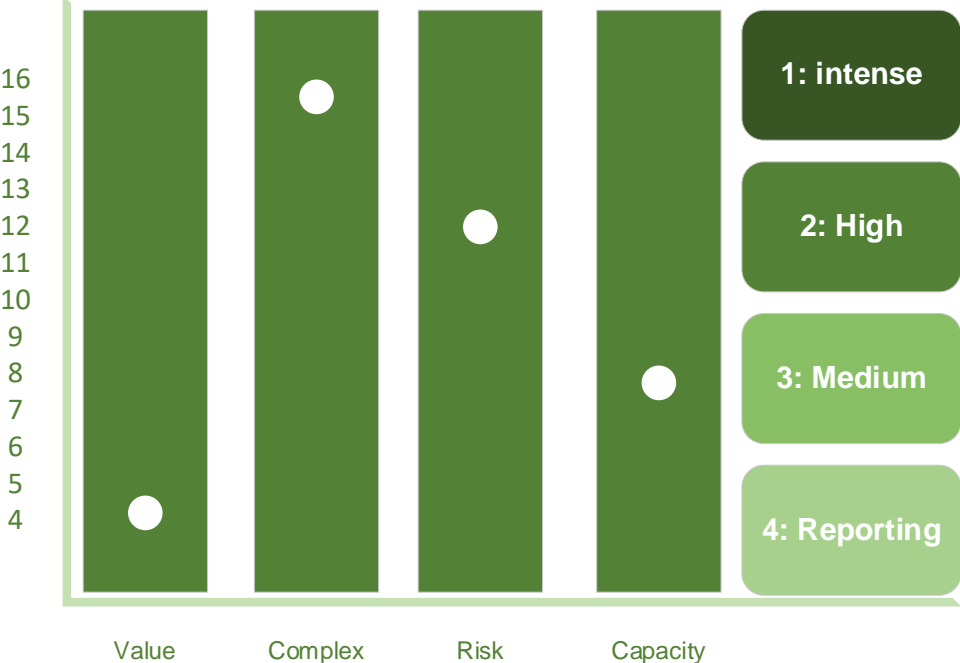
Assessing the Significance

The threshold inputs cover the following:

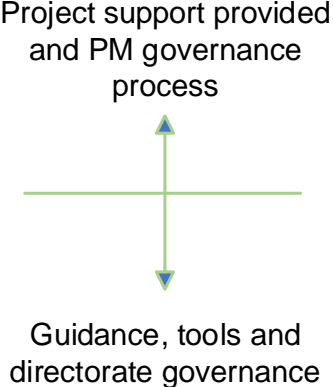
- Value and status
- Complexity
- Risk
- Capacity

The scoring will result in an overall rating.

This is illustrated as follows:



Total overall score:



A PHASED APPROACH

2023/2024

Brilliant Basics

Brilliant Basics:

- Portfolio Structure
- Design Principles and Strategic Framework
- Existing Transformation aligned to Outcome-led Portfolio
- Strategic Outcome Mapping and Service Planning

2024/2028

Sustainable Transformation

Sustainable Transformation:

- Outcome-led Portfolio
- Long-Term Planning

Beyond

Continuous Improvement

The best start in life for children and young people

People live well and age well

Strong, resilient communities

Quality homes in thriving neighbourhoods

A strong and inclusive economy

A connected and accessible Sandwell

One Council, One Team

Brilliant Basics Portfolio

SEND Service Transformation
SEN Transport

Transitions

Community Hubs, Enforcement
Leisure Review, Waste Review

Housing Repairs Transformation
Housing Asset Management System

Major Contracts and Commissioning Review
Asset and Estate Rationalisation Strategy

Customer Journey, Digital Blueprint
Neighbourhood Working

Oracle Fusion, Business Support,
Governance and Decision-Making

Informing Sustainable Transformation and Outcome-led Decision Making

| Strategic Outcome | What this means | Activity | VfM | Service Plan Actions |
|--|--|----------|-----|----------------------|
| The best start in life for children and young people | Remove barriers to education & learning, prioritise consistent support to families, check in with all children | | | |
| People live well and age well | Offer healthy choices for health & social care, respectful treatment in safe, clean environments | | | |
| Strong, resilient communities | Offer safe, non-threatening places, encourage outdoor activities | | | |
| Quality homes in thriving neighbourhoods | Provide fair & efficient assessments to provide homes to those in need | | | |
| A strong and inclusive economy | Incentivise local businesses and recruit & train locally based staff | | | |
| A connected and accessible Sandwell | Maximise location, transport network, promote alternative transport in schools | | | |
| One Council, One Team | Streamline processes, staff training & support & encouragement | | | |

EFFECTIVE

Is what we are doing contributing to the outcomes? First pass

EFFICIENT

Are we delivering the best outcomes for the resources being input? Second pass

ECONOMIC

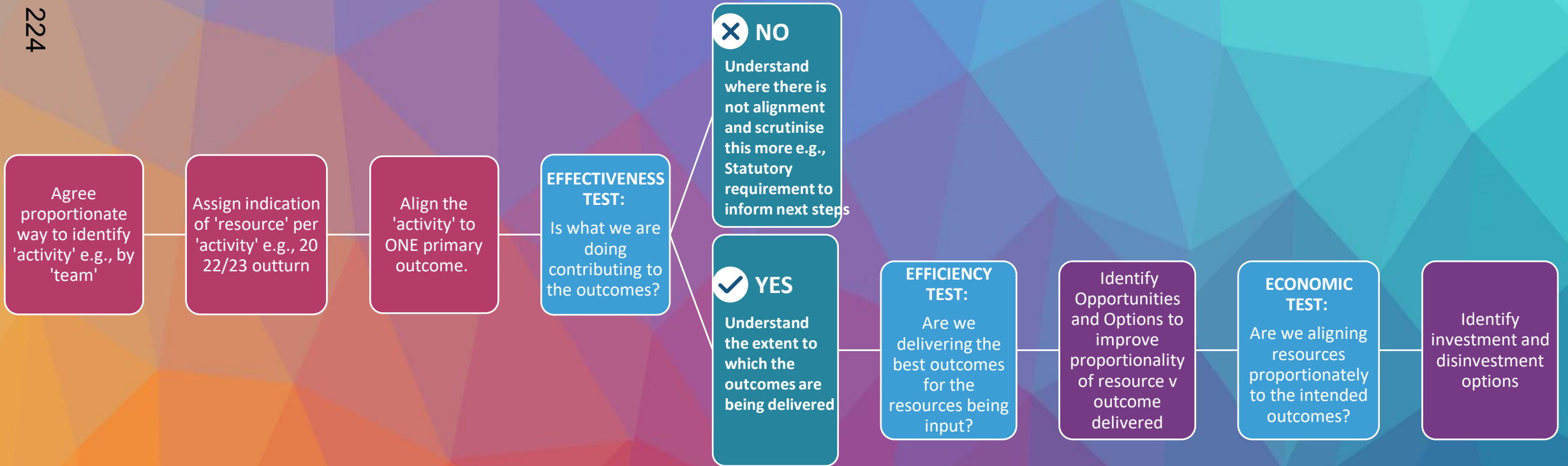
Are we aligning resources proportionately to intended outcomes? Strategic Pass

Applying Value for Money tests to Sustainable Transformation

| <p>EFFECTIVE</p> <p>Is what we are doing contributing to the outcomes? First pass</p> | <p>EFFICIENT</p> <p>Are we delivering the best outcomes for the resources being input? Second pass</p> | <p>ECONOMIC</p> <p>Are we aligning resources proportionately to intended outcomes? Strategic Pass</p> |
|---|--|---|
| <ul style="list-style-type: none"> ▪ Service and activity identification. ▪ Collaborative alignment to the interpretations of the Strategic Outcomes. ▪ Gap Analysis. ▪ Opportunity Identification. | <ul style="list-style-type: none"> ▪ Understanding of Impact (e.g., KPIs, customer feedback). ▪ Benchmarking. ▪ Cost vs benefit analysis. ▪ Opportunity Identification. ▪ Opportunity Quantification (BAU/ Transformation). | <ul style="list-style-type: none"> ▪ Prioritisation of cost & impact. ▪ Benchmarking. ▪ Opportunity Identification. ▪ Opportunity Quantification (BAU/ Transformation). ▪ Collaboration with SLT. ▪ Transformation Portfolio. ▪ Service Plan inputs. |



The Approach



WE ARE SANDWELL!



Flexible Use of Capital Receipts

Background

1. In the 2022/23 Provisional Local Government Finance Settlement the following was announced:
Extension of the flexibility to use capital receipts to fund transformation projects
2. We are also announcing a 3-year extension from 2022-23 onwards of the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery. We will provide further details on the extension in due course.
3. On 4 April 2022, the Department of Levelling Up, Housing, and Communities (DLUHC) confirmed this extension and published Guidance and a Direction. The Direction and Guidance were subject to a revision published on 2 August 2022 which included clarifications on the exclusion of receipts generated from the sale of assets to group companies.
4. The Council has previously not looked to make use of this flexibility, however with an increased number of transformational projects underway and being developed to improve service delivery and efficiency, this strategy has been developed to enable potential use of this flexibility to fund eligible expenditure. The Medium Term Financial Strategy Update Autumn 2023 that was taken to Cabinet on 15th November 2023 referred to the Council's intention to now make use of this flexibility.
5. An initial draft of 2023/24 projects that could be funded from capital receipts was submitted to DLUHC in December 2023 and this builds on that to include potential areas for 2024/25.

Objectives and Purpose

6. This Strategy is intended to enable the Council to potentially take advantage of the flexibility to use capital receipts to fund transformation costs if appropriate.
7. The Strategy will form part of the delivery of the Council's revised Corporate Plan (June 2023 Cabinet) assisting in the 'making the most of resources' strand of the One Council One Team strategic outcome. It will also support several areas within the Corporate Oversight theme of the Corporate Improvement Plan.
 - a. The objectives of this Strategy are to:
 - Identify projects that are considered to be eligible, and which could be funded by this method;
 - Identify actual and potential capital receipts that could be utilised to fund transformation projects;
 - In subsequent years, report on the progress of projects approved in previous years.

Projects Considered Eligible for Funding from use of Flexible Capital Receipts

8. A summary of projects identified included in this Strategy as being potentially eligible for capital receipts funding is summarised below, with a description of the project, project objectives, and potential planned use of receipts.

| Project | Description | Service Transformation / Savings | Saving Type | Planned Use of Receipts | |
|---|---|---|--|-------------------------|-----------------|
| | | | | 2023/24 £000 | 2025/25 £000 |
| Implementation of Oracle Fusion | Oracle Fusion system implemented across finance, HR, payroll, projects | More efficient payroll, HR, and finance services with targeted savings of at least £500k from 2025/26 | Improving systems and processes to provide more efficient and consistent service delivery | 2,700 | 1,000 |
| Financial Accounting Process Redesign | Improvements in working practices and working papers for financial accounts. Finance element of asset system implemented | Standard processes and working papers in place to enable year end accounts to be produced efficiently and to appropriate external audit standards | Improving systems and processes to provide more efficient and consistent service delivery | 430 | |
| Transactional Finance Redesigns | Working with an external partner to review and redesign how cash payments are streamlined, the management of appointee/deputyships and business support | Savings being identified relating to the following areas Cashless strategy £190k Brokerage /Appointeeship £200k | Funding the cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation | 340 | |
| Implementation of an Asset Rationalisation Strategy | The adoption of a corporate landlord model with all building assets being managed centrally combined with an active disposals programme of surplus assets | Improved efficiencies and consistency in managing buildings with targeted savings of £1.6m | Improving systems and processes to provide more efficient and consistent service delivery | 32 | |
| Adult Social Care Transformation – digital / assistive technology | Engagement of an external strategic partner to redesign how residents access services alongside partner organisations and improve workforce recruitment and retention. Investment in digital and assistive technology to improve independence | The reduction in direct care costs due to improvements in support from digital technology have targeted savings of £200k rising to £500k from 2025/26 | Driving a digital approach to the delivery of more efficient public services and how the public interacts with authorities | 95 | 1,000 |
| Visitor Services Business Plan Review | Review of the Sandwell Valley business planning documents with an external partner to identify risks to delivery and test financial assumptions | Delivery of additional visitor services income to improve the financial sustainability of the visitor services offering | Setting up commercial or alternative delivery models to deliver services more efficiently and bring in income | 30 | |
| Grounds Maintenance | Overall review of Grounds Maintenance | Delivery of service efficiency savings in this area | Investment in service reform feasibility work | 15 | |
| Waste Collection Review | Review of waste collection services including garden waste collection | Delivery of additional income related to garden waste collection and service efficiencies in waste collection service | Setting up commercial or alternative delivery models to deliver services more efficiently and bring in income | 50 | |

| | | | | | |
|------------------------------------|---|--|--|-------|-------|
| Vehicle Fleet Review | Review to identify rationalisation and/or alternative delivery options of fleet vehicles used in waste collection | Review to identify rationalisation and/or alternative delivery options of fleet vehicles used in waste collection | Investment in service reform feasibility work | 25 | |
| Contract Management Improvements | Review of contract management arrangements | Delivery of corporate contract management training to 170 staff, standard templates, and guidance | Improving systems and processes to provide more efficient and consistent service delivery | 20 | |
| Various commercialisation projects | Corporate transformation project support to services on commercialisation | Reviewing service delivery models to identify commercial opportunities and deliver additional income or maximise existing income streams | Setting up commercial or alternative delivery models to deliver services more efficiently and bring in income | 70 | |
| Staff Exit Costs | Costs of restructures to deliver savings/service changes | Realisation of ongoing savings from reduced staffing costs | Funding the cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation | 1,000 | |
| Adult Social Care - STAR | Change to Adult Social Care STAR service | Reduced Service costs realised in 23/24 financial year | Funding the cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation | 18 | |
| Customer Service Transformation | Review of customer journey and current contact centre model | Increased efficiency of customer interactions and improved use of new technology with savings realised from 25/26 | Improving systems and processes to provide more efficient and consistent service delivery | | 1,000 |
| Total | | | | 4,825 | 3,000 |

Fees and Charges

The general approach has been to increase fees & charges by 5% (unless otherwise directed/constrained by Government or regulation) or where there are compelling reasons for increasing beyond these factors as set out below.

| Directorate | Service | 2024/25 % Fee Increase | Rationale for Increase |
|---------------------|--|-----------------------------------|---|
| Adult Social Care | Community Meals (excluding Meals on Wheels), Community Alarms | 7% | In line with inflation |
| Adult Social Care | Community Meals | 20% | Aiming to reduce subsidy and move closer to achieving cost recovery |
| Children's Services | Sandwell Residential Education Service | 5%-8% | Standard increases, with the exception of high season charges at Ingestre Hall, Edgmond Hall and Frank Chapman Centres, where the aim of higher increases is to drive occupancy in mid and low seasons, aiming to have centres occupied for as much of the school year as possible, increasing attendance and positive outcomes for Sandwell children |
| Children's Services | Adult and Family Learning Course Fees | 9% (where fees currently charged) | Aiming to reduce subsidy and move closer to achieving cost recovery |
| Children's Services | Youth Services | 10%-100% | Aiming to reduce subsidy and move closer to achieving cost recovery |
| Borough Economy | Community Facilities, Green Services, Green Spaces, Visitor Services, Events | 5% | Standard increase |
| Borough Economy | Museums and Arts (excluding fees on next slide) | 5%-7% | In line with inflation |
| Borough Economy | Pest Control (excluding missed appointments) and Transit Sites | 5% | Standard increase |
| Borough Economy | Bulky Waste Collections (excluding Fridge/Freezers) | 11%+ | To bring fees closer into alignment with local authority neighbours |
| Borough Economy | Allotments | 12% | Fees not increased for over 10 years |
| Borough Economy | Libraries | 7%-43% | Cost recovery. Larger increases relate to photocopying, printing and postage, and are due to increased costs of materials and postage |

| | | | |
|-------------------------|---|----------|---|
| Borough Economy | Highways Act Permits, Licences, Traffic Orders and Inspections | 10% | Benchmarked with other West Midlands local authorities and increased accordingly |
| Borough Economy | Off Street Car Parking | 5% -33% | Revised car parking charges agreed by Cabinet on 21 June 2023 (following original report on 20 th July 2022) |
| Borough Economy | Car Parking Waivers, Parking Permits, Event Parking and Regulation Charges | 15% | To encourage use of sustainable transport methods, to offset increased costs, and to bring into line with other local authority charges |
| Borough Economy | Museums - Adult Tours, Handling Collections and Living History Events at Oak House Museum, and Use of Large Room at Haden Hill House, | 10%-43% | Aiming to recover costs, and to bring room hire charges into line with Libraries |
| Borough Economy | Environmental Protection – Fixed Penalty Notices | 50%-233% | Increased to upper limit set by DEFRA to discourage antisocial behaviour |
| Borough Economy | Scrap Metal Licences and Mobile Trading Consents | 5% | Standard increase |
| Borough Economy | Animal Licences, Skin Piercing Premises Licences, Food Safety Inspections/Certificates, Sex Establishment Licences | 8%-14% | Cost recovery |
| Borough Economy | Pest Control – Missed Appointments | 44% | Fee aligned with advisory visit fee, as cost incurred by the Council is the same in either circumstance |
| Housing | Community Facilities, Mobility Service, Garages | 5% | Standard increase |
| Housing | Private Sector Housing | 7% | In line with inflation |
| Law and Governance | Legal Services | 5% | Standard increase |
| Law and Governance | Registration Services | 7% | In line with inflation |
| Public Health | Landfill Location Checks / Contaminated Land | 5% | Standard increase |
| Regeneration and Growth | Building Control, Property Searches, Land Charges, Markets (excluding West Bromwich Indoor Market) | 5% | Standard increase |
| Regeneration and Growth | Facilities Management | 10% | Cost recovery (taking into account significantly increased utility costs over previous two years) |
| Regeneration and Growth | Planning Pre-Application Fees | 10% | Cost recovery (taking account of significantly increased staff costs) |
| Regeneration and Growth | Planning Fees | 25%+ | Statutory fees (set by Government) |

SANDWELL MBC - GENERAL FUND BUDGET SUMMARY

| | Current | Draft | Forecast Draft Budgets | | | |
|--|--------------------|--------------------|------------------------|--------------------|--------------------|--------------------|
| | Budget | Budget | | | | |
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Service Directorates | | | | | | |
| Corporate Management | (183.0) | 469.2 | 483.4 | 498.2 | 513.5 | 529.5 |
| Finance | 19,500.0 | 22,015.2 | 23,250.0 | 24,186.9 | 25,161.2 | 26,174.5 |
| Legal & Governance | 7,303.0 | 7,465.2 | 8,053.0 | 8,581.9 | 9,097.6 | 9,633.9 |
| Adult Social Care | 85,831.0 | 86,448.1 | 96,515.5 | 102,447.5 | 106,914.6 | 111,459.5 |
| Children's Services | 91,455.0 | 104,354.8 | 111,083.7 | 112,829.3 | 115,104.7 | 117,411.2 |
| Public Health | 64.0 | - | 190.4 | 388.4 | 594.3 | 808.5 |
| Regeneration & Growth | 11,389.0 | 10,310.7 | 11,082.5 | 12,034.7 | 12,681.0 | 13,353.1 |
| Housing & Assets | 2,303.0 | 3,017.8 | 2,910.8 | 3,262.4 | 3,602.8 | 3,956.8 |
| Assistant Chief Executive | 7,550.0 | 8,186.1 | 8,925.9 | 9,322.5 | 9,938.8 | 10,579.8 |
| Borough Economy | 69,875.0 | 73,477.4 | 77,924.0 | 81,449.4 | 84,402.5 | 87,393.7 |
| Council Wide | - | - | (1,700.0) | (2,900.0) | (2,900.0) | (2,900.0) |
| Total Service Directorate | 295,087.0 | 315,744.5 | 338,719.2 | 352,101.2 | 365,111.0 | 378,400.5 |
| Capital Charges | (26,461.0) | (26,461.0) | (26,461.0) | (26,461.0) | (26,461.0) | (26,461.0) |
| Central Items | 9,462.0 | 10,493.0 | 10,778.0 | 11,061.0 | 11,061.0 | 11,061.0 |
| Contingency | 8,812.0 | 2,671.0 | 2,931.0 | 2,941.0 | 2,955.2 | 2,963.7 |
| Total Council Service Costs | 286,900.0 | 302,447.5 | 325,967.2 | 339,642.2 | 352,666.2 | 365,964.2 |
| External Interest Payments | 15,000.0 | 20,136.0 | 22,100.0 | 20,600.0 | 21,700.0 | 22,300.0 |
| Interest and Dividend Receipts | (7,500.0) | (10,000.0) | (10,000.0) | (9,000.0) | (9,000.0) | (9,000.0) |
| Contribution to/ (from) Earmarked Reserves | 2,315.0 | 5,893.2 | - | - | - | - |
| Revenue Contributions to Capital Expenditure | 6,282.0 | - | - | - | - | - |
| Contribution to/ (from) General Balances | 521.0 | - | - | - | - | - |
| Net Cost of Borough Services | 303,518.0 | 318,476.7 | 338,067.2 | 351,242.2 | 365,366.2 | 379,264.2 |
| West Midlands Integrated Transport Levy | 13,977.0 | 14,396.0 | 14,828.0 | 15,273.0 | 15,273.0 | 15,273.0 |
| West Midlands Magistrates Courts | 41.0 | 41.0 | 41.0 | 41.0 | 41.0 | 41.0 |
| Environment Agency (Flood Defence Levy) | 88.0 | 94.0 | 94.0 | 94.0 | 94.0 | 94.0 |
| Net Borough Expenditure | 317,624.0 | 333,007.7 | 353,030.2 | 366,650.2 | 380,774.2 | 394,672.2 |
| Funding | | | | | | |
| Non-Ringfenced Grants | | | | | | |
| New Homes Bonus | (111.0) | (776.0) | - | - | - | - |
| Services Grant | (3,953.0) | (648.0) | - | - | - | - |
| Non-Domestic Rates | | | | | | |
| Retained Business Rates | (109,560.0) | (114,106.0) | (116,388.0) | (118,716.0) | (121,090.0) | (123,512.0) |
| Section 31 Grants | (38,188.0) | (38,123.0) | (38,885.0) | (39,663.0) | (40,456.0) | (41,265.0) |
| Top-up Grant | (38,701.0) | (42,378.0) | (43,226.0) | (44,091.0) | (44,973.0) | (45,872.0) |
| Collection Fund (Surplus)/ Deficits | | | | | | |
| Non-Domestic Rates | (52.0) | (1,607.0) | - | - | - | - |
| Council Tax | (50.0) | 500.0 | - | - | - | - |
| Amounts Raised from Council Tax | (127,009.0) | (135,869.7) | (142,031.0) | (148,472.0) | (155,205.0) | (162,243.0) |
| Projected (Surplus)/ Deficit | - | - | 12,500.2 | 15,708.2 | 19,050.2 | 21,780.2 |

SANDWELL METROPOLITAN BOROUGH COUNCIL

COUNCIL TAX

2024/25

| Band | Sandwell Metropolitan Borough Council | | | Fire | Police | Total |
|---|---------------------------------------|---------------------------|---------------------|-------------------|--------------------|------------------|
| | Core Council Tax | Adult Social Care Precept | Sandwell Total | | | |
| A | £990.33 | £167.72 | £1,158.05 | £50.13 | £143.70 | £1,351.88 |
| B | £1,155.39 | £195.67 | £1,351.06 | £58.49 | £167.65 | £1,577.20 |
| C | £1,320.44 | £223.63 | £1,544.07 | £66.84 | £191.60 | £1,802.51 |
| D | £1,485.50 | £251.58 | £1,737.08 | £75.20 | £215.55 | £2,027.83 |
| E | £1,815.61 | £307.49 | £2,123.10 | £91.91 | £263.45 | £2,478.46 |
| F | £2,145.73 | £363.39 | £2,509.12 | £108.62 | £311.35 | £2,929.09 |
| G | £2,475.83 | £419.30 | £2,895.13 | £125.33 | £359.25 | £3,379.71 |
| H | £2,971.00 | £503.16 | £3,474.16 | £150.40 | £431.10 | £4,055.66 |
| NOTE: The Council Tax levels shown above apply to properties with 2 or more adults. Single person households will pay 25% less than this. | | | | | | |
| 2024/25 | Increase | | | | | |
| 2024/25 | Band D Amount | | £1,737.08 | £75.20 | £215.55 | £2,027.83 |
| 2023/24 | Band D Amount | | £1,654.52 | £73.02 | £202.55 | £1,930.09 |
| 2024/25 | £ Increase | | £82.56 | £2.18 | £13.00 | £97.74 |
| 2024/25 | % Increase | | 4.99% | 2.99% | 6.42% | 5.06% |
| Amount to be Raised | | | £135,869,698 | £5,881,939 | £16,859,733 | |

DSG and Schools Funding 2024/25Recommendations

1. In respect of the 2024/2025 schools funding formula for Sandwell schools, consider the outcome of the consultation proposals following review by the Schools Forum, as shown in Annex A as follows and that approval be given to:
 - (a) adopting the minimum transition option for calculating schools funding in 2024/25
 - (b) setting the Growth Funding at £1.60m
 - (c) The introduction of a Falling Rolls Fund in 2024/25
 - (d) the transfer of £0.512m funding from the Schools Block to the Central Schools Services Block (CSSB) to fund the attendance service
 - (e) the CSSB, De-delegated and Education Function proposals as set out in Annex A (with the exception of Schools in Financial Difficulty).
 - (f) Adopt the allocation by block per paragraph 5 of this Appendix; and
 - (g) That Cabinet note the details of the Schools Funding Settlement.

Schools Funding Settlement

2. The Schools Revenue Funding 2024/25 Operational Guide requires the Council to engage in open and transparent consultation with maintained schools and academies in their area, as well as with their school's forum about any changes to the local funding formula, including the principles adopted and any movement of funds between blocks.
3. The Council is responsible for making the final decisions on the formula and for ensuring there is sufficient time to gain political approval before the funding is distributed to schools - deadline 28 February 2024.
4. The contents of this report were considered by Schools Forum at their meeting of 11th December 2023.
5. As part of the budget process the Council also allocates the Dedicated Schools Grant (DSG) to schools in consultation with the Schools Forum. The government has announced the gross 2024/25 Dedicated Schools Grant (DSG), for all Sandwell schools in the sum of £466.2m. This represents an increase of 9.64% from corresponding amount in 2023/24. This is before recoupment for Academies and Free Schools which will be calculated later and therefore the amount available for distribution by the Council will be lower than this headline figure. The significant increase in Early Year's Block is due mainly to the expanded Early Years entitlements. Any grant amount unspent will probably be recouped back by government. A summary of the 2024/25 DSG by block is shown below:

| DSG Block | Allocation prior to Adjustments | Adjustments | Allocation after adjustments |
|-------------------------|---------------------------------|-------------|------------------------------|
| | £m | £m | £m |
| Schools Block | 349.852 | (3.276) | 346.576 |
| Central School Services | 2.381 | 0 | 2.381 |
| High Needs | 75.436 | (4.490) | 70.946 |
| Early Years | 38.535 | 0 | 38.535 |
| Total | 466.204 | (7.766) | 458.438 |

Context and Key Issues

6. There have been a few changes announced by the DfE/ESFA in the Summer 2023 on the way schools will be funded from 2024/25 and these are summarised below.
7. In 2024/25, each local authority will continue to be required to bring their own formulae closer to the schools direct National Funding Formula (NFF). There is an expectation that the full move to the NFF will be completed by 2027/28.
8. The Mainstream Schools Additional Grant (MSAG) is being rolled into the schools NFF from 2024/25. To ensure schools do not lose funding as a result of this change, additional funding has been added to each school's MFG baseline. The amount added reflects the number of pupils included in the school's MFG baseline.
9. Split sites funding is now mandatory and is calculated using the DfE formula.
10. The Minimum Funding Guarantee will continue in 2024/25 to be between +0.0% and +0.5% without the need for a disapplication request to the DfE.
11. The basic structure of the high needs NFF for 2024/25 is not changing.
12. Local authorities will continue to be able to transfer up to 0.5% of their schools block to other blocks of the DSG, with Schools Forum approval. A disapplication request is required for transfers above 0.5%, or for any amount without Schools Forum approval. The authority will once again be requesting a movement of funding from the Schools Block to the Central Schools Services Block.

Background/Context

13. There were 7 proposals/questions asked in the schools funding consultation 2024/25 (5 to academies). Questions asked and responses to each are detailed in Annex A.

- a. Question 1: At the request of Schools Forum three modelling options were pulled together in order to demonstrate what a school's funding could potentially be if they chose to move 10% closer to the NFF, 20% closer and if they chose to move directly to the NFF.
- b. It was stressed that the funding that was modelled in each option was to be a guide only and did not represent the actual amount each school would get. This was due to the following large number of assumptions made which were not known at the time of the consultation:
- The data used in the modelling is from the October 2022 census data and the final funding model will be based upon and updated with the latest October 2023 census.
 - The Mainstream Schools Grant (MSAG) was a separate grant in 2023/24 but will be rolled into the 2024/25 schools block.
 - An assumption at this stage that Growth Fund will make use of the brought forward balances and so will be set at £1.60m (see Question 2)
 - An assumption at this stage that £0.512m will be transferred from the Schools Block to Central Schools Services Block (see question 3)
 - The final DSG will not be announced until December 2023
- c. It was important that schools noted the context of the question and provide their views on how quickly they would wish to move towards the National Funding Formula: There were 3 possible answers/options given:
- Option 1: Minimum Transition
 - Option 2: Accelerated Transition
 - Option 3: Move directly to the NFF.
- d. Question 2: Schools and School Forums were asked how much growth fund they would like to see top sliced from their DSG with 2 response options being the full £1.9m or making use of the brought forward thereby reducing this to £1.6m.
- e. Growth fund has been part of the school's consultation for a number of years and is used to support growth in pre-16 pupil numbers to meet basic need, additional classes need, infant class size regulation and to meet the costs necessary for new schools.
- f. Question 3: Schools and School Forums were asked if they would support the introduction of a Falling Rolls Fund.
- g. Question 4: Schools and School Forums were asked if they would support the movement of funding from the Schools Block to the Central Schools Services Block to the value of £0.512m in order that the attendance and safeguarding service could provide services to both the maintained and academy sector.
- h. Question 5: Schools were asked if they supported the proposals outlined in the Central Schools Services Block which were unchanged from 2023/24 (Outlined in Annex A).
- i. Question 6: Maintained Schools were asked if they supported the De-delegated proposals which were unchanged from 2023/24 (Outlined in Annex A).

- j. Question 7: Maintained Schools were asked if they supported the Education Functions proposals which were unchanged from 2023/24 (Outlined in Annex A).

Alternative Options

14. The consultation with schools resulted in the option to move their funding closer to the National Funding Formula (NFF) by 10% as a minimum. The primary sector predominantly chose to move to the NFF at this slower pace. The secondary sector preference however was to move directly to the NFF in 2024/25.
15. There is an alternative option whereby cabinet can overrule schools' overall preferences and approve the move where funding, in 2024/25, immediately mirrors the NFF.
16. Moving to the NFF in 2024/25 will mean Sandwell schools will be funded consistently as part of the Governments plan for fair funding for all at a much faster pace. However, and as can be seen at Annex A below, majority of Sandwell's schools are not in favour of this option. In addition, it will result in more turbulence (the number of gainers and losers) within the system.

Implications

| | |
|-----------------------|--|
| Resources: | This report will affect the funding received by individual schools in 2024/25. The schools block of the DSG is £349.852m and all of this will be distributed to schools via the Schools Funding Formula. |
| Legal and Governance: | The Authority must adhere to the Schools and Early Years Finance (England) Regulations 2022 |
| Risk: | <p>The Corporate Risk Management Strategy (CRMS) has been complied with – to identify and assess the significant risks associated with this decision. This includes (but is not limited to) political, legislation, financial, environmental and reputation risks.</p> <p>As set out in paragraph 4.1 the LA has undertaken its duty to ensure all schools and interested stakeholders have been consulted on around the changes to their funding allocations from previous years. The recommendation by School Forum members to adopt option 1 will see schools moving another 10% closer to the National Funding Formula (NFF).</p> <p>Despite the Government providing additional funding schools will continue to experience budget pressures from rising costs and inflation. There are an increased number of small and Primary schools who will find it difficult to set balanced budgets as we move to the NFF. The council do not have the power to mitigate these risks as this sits with the Governing Body. The LA closely monitors school budgets through submission of budget plans and termly monitoring reports.</p> |
| Equality: | The DfE has undertaken an equalities impact assessment of the national funding formula for schools and high needs. The analysis is also based on the assumption that local authorities will fund their schools in accordance with the national funding formula. |
| Health and Wellbeing: | The proposals in this report have no impact on health and wellbeing |
| Social Value: | Sandwell is committed to providing a first-class education for all children, irrespective of their backgrounds, and to level up opportunity so that all children can realise their potential, preparing them for a fulfilling and successful adult life. |
| Climate Change: | There are no climate change implications |
| Corporate Parenting: | There are no Corporate Parenting implications |

Annex

Annex A - Consultation Questions and Responses

Background Papers

Schools Operational Guide 2024/25

Responses

The table below compares responses from the previous 4 years:

| | Primary | % | Secondary | % | TOTAL | % |
|---------|---------|-----|-----------|-----|--------|-----|
| 2020-21 | 56/94 | 60% | 9/18 | 50% | 65/112 | 58% |
| 2021-22 | 60/95 | 63% | 10/20 | 50% | 70/115 | 61% |
| 2022-23 | 43/94 | 46% | 10/20 | 50% | 53/114 | 46% |
| 2023-24 | 55/94 | 59% | 6/20 | 30% | 61/114 | 54% |
| 2024-25 | 55/94 | 59% | 10/20 | 50% | 65/114 | 57% |

Question 1

Please indicate the option you prefer to use for calculating schools funding for 2024/25? There were 3 possible responses which were:

- OPTION 1 - Minimum transition
- OPTION 2 - Accelerated transition
- OPTION 3 – National Funding Factor (NFF) values

| Q1: Overall Responses | Total | % |
|--|-----------|-------------|
| OPTION 1 - Minimum Transition | 51 | 78% |
| OPTION 2 - Accelerated Transition | 5 | 8% |
| OPTION 3 - National Funding Formula Factor | 9 | 14% |
| Grand Total | 65 | 100% |

| Q1: Detailed Responses | Total |
|--|-----------|
| Minimum Transition | 51 |
| Primary | 47 |
| Secondary | 4 |
| Accelerated Transition | 5 |
| Primary | 4 |
| Secondary | 1 |
| National Funding Formula Factor Values | 9 |
| Primary | 4 |
| Secondary | 5 |
| Grand Total | 65 |

Question 2

Do you agree to the use of the Brought Forward of £0.282m to set the Pupil Number Growth Fund?
There were 2 possible responses which were:

- YES
- NO

| Q2: Overall Responses | Total | % |
|-------------------------------------|--------------|-------------|
| YES – Utilise the Brought Forward | 56 | 86% |
| NO – Do NOT use the Brought Forward | 9 | 14% |
| Grand Total | 65 | 100% |

| Q2: Detailed Responses | Total |
|-------------------------------|--------------|
| YES - Utilise the B/F | 56 |
| Primary | 47 |
| Secondary | 9 |
| NO – Do not utilise B/F | 9 |
| Primary | 8 |
| Secondary | 1 |
| Grand Total | 65 |

Question 3

Do you agree to the introduction of a Falling Rolls Fund (FRF)? There were 2 possible responses which were:

- YES
- NO

| Q3: Overall Responses | Total | % |
|---|--------------|-------------|
| YES – Agree with the introduction of a FRF | 44 | 68% |
| NO – Do NOT agreed with the introduction of a FRF | 21 | 32% |
| Grand Total | 65 | 100% |

| Q3: Detailed Responses | Total |
|------------------------------|-----------|
| YES – introduce a FRF | 44 |
| Primary | 38 |
| Secondary | 6 |
| NO – Do NOT agree with a FRF | 22 |
| Primary | 18 |
| Secondary | 4 |
| Grand Total | 66 |

Question 4

Do you agree to the top slice of £512,000 from the Schools Block to the Central Schools Services Block (CSSB) to fund the Attendance Team? There were 2 possible responses which were:

- YES
- NO

| Q4: Overall Responses | Total | % |
|--------------------------------------|-----------|-------------|
| YES – agree to £512k top slice | 57 | 88% |
| NO – Do NOT agree to £512k top slice | 8 | 12% |
| Grand Total | 65 | 100% |

| Q4: Detailed Responses | Total |
|---|-----------|
| YES – agree to £512k top slice | 57 |
| Primary | 47 |
| Secondary | 10 |
| NO – do NOT agree to £512k top slice | 8 |
| Primary | 7 |
| Secondary | 1 |
| Grand Total | 65 |

Question 5

Do you agree with the indicative allocation of the CSSB?

| Q5: Responses | YES | NO |
|---|-----|----|
| CSSB1 – Statutory & Regulatory /Welfare and Asset Man | 57 | 8 |
| CSSB2 Admissions Service | 57 | 8 |
| CSSB3 Historical Commitment Pensions Administration | 57 | 8 |
| CSSB4 Schools Forum | 57 | 8 |

Question 6 and 7

Please indicate YES / NO if you agree with the De-delegated and Education Functions Proposals?
There were 2 possible responses which were either Yes or No to each of the proposals.

De-Delegation

| Q6: Responses | YES | NO |
|-------------------------------------|------------|-----------|
| DD1 Health & Safety Licences | 43 | 8 |
| DD2 EVOLVE | 50 | 1 |
| DD3 Union Facilities Time | 33 | 18 |
| DD4 School Improvement | 44 | 7 |
| DD5 Schools in Financial Difficulty | 31 | 20 |

Education Functions proposals

| Q7: Responses | YES | NO |
|---|------------|-----------|
| EF1 Education Benefits Team | 45 | 6 |
| EF2 Children's Clothing Support Allowance | 32 | 19 |

General Fund Capital Programme

2023/24 to 2027/28

| Summary General Fund - 5 Year Approved Capital Programme | | | | | | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | TOTAL |
| Service | Revised Base Budget | Revised Base Budget | Revised Base Budget | Revised Base Budget | Revised Base Budget | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care | 329 | 763 | - | - | - | 1,092 |
| Borough Economy | 25,661 | 19,852 | 26,284 | 8,334 | 8,334 | 88,465 |
| Finance | 9,305 | 2,428 | 1,200 | 1,200 | 1,200 | 15,333 |
| Children's Services | 7,732 | 12,300 | 10,000 | 10,000 | 10,000 | 50,032 |
| Housing | 5,512 | 13,716 | 4,800 | 4,800 | 4,800 | 33,628 |
| Law & Governance | 197 | 3,610 | - | - | - | 3,807 |
| Regeneration & Growth | 26,553 | 56,728 | 11,065 | 2,100 | 2,100 | 98,546 |
| Grand Total | 75,289 | 109,397 | 53,349 | 26,434 | 26,434 | 290,903 |
| Financing | £000 | £000 | £000 | £000 | £000 | £000 |
| Total Grant Funded Schemes | 49,165 | 93,516 | 46,254 | 21,339 | 21,339 | 231,613 |
| Total Prudential Funded Schemes | 25,977 | 12,321 | 4,995 | 2,995 | 2,995 | 49,283 |
| Total Capital Receipts Funded Schemes | - | - | 2,100 | 2,100 | 2,100 | 6,300 |
| Total RCCO Funded Schemes | 147 | 3,560 | - | - | - | 3,707 |
| Grand Total | 75,289 | 109,397 | 53,349 | 26,434 | 26,434 | 290,903 |

Summary General Fund - Pipeline Capital Project Requests

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | TOTAL |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------|
| Service | Revised Base Budget | Revised Base Budget | Revised Base Budget | Revised Base Budget | Revised Base Budget | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care | 0 | 563 | - | - | - | 563 |
| Borough Economy | 0 | 20,522 | 37,337 | 39,884 | - | 97,743 |
| Finance | 0 | 1,216 | - | - | - | 1,216 |
| Children's Services | 0 | 8,155 | 8,135 | 935 | - | 17,225 |
| Housing | 0 | - | - | - | - | - |
| Law & Governance | 0 | 1,625 | - | - | - | 1,625 |
| Regeneration & Growth | 0 | 2,998 | 4,732 | - | - | 7,730 |
| Grand Total | 0 | 35,079 | 50,204 | 40,819 | 0 | 126,102 |
| Financing | £000 | £000 | £000 | £000 | £000 | £000 |
| Total Grant Funded Schemes | - | 25,896 | 42,183 | 32,963 | - | 101,042 |
| Total Prudential Funded Schemes | - | 9,183 | 8,021 | 7,856 | - | 25,060 |
| Total Capital Receipts Funded Schemes | - | - | - | - | - | - |
| Total RCCO Funded Schemes | - | - | - | - | - | - |
| Grand Total | - | 35,079 | 50,204 | 40,819 | - | 126,102 |

Summary General Fund - 5 Year Approved Capital Programme & Pipeline Capital Project Requests

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | TOTAL |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------|
| Service | Revised Base Budget | Revised Base Budget | Revised Base Budget | Revised Base Budget | Revised Base Budget | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care | 329 | 1,326 | 0 | 0 | 0 | 1,655 |
| Borough Economy | 25,661 | 40,374 | 63,621 | 48,218 | 8,334 | 186,208 |
| Finance | 9,305 | 3,644 | 1,200 | 1,200 | 1,200 | 16,549 |
| Children's Services | 7,732 | 20,455 | 18,135 | 10,935 | 10,000 | 67,257 |
| Housing | 5,512 | 13,716 | 4,800 | 4,800 | 4,800 | 33,628 |
| Law & Governance | 197 | 5,235 | 0 | 0 | 0 | 5,432 |
| Regeneration & Growth | 26,553 | 59,726 | 15,797 | 2,100 | 2,100 | 106,276 |
| Grand Total | 75,289 | 144,476 | 103,553 | 67,253 | 26,434 | 417,005 |
| Financing | £000 | £000 | £000 | £000 | £000 | £000 |
| Total Grant Funded Schemes | 49,165 | 119,412 | 88,437 | 54,302 | 21,339 | 332,655 |
| Total Prudential Funded Schemes | 25,977 | 21,504 | 13,016 | 10,851 | 2,995 | 74,343 |
| Total Capital Receipts Funded Schemes | - | - | 2,100 | 2,100 | 2,100 | 6,300 |
| Total RCCO Funded Schemes | 147 | 3,560 | - | - | - | 3,707 |
| Grand Total | 75,289 | 144,476 | 103,553 | 67,253 | 26,434 | 417,005 |

SMBC 5 YEAR CAPITAL PROGRAMME - GENERAL FUND

Approved Capital Programme

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total | |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------|----------------|
| Service / Scheme | Revised Base Budget £000 | Revised Base Budget £000 | Revised Base Budget £000 | Revised Base Budget £000 | Revised Base Budget £000 | £000 | Funding Source |
| Adult Social Care | | | | | | | |
| ASC Capital Grant - Harvest View | 0 | 763 | - | - | - | 763 | Grant |
| ASC System Development | 260 | - | - | - | - | 260 | Grant |
| Contaminated Land Grant | 8 | - | - | - | - | 8 | Grant |
| Swift Impress System | 61 | - | - | - | - | 61 | Prudential |
| Adult Social Care Total | 329 | 763 | - | - | - | 1,092 | |

| | | | | | | | |
|---|---------------|---------------|---------------|--------------|--------------|---------------|------------|
| Borough Economy | | | | | | | |
| Environmental Improvements to Neighbourhoods | 17 | - | - | - | - | 17 | Prudential |
| Forge Mill Farm | 2 | - | - | - | - | 2 | Prudential |
| Lightwoods Park | 16 | - | - | - | - | 16 | Prudential |
| Lightwoods Park HLF | 379 | - | - | - | - | 379 | Grant |
| Manor House - Phase 2 | 12 | - | - | - | - | 12 | Prudential |
| Manor House Conservation Plan | 241 | - | - | - | - | 241 | Prudential |
| Oakhouse Barns Resoration Project | 10 | - | - | - | - | 10 | Prudential |
| Oakhouse Barns Resoration Project | 125 | - | - | - | - | 125 | Grant |
| Total Birchley Island | 2,685 | - | - | - | - | 2,685 | Grant |
| Total Birchley Island | 0 | 3,190 | - | - | - | 3,190 | Prudential |
| Total Local Network Improvement Plan (LNIP) | 2,756 | 2,809 | 1,798 | 1,798 | 1,798 | 10,959 | Grant |
| Total Main Programme (Council Resources) (Excl Birchley Island) | 8,077 | 2,131 | 295 | 295 | 295 | 11,093 | Prudential |
| Total Highways Maintenance & Structures | 5,481 | 4,741 | 4,741 | 4,741 | 4,741 | 24,445 | Grant |
| Total Self Financing Schemes (Excl TT) | 3,330 | 1,211 | - | - | - | 4,541 | Grant |
| Vehicles | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 7,500 | Prudential |
| LUF - Haden Hill Leisure Centre | 640 | 3,410 | 15,950 | - | - | 20,000 | Grant |
| LUF - Haden Hill Leisure Centre | 0 | - | 2,000 | - | - | 2,000 | Prudential |
| WMCA - PMF Play & Education Barn Project | 190 | 360 | - | - | - | 550 | Grant |
| WMCA - The Railer / Cracker improvement Projects | 0 | 500 | - | - | - | 500 | Grant |
| West Smethwick Park HLF | 200 | - | - | - | - | 200 | Grant |
| Borough Economy Total | 25,661 | 19,852 | 26,284 | 8,334 | 8,334 | 88,465 | |

| | | | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|--------------|---------------|------------|
| Finance | | | | | | | |
| ICT - End User Computing | 2,823 | 1,200 | 1,200 | 1,200 | 1,200 | 7,623 | Prudential |
| Oracle Fusion ERP System | 6,482 | 1,195 | - | - | - | 7,677 | Prudential |
| Public Realm | 0 | 33 | - | - | - | 33 | Grant |
| Finance Total | 9,305 | 2,428 | 1,200 | 1,200 | 1,200 | 15,333 | |

| | | | | | | | |
|--|-------|--------|--------|--------|--------|--------|------------|
| Children's Services | | | | | | | |
| BSF - ICT Element | 80 | - | - | - | - | 80 | Prudential |
| Orchard Building Works (Primrose) | 37 | - | - | - | - | 37 | Grant |
| PLAY Pathfinder | 6 | - | - | - | - | 6 | Grant |
| Devolved Formula Capital | 1,300 | - | - | - | - | 1,300 | Grant |
| Devolved Formula Capital - PRU's | 80 | - | - | - | - | 80 | Grant |
| Devolved Formula Capital - School Contribution | 1,200 | - | - | - | - | 1,200 | Grant |
| Provisional Grant Allocation | 0 | 10,000 | 10,000 | 10,000 | 10,000 | 40,000 | Grant |
| Youth Centre Queens Way | 5 | - | - | - | - | 5 | Grant |
| Schools Capital Programme Schemes: | | | | | | | |
| Brades Lodge | 344 | 1,000 | - | - | - | 1,344 | Grant |
| Bristnall Hall Academy | 10 | - | - | - | - | 10 | Grant |
| Connor Education Centre | 40 | - | - | - | - | 40 | Grant |
| ESFA Shireland Primary Free school | 61 | - | - | - | - | 61 | Grant |
| Feasibility Work Expansion of Secondary | 300 | - | - | - | - | 300 | Grant |
| Great Bridge Primary | 19 | - | - | - | - | 19 | Grant |
| Health Futures UTC | 1,476 | 1,300 | - | - | - | 2,776 | Grant |
| New Oldbury Primary - Lightwoods | 174 | - | - | - | - | 174 | Grant |

| | | | | | | | |
|---|--------------|---------------|---------------|---------------|---------------|---------------|-------|
| Ormiston Sandwell Community Academy (OSCA) | 401 | - | - | - | - | 401 | Grant |
| Priority Primary Expansion | 15 | - | - | - | - | 15 | Grant |
| Q3 Langley Phase 3 | 4 | - | - | - | - | 4 | Grant |
| School Condition - LifeCycle property maintenance | 1,877 | - | - | - | - | 1,877 | Grant |
| School Kitchen Repairs | 3 | - | - | - | - | 3 | Grant |
| Shenstone (Evolve) | 200 | - | - | - | - | 200 | Grant |
| West Bromwich Collegiate Academy - Phase 2 | 100 | - | - | - | - | 100 | Grant |
| Children's Services Total | 7,732 | 12,300 | 10,000 | 10,000 | 10,000 | 50,032 | |

| | | | | | | | |
|--|--------------|---------------|--------------|--------------|--------------|---------------|------------|
| Housing | | | | | | | |
| Charlemont Community Centre | 37 | - | - | - | - | 37 | Prudential |
| DFG | 4,500 | 12,761 | 4,800 | 4,800 | 4,800 | 31,661 | Grant |
| Empty Properties | 100 | 585 | - | - | - | 685 | Prudential |
| HMRA Ringfenced Receipts - Vulnerable Homeowners | 373 | - | - | - | - | 373 | Prudential |
| Housing Stock Condition Survey | 0 | 29 | - | - | - | 29 | Prudential |
| Self Service Customer Portal | 115 | - | - | - | - | 115 | Prudential |
| The Public | 0 | 341 | - | - | - | 341 | Prudential |
| Vulnerable Homeowners Improvements (Kick Start) | 386 | - | - | - | - | 386 | Prudential |
| Warm Homes Healthy People | 1 | - | - | - | - | 1 | Grant |
| Housing Total | 5,512 | 13,716 | 4,800 | 4,800 | 4,800 | 33,628 | |

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|----------------|-------------------------------|
| Service / Scheme | Revised Base Budget | Revised Base Budget | Revised Base Budget | Revised Base Budget | Revised Base Budget | | Funding Source |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Law & Governance | | | | | | | |
| New Cemetery - West Bromwich | 20 | 3,560 | - | - | - | 3,580 | RCCO |
| Case Management System | 50 | 50 | - | - | - | 100 | Prudential |
| Rowley Cemetery | 127 | - | - | - | - | 127 | RCCO |
| Law & Governance Total | 197 | 3,610 | - | - | - | 3,807 | |
| Regeneration & Growth | | | | | | | |
| Access Fund | 334 | 300 | 300 | 300 | 300 | 1,534 | Prudential / Capital Receipts |
| Blackheath Library - Fit Out Costs | 56 | - | - | - | - | 56 | Prudential |
| Brindley II | 21 | - | - | - | - | 21 | Prudential |
| BSF - Schools for the Future | 73 | - | - | - | - | 73 | Grant |
| Childrens Trust Accommodation Works | 145 | - | - | - | - | 145 | Grant |
| Coroners Court Refurbishment - Jack Judge House | 434 | - | - | - | - | 434 | Prudential |
| King Street, Wednesbury Health Centre | 1,467 | - | - | - | - | 1,467 | Prudential |
| Mobile Working | 0 | 41 | - | - | - | 41 | Grant |
| PMA - The Central Sixth Form Building Works | 500 | - | - | - | - | 500 | Prudential |
| PMA Capitalisation | 855 | 800 | 800 | 800 | 800 | 4,055 | Prudential / Capital Receipts |
| Property Refurbishment - WPV Sandwell Council House | 911 | 1,000 | 1,000 | 1,000 | 1,000 | 4,911 | Prudential / Capital Receipts |
| Property Refurbishment - WPV Sandwell Council House | 1,017 | - | - | - | - | 1,017 | Prudential |
| PSDS Heat Pump Technology | 247 | - | - | - | - | 247 | Grant |
| Regeneration Reserve | 1,109 | - | - | - | - | 1,109 | Grant |
| Sandwell Aquatics Centre | 4,514 | 468 | - | - | - | 4,982 | Grant |
| Section 106 Schemes | 204 | 2,615 | - | - | - | 2,819 | Grant |
| UK Shared Property Fund | 582 | - | - | - | - | 582 | Grant |
| LUF - ASB & Crime in Wednesbury | 0 | 400 | - | - | - | 400 | Grant |
| LUF - Friar Park Urban Village | 0 | 11,500 | - | - | - | 11,500 | Grant |
| LUF - Greenspace Improvements | 0 | 1,600 | - | - | - | 1,600 | Grant |
| LUF - Millennium Centre | 0 | 2,000 | - | - | - | 2,000 | Grant |
| LUF - Public Realm Wednesbury Town Centre | 0 | 4,500 | - | - | - | 4,500 | Grant |
| Towns Fund: | | | | | | | |
| Rowley Regis - Blackheath Bus Exchange | 27 | 2,688 | 1,020 | - | - | 3,735 | Grant |
| Rowley Regis - Britannia Park Community Hub | 793 | 1,203 | - | - | - | 1,996 | Grant |
| Rowley Regis - Canal and River Trust | 324 | 188 | - | - | - | 512 | Grant |
| Rowley Regis - Connected | 116 | 878 | 494 | - | - | 1,488 | Grant |
| Rowley Regis - Satellite Education Hub | 500 | 4,016 | 4,016 | - | - | 8,532 | Grant |
| Smethwick - Connected | 2,242 | 1,000 | - | - | - | 3,242 | Grant |
| Smethwick - Midlands Met Learning Campus | 2,600 | 8,711 | - | - | - | 11,311 | Grant |
| Smethwick - Rolfe Street Regeneration | 862 | 818 | 255 | - | - | 1,935 | Grant |
| Smethwick - Grove Lane Regeneration | 35 | 2,611 | 1,698 | - | - | 4,344 | Grant |
| Smethwick - Ron Davis Centre Expansion | 15 | - | - | - | - | 15 | Grant |
| West Brom - Connected | 291 | 421 | 314 | - | - | 1,026 | Grant |
| West Brom - Retail Diversification Programme | 1,828 | 4,795 | 1,168 | - | - | 7,791 | Grant |
| West Brom - Sandwell MEC | 2,005 | - | - | - | - | 2,005 | Grant |
| West Brom - Town Hall Quarter | 2,093 | 4,155 | - | - | - | 6,248 | Grant |
| West Brom - Urban Greening | 353 | 20 | - | - | - | 373 | Grant |
| Regeneration & Growth Total | 26,553 | 56,728 | 11,065 | 2,100 | 2,100 | 98,546 | |
| Total Capital Approved Programme | 75,289 | 109,397 | 53,349 | 26,434 | 26,434 | 290,903 | |
| Financing | | | | | | | |
| Grant Funded Schemes | 49,165 | 93,516 | 46,254 | 21,339 | 21,339 | 231,613 | Grant |
| Prudential Funded Schemes | 25,977 | 12,321 | 4,995 | 2,995 | 2,995 | 49,283 | Prudential |
| Capital Receipts Funded Schemes | - | - | 2,100 | 2,100 | 2,100 | 6,300 | Capital Receipts |
| RCCO Funded Schemes | 147 | 3,560 | - | - | - | 3,707 | RCCO |
| Total Capital Approved Programme Funding | 75,289 | 109,397 | 53,349 | 26,434 | 26,434 | 290,903 | |

Pipeline Capital Project Requests Not Yet Included Within the Approved Capital Programme

| Pipeline Capital Project Requests | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total | Funding Source |
|--|----------------|----------------|----------------|-------------|-------------|-------|----------------|
| | Revised Budget | Revised Budget | Revised Budget | Base Budget | Base Budget | | |
| General Fund | £000 | £000 | £000 | £000 | £000 | £000 | |
| Existing Projects: | | | | | | | |
| Additions Resources Required: | | | | | | | |
| Oracle Fusion Project - Additional | | 1,216 | - | - | - | 1,216 | Prudential |
| Towns Fund - MMLC - Net Zero Building - Additional | | - | 2,724 | - | - | 2,724 | Grant |
| West Bromwich Cemetery - Additional | | 1,625 | - | - | - | 1,625 | Prudential |
| Highways Additional | | 1,902 | - | - | - | 1,902 | Prudential |

| | | | | | | | |
|--|--|-------|-------|-------|---|--------|-------|
| New Projects: | | | | | | | |
| Grant Funding Only | | | | | | | |
| CRSTS - Smethwick to Birmingham Growth Corridor | | 6,333 | 6,333 | 6,333 | - | 18,999 | Grant |
| CRSTS - A461 WCB Corridor | | 4,167 | 4,167 | 4,167 | - | 12,501 | Grant |
| CRSTS - A4123 WCB Corridor | | 400 | 400 | 400 | - | 1,200 | Grant |
| CRSTS - Wednesbury to Brierly Hill Sustainable Access Measures | | 2,667 | 2,667 | 2,667 | - | 8,001 | Grant |
| CRSTS - BC LC WIP | | 533 | 533 | 533 | - | 1,599 | Grant |
| CRSTS - ULEV Black Country | | 800 | 800 | 800 | - | 2,400 | Grant |
| Play Zones - West Smethwick Park | | 350 | - | - | - | 350 | Grant |
| New Special School - Tipton - Feasibility | | 100 | - | - | - | 100 | Grant |

| | | | | | | | |
|--|--|-------|--------|--------|---|--------|------------|
| Grant & SMBC Funding | | | | | | | |
| Oak House Restoration | | 1,000 | - | - | - | 1,000 | Grant |
| Oak House Restoration | | 250 | - | - | - | 250 | Prudential |
| New Archive Centre | | - | 17,000 | - | - | 17,000 | Grant |
| New Archive Centre | | - | 3,000 | - | - | 3,000 | Prudential |
| Public Sector Decarbonisation Scheme - Phase 3 | | 1,496 | 1,559 | - | - | 3,055 | Grant |
| Public Sector Decarbonisation Scheme - Phase 3 | | - | 449 | - | - | 449 | Prudential |
| Causeway Green Primary School - Construction Phase | | 6,500 | 6,000 | - | - | 12,500 | Grant |
| Causeway Green Primary School - Construction Phase | | - | 1,200 | - | - | 1,200 | Prudential |
| LUF Round 3 - Grove Lane | | - | - | 18,063 | - | 18,063 | Grant |
| LUF Round 3 - Grove Lane | | - | - | 2,007 | - | 2,007 | Prudential |
| SCT - Residential Facility | | 800 | - | - | - | 800 | Grant |
| SCT - Residential Facility | | 755 | 935 | 935 | - | 2,625 | Prudential |
| Play Zones | | 750 | - | - | - | 750 | Grant |
| Play Zones | | 250 | - | - | - | 250 | Prudential |

| | | | | | | | |
|---|--|-----|-------|-------|---|-------|------------|
| SMBC Funding Only | | | | | | | |
| Forge Mill Farm Shop, Toilet and Entrance | | 245 | - | - | - | 245 | Prudential |
| Libraries: Self-Service Kiosks Phase 2 | | 45 | - | - | - | 45 | Prudential |
| Sandwell Valley Master Plan | | 505 | 2,437 | 4,914 | - | 7,856 | Prudential |
| User Owned Fleet Replacement | | 263 | - | - | - | 263 | Prudential |
| Fountain Court Kitchen | | 60 | - | - | - | 60 | Prudential |
| Changing Places Facility - Stoney Lane | | 125 | - | - | - | 125 | Prudential |
| Call Handling Terminals | | 28 | - | - | - | 28 | Prudential |
| Digital Transformation | | 282 | - | - | - | 282 | Prudential |
| Lap Tops | | 68 | - | - | - | 68 | Prudential |
| PMA - Langley Library - Roof, Window & Other works | | 25 | - | - | - | 25 | Prudential |
| PMA - Plas Gwynant - Roof works | | 50 | - | - | - | 50 | Prudential |
| PMA - 160 Beeches Road - Roof works | | 250 | - | - | - | 250 | Prudential |
| PMA - Wednesbury Town Hall - Roof works | | 60 | - | - | - | 60 | Prudential |
| PMA - Brickhouse CC - Fire Alarm | | 5 | - | - | - | 5 | Prudential |
| PMA - Fountain Court - Heating Replacement | | 200 | - | - | - | 200 | Prudential |
| PMA - Fountain Court - Lighting Replacement | | 5 | - | - | - | 5 | Prudential |
| PMA - Frank Chapman Centre - Fire Alarm | | 15 | - | - | - | 15 | Prudential |
| PMA - Great Bridge Library - Fire Alarm | | 10 | - | - | - | 10 | Prudential |
| PMA - Hadley Stadium - Fire Alarm | | 5 | - | - | - | 5 | Prudential |
| PMA - Ingestre Hall - Re-wiring & Distribution Boards | | 200 | - | - | - | 200 | Prudential |
| PMA - Ingestre Hall - Asbestos Removal | | 150 | - | - | - | 150 | Prudential |

| | | | | | | | |
|---|--|-----|---|---|---|-----|------------|
| PMA - King George V - Fire Alarm | | 12 | - | - | - | 12 | Prudential |
| PMA - Langley Library - Fire Alarm | | 5 | - | - | - | 5 | Prudential |
| PMA - Bromwich Hall - Fire Alarm | | 50 | - | - | - | 50 | Prudential |
| PMA - Plas Gwynant - Boiler House Re-furbishment | | 200 | - | - | - | 200 | Prudential |
| PMA - Sandwell Community PRU (Bridge Centre) - Fire Alarm | | 35 | - | - | - | 35 | Prudential |
| PMA - Sandwell Community PRU (tidale Site) - Fire Alarm | | 10 | - | - | - | 10 | Prudential |
| PMA - Tipton Sports Academy - Fire Alarm | | 5 | - | - | - | 5 | Prudential |
| PMA - Victoria Park Skill Centre - Boiler Replacement | | 140 | - | - | - | 140 | Prudential |
| PMA - West Bromwich Sure Start - Fire Alarm | | 10 | - | - | - | 10 | Prudential |
| PMA - Wood Street Careers Centre - Boiler & Plant Replacement | | 60 | - | - | - | 60 | Prudential |
| Allotment Site Fencing | | 62 | - | - | - | 62 | Prudential |

| | | | | | | | |
|--|--|---------------|---------------|---------------|----------|----------------|--|
| Adult Social Care | | 563 | - | - | - | 563 | |
| Borough Economy | | 20,522 | 37,337 | 39,884 | - | 97,743 | |
| Finance | | 1,216 | - | - | - | 1,216 | |
| Children's Services | | 8,155 | 8,135 | 935 | - | 17,225 | |
| Housing | | - | - | - | - | - | |
| Law & Governance | | 1,625 | - | - | - | 1,625 | |
| Regeneration & Growth | | 2,998 | 4,732 | - | - | 7,730 | |
| TOTAL - Pipeline Capital Project Requests | | 35,079 | 50,204 | 40,819 | - | 126,102 | |

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------|------------------|
| Service / Scheme | Revised Base Budget £000 | Revised Base Budget £000 | Revised Base Budget £000 | Revised Base Budget £000 | Revised Base Budget £000 | £000 | Funding Source |
| Pipeline Capital Project Requests - Financing | | | | | | | |
| Grant Funded Schemes | | 25,896 | 42,183 | 32,963 | - | 101,042 | Grant |
| Prudential Funded Schemes | | 9,183 | 8,021 | 7,856 | - | 25,060 | Prudential |
| Capital Receipts Funded Schemes | | - | - | - | - | - | Capital Receipts |
| RCCO Funded Schemes | | - | - | - | - | - | RCCO |
| Total - Pipeline Capital Project Requests Funding | | 35,079 | 50,204 | 40,819 | - | 126,102 | |
| Approved Programme & Pipeline Capital Project Requests - Financing | | | | | | | |
| Grant Funded Schemes | 49,165 | 119,412 | 88,437 | 54,302 | 21,339 | 332,655 | Grant |
| Prudential Funded Schemes | 25,977 | 21,504 | 13,016 | 10,851 | 2,995 | 74,343 | Prudential |
| Capital Receipts Funded Schemes | - | - | 2,100 | 2,100 | 2,100 | 6,300 | Capital Receipts |
| RCCO Funded Schemes | 147 | 3,560 | - | - | - | 3,707 | RCCO |
| FUNDING GRAND TOTAL | 75,289 | 144,476 | 103,553 | 67,253 | 26,434 | 417,005 | |

Housing Revenue Account (HRA) – Draft Budget 2024/25
– including HRA 30 Year Business Plan

| Contents | Paragraph Number |
|---|------------------|
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| Council Tenant Rents and Housing Related Property Charges | 7 |
| Draft Housing Revenue Account (HRA) Budget 2024/25 | 10 |
| HRA Reserves | 14 |
| Draft HRA Capital Programme | 17 |
| Establish Housing Transformation Programme | 21 |
| HRA Treasury Management Strategy | 26 |
| 30 Year Business Plan | 27 |
| Report to Cabinet on 6 th December 2023 entitled 'The review of council tenant rents and housing related property charges' | Annex 1 |
| 30 Year HRA Business Plan | Annex 2 |

Recommendations

- 1 It is recommended that Cabinet:
 - i. Note that Full Council on 12th December 2023 approved recommendations of the report entitled 'The review of council tenant rents and housing related property charges', as outlined in paragraph 8 and Annex 1 of this report.
 - ii. Approve the HRA Revenue Budget for 2024/25 as set out in Table 2 of this report.
 - iii. Note the HRA estimated working balances in 2024/25 as set out in paragraph 15 of this report.
 - iv. Approve the investment principles for the HRA Capital programme as set out in paragraph 19 of this report.
 - v. Approve the HRA Capital Programme control totals as set out in Table 3 of this report.
 - vi. Approve the HRA Treasury Management Strategy as set out in paragraph 4 of this report.
 - vii. Approve the 30 Year HRA Business Plan as set out in Annex 2.

Introduction

2. The Housing Revenue Account (HRA) is the budget operated by the Council which contains the income and expenditure of services connected with the Council's Housing Landlord role. The main source of income into the HRA is the rental income from the properties let by the Council. These rents are calculated by reference to a Government formula which provides a target rent for the Council's properties to charge.
3. Since April 2012 the HRA has been operating in a system known as Self Financing for local authorities which operate an HRA. Self-Financing changed the way the Council's housing stock is funded by ending the previous subsidy-based regime. In principle, it gives more local accountability and responsibility for the operation of the Council's housing stock.
4. The key elements of Self Financing are:

- i. The Government calculated a level of debt based on a 30-year assessment on expenditure, which was transferred to the authority to compensate the Government for the ending of the subsidy scheme. For Sandwell, this resulted in a loan settlement of £504million, which involved taking on additional debt of over £25million).
 - ii. Councils have full responsibility for the maintenance and development of the housing stock and also the servicing of the debt.
 - iii. A sum for depreciation of the stock is required to be included in the accounts.
- 5 The setting of rents is achieved using Government guidelines. From 2020/21 the Government proposed that rents would increase by CPI + 1% for the next 5 years until 2024/25. This proposal offers stability and certainty to the HRA to fund investment in existing stock as well as building more homes for the future.
- 6 This report looks to provide information on the Draft HRA Budget for 2024/25 and forward financial forecast through to 2028/29 together with the Draft Housing Capital Programme control totals. It also provides an update on the 30-year Business Plan.

Council Tenant Rents and Housing Related Property Charges

- 7 The Government announced that from 2020/21 rents can revert to the previous policy and be increased by CPI (at September of the previous year) plus 1%. This allows for a more optimistic forecast of the resources available to the HRA and continues the ability to reduce the level of debt, CPI at September 2023 was 6.7% thus allowing for a 7.7% increase in rents from April 2024.
8. Full Council on 12 December 2023 agreed to authorise the Interim Director of Housing to adjust Council rents and housing related charges with effect from 1 April 2024 as follows:
- i. That the housing rental charges is increased by 7.7% which is the consumer price index 6.7% (September 2023) plus 1%, which is equivalent to a 7.7% increase.
 - ii. That the housing service charges increase by the consumer price index (CPI)+ 1%, equivalent to a 7.7% increase.
 - iii. That housing service charge is implemented on properties not currently being charged but are receiving the service in line with similar properties receiving the service provision, including heating, water and laundry facility following consultation with residents.
 - iv. That subject to consultation with the residents of the site, to increase rent at the traveller's pitch in Hills View, Tipton by 7.7%.
 - v. That properties managed by Riverside under the Private Finance Initiative (PFI) agreement receive a 7.7% rental increase and a 7.7% increase in service charges to match the council's rent and service charge increase.
 - vi. That the leaseholder annual management fee be increased by 7.7%, CPI + 1% in 2024/25 from £115.66 to £124.57.
 - vii. That the Director of Housing be authorised to implement adjustments to council rents and housing related charges as set out in this report with effect from 1 April 2024; and

viii. That the Director of Housing be authorised to introduce associated service charges in respect of Building Safety Regulation requirements for Leasehold properties.

- 9 The rents and housing related charges for 2024/25 have therefore been increased in line with the recommendations approved by Full Council on 12th December 2023 (report attached as Annex 1). For 2025/26 to 2026/28 the treasury assumptions on CPI plus 1% has been used and then only CPI. These are outlined in Table 1.

Table 1: Council Tenant Rents and Housing Related Increases

| 2024/25 | Treasury Assumptions for CPI plus 1% | | Treasury Assumptions for CPI |
|---------|--------------------------------------|---------|------------------------------|
| | 2025/26 | 2026/28 | 2028/29 Onwards (CPI only) |
| 7.7% | 3.5% | 3.0% | 2% |

Draft Housing Revenue Account Budget 2024/25 to 2028/29

10. The Council own over 28,300 properties for rent (974 of which are within the PFI scheme at Harvills Hawthorn, and are managed externally) and the freehold on over 1,252 leasehold flats across the borough in addition to over 2,700 garages (that we manage) and other buildings. These properties are managed through our own Housing Services.
11. Table 2 sets out the Draft HRA budget for 2024/25 and the forecast for the following 4 years. The budget for 2025/26 to 2028/29 is balanced subject to housing transformation savings being scoped and delivered in the Repairs & Maintenance and Supervision & Management budgets.

Table 2: Housing Revenue Account Draft Budget 2024/25 to 2028/29

| Housing Revenue Account | Estimated Budget 2024/25 £'000 | Estimated Budget 2025/26 £'000 | Estimated Budget 2026/27 £'000 | Estimated Budget 2027/28 £'000 | Estimated Budget 2028/29 £'000 |
|---------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Repairs and maintenance | 47,741 | 50,132 | 52,642 | 57,907 | 63,698 |
| Supervision and management | 48,708 | 50,971 | 53,539 | 58,879 | 64,753 |
| Rents, rates, taxes and other charges | 1,319 | 1,387 | 1,458 | 1,531 | 1,607 |
| Special services | 7,441 | 8,014 | 9,609 | 10,569 | 11,626 |
| HRA - Provision for bad debts | 882 | 926 | 972 | 1,021 | 1,022 |
| Depreciation Charges | 18,369 | 18,369 | 18,369 | 18,369 | 18,369 |
| Interest payable and similar charges | 26,500 | 27,400 | 28,300 | 29,200 | 29,201 |
| Savings required | | (3,836) | (7,139) | (16,685) | (25,608) |
| Contribution to/from reserve | 149 | 0 | 0 | | |
| Total Expenditure | 151,109 | 153,363 | 157,750 | 160,791 | 164,668 |
| Dwelling Rents | (138,868) | (141,016) | (145,246) | (148,152) | (151,856) |
| Dwelling Rents | (19) | (20) | (21) | (21) | (21) |
| Charges for Services and Facilities | (4,215) | (4,293) | (4,422) | (4,510) | (4,623) |
| Contributions towards expenditure | (2,294) | (2,320) | (2,348) | (2,395) | (2,455) |
| Government Grants | (5,713) | (5,713) | (5,713) | (5,713) | (5,713) |
| Total Income | (151,109) | (153,363) | (157,750) | (160,791) | (164,668) |

Note – Budget at Outturn Prices

12. The Draft HRA budget for 2024/25 includes specific investment in respect of the following:
 - i. £47.7m in delivering repairs and maintenance.
 - ii. Contribution of £18.3m to the Major Repairs Reserve to fund the Decent Home Capital Programme.
 - iii. Provision to borrow £11m to fund the new build programme.
13. The introduction in 2012 of Housing Revenue Account Self-Financing has allowed decision making at a local level to drive planning for investment in housing stock and set spending priorities in line with local demand. The council will continue to consider:
 - i. Analysing our stock and the services we provide so that we can base our future plans on a robust and sustainable basis. To this end stock conditions surveys are being procured to bring our data up to date and to ensure that 20% of our stock is looked at every year on a rolling basis.
 - ii. Working up a range of plans for potential future investment in new homes which better match the needs of our communities.
 - iii. Thinking through how the new future for Council housing can help the borough to deliver our overall objectives.

HRA Reserves

14. The HRA working balance must continue to be managed so that it provides the flexibility to manage unexpected demands and pressures without destabilising the Council's overall financial position. The level of the Working Balance should provide a reasonable allowance for unquantifiable risks or one-off exceptional items of expenditure that are not covered within existing budgets.
15. The Working Balance can be used to correct inflation assumptions, increase capital spend, repay debt early or to fund new HRA capital projects. The estimated level of reserves in 2024/25 is £41.2m.
16. The Section 151 Officer has taken account the level of risk when advising on the level of balances that should be retained in the HRA.

Draft HRA Capital Programme

17. In line with regulatory standards it is essential to ensure that the stock is suitably maintained. The Capital Programme is a key input into the 30-year Business Plan, and both are reviewed annually. Modelling the resources available over a 30-year period demonstrates that the demands of the current and proposed programme can be fully met throughout the 30-year planning period.
18. The requirements placed on Landlords are changing significantly post Grenfell and the tragic death of Awaab Ishak with new standards being introduced for all Social Housing and more specifically around High Risk Residential Buildings such as Tower

Blocks. These details of these requirements are still evolving and secondary legislation is being introduced in the coming months so it is important that we retain the flexibility and financial capacity within the HRA to adjust our capital programmes as they emerge to ensure our stock is compliant to all regulatory standards.

19. Therefore, to ensure that the Capital Programme can be delivered within available resources for both new build and to invest in the current stock, investment principles have been established:
 - i. Prudential Borrowing to be prioritised for maximising delivery of New Build schemes (i.e. do not borrow to invest in current stock because there is no additional income to cover the debt charge). This will provide sufficient match funding to utilise the 1-4-1 receipts.
 - ii. The level of capital programming will not exceed the capital funding resources available in any year. These resources will include, RTB receipts (relevant portion), Major Repairs Reserve, Prudential Borrowing and Revenue Contributions.
 - iii. The level of reserves applied will be constrained in any one year in the interests of maintaining strategic resources in the medium term.
20. Accordingly, the control totals for the Draft Capital Programme is outlined in Table 3 which meet the criteria outlined in paragraph 18.

Table 3: HRA Capital Programme – Control Totals

| Housing Revenue Account Capital Programme | Estimated Budget 2024/25 | Estimated Budget 2025/26 | Estimated Budget 2026/27 | Estimated Budget 2027/28 | Total |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| New Build | 28,945 | 27,857 | 25,541 | 21,086 | 103,429 |
| Housing Improvements | 30,000 | 30,000 | 30,000 | 30,000 | 120,000 |
| Total Expenditure | 58,945 | 57,857 | 55,541 | 51,086 | 223,429 |
| Funding Source | | | | | |
| Grants | 12,287 | 11,306 | 7,000 | 3,966 | 34,559 |
| RTB (141) Receipts | 5,658 | 5,551 | 7,541 | 6,120 | 24,870 |
| MRR | 18,369 | 18,369 | 18,369 | 18,369 | 73,476 |
| Capital Receipts | 4,000 | 4,000 | 4,000 | 4,000 | 16,000 |
| Borrowing | 18,631 | 18,631 | 18,631 | 18,631 | 74,524 |
| Total Funding | 58,945 | 57,857 | 55,541 | 51,086 | 223,429 |

Establish Housing Transformation Programme

21. There are a number of significant changes required within the Housing Directorate to ensure that it can continue to deliver the landlord services to meet the needs of tenants, leaseholders and regulatory requirements. To ensure that the changes are delivered in a structured, cost effective and well governed way we have established a Housing Transformation Programme with the Housing Transformation Board as its Steering Group and Corporate Oversight provided by The Corporate Transformation Board. The deliverables are spread amongst a number of workstreams listed below

22. The systems used by Housing either need updating or in some instances do not currently exist and need to be procured and implemented. The current systems are not sufficient to meet the requirements of the regulator.
23. As well as the data from the Stock Condition Surveys, there is a need for an exercise to establish what data sets are required to be able to evidence compliance and performance and an analysis of existing data quality to ensure that reporting is accurate and transparent.
24. A lot of the processes used within Housing are manual and involve updating spreadsheet trackers or a manual intervention to transfer data from one system to another. These are all points of failure that need to be replaced with automated processes as part of the system and data implementation work.
25. The Regulator of Social Housing has been given the powers to set minimum competency levels for anyone working in Social Housing. These standards will be announced soon and so we will need to have a structured learning and development workstream to establish current competency levels with our own staff and those employed by our supply chain and a training plan to ensure that we are only using competent staff to deliver landlord services.

Treasury Management Strategy and Annual Investment Strategy

26. Please refer to the Treasury Management Strategy and Annual Investment Strategy report appended as part of the overall report.

30 Year HRA Business Plan

27. As with the budget and Capital Programme the 30-year financial forecast is reviewed annually and amended where appropriate and this is set out in Annex 2
28. The Business Plan demonstrates that the HRA is sustainable over a 30-year term.
29. When budget proposals are made to the Council, the Section 151 Officer will take these issues into consideration in their advice on the level of balances that should be retained within the HRA.

Report to Cabinet

6 December 2023

| | |
|-------------------------|---|
| Subject: | The review of council tenant rents and housing related property charges |
| Cabinet Member: | Cabinet Member for Housing Councillor Laura Rollins |
| Director: | Dean Epton Interim Director of Housing |
| Key Decision: | Yes |
| Contact Officer: | Nigel Collumbell Assistant Director of Housing |

1 Recommendations

That Full Council be recommended to authorise the Interim Director of Housing to adjust council rents and housing related charges with effect from 1 April 2024 as follows:


- 1.1 That the housing rental charges is increased by 7.7% which is the consumer price index 6.7% (September 2023) plus 1%, which is equivalent to a 7.7% increase.
- 1.2 That the housing service charges increase by the consumer price index (CPI)+ 1%, equivalent to a 7.7% increase.
- 1.3 That housing service charge is implemented on properties not currently being charged but are receiving the service in line with similar properties receiving the service provision, including heating, water and laundry facility following consultation with residents.
- 1.4 That subject to consultation with the residents of the site, to increase rent at the traveller's pitch in Hills View, Tipton by 7.7%.
- 1.5 That rental charges for garage sites be increased by 7.7% in line with other council fees and charges agreed by Cabinet and Council.
- 1.6 That properties managed by Riverside under the Private Finance Initiative (PFI) agreement receive a 7.7% rental increase and a 7.7% increase in service charges to match the council's rent and service charge increase.
- 1.7 That properties that sit outside the Housing Revenue Account (including service tenants for Parks, Sandwell Valley and Caretaking) receive a 7.7% increase in rental charges and service charges equivalent to CPI plus 1%.

- 1.8 That the leaseholder annual management fee be increased by 7.7%, CPI + 1% in 2024/25 from £115.66 to £124.57.
- 1.9 That the Director of Housing be authorised to implement adjustments to council rents and housing related charges as set out in this report with effect from 1 April 2024; and
- 1.10 That the Director of Housing be authorised to introduce associated service charges in respect of Building Safety Regulation requirements for Leasehold properties.

2 Reasons for Recommendations

- 2.1 Each year council tenants, leaseholders and other residents are notified of the rent and other related housing charges to be set from the following April. The purpose of this report is to seek approval to implement these charges for the new financial year 2024/25.
- 2.2 The council has to achieve the right balance between supporting tenants to mitigate the continued cost of living pressures and protecting the Housing Revenue Account (HRA) to ensure we can continue to provide affordable social housing for our residents.

3 How does this deliver objectives of the Corporate Plan?

| | |
|---|---|
|  | <p>Quality homes in thriving neighbourhoods</p> <p>Rental income is a key component of the financial wellbeing of the Housing Revenue Account. Funds support the council’s ambition to build more new and affordable council homes.</p> |
| | <p>Rental income contributes to the maintenance and repairs of existing housing stock to become a decent standard and meet the requirements of the Building Safety Act 2022.</p> |



A strong and inclusive economy

Funds from rental and housing related charges will maintain / increase the capacity to build more affordable housing.

Implementing a rental increase below the rate of inflation has a significant impact on our ability to deliver on new build schemes and maintain the quality of our existing housing stock.

The requirements of the Building Safety Act will put pressures on the HRA. The significant of this will be identified when the stock condition surveys are complete.

We will have fewer financial resources to deliver proposals within the 30year business plan. Every 1% 'lost' from rental income equates to a reduction in next year's rental income, estimated at £1.34m in year 1 (due to a 53-week rent year) and £39.57m over 30 years, based on 52/53 week rent year cycles).

4 Context and Key Issues

Background

- 4.1 In line with the Welfare Reform and Work Act 2016, Sandwell Council reduced housing rents by 1% per year for four years, between 2016/2017 and 2019/20.
- 4.2 In 2019, the government set a rent policy for social housing that would permit rents to increase by up to CPI+1% per annum and made clear its intention to leave this policy in place until 2025.
- 4.3 From 2020 Sandwell Council has had control over its own rent setting in line with the Department for Levelling Up, Housing and Communities (DLUHC) Rents Standard, and Policy Statement on Rents for Social Housing.
- 4.4 In 2023, CPI was 10.1%, which would have permitted social landlords to increase rents by 11.1% (CPI+1%). However, the government amended the rent policy for 2023/2024 and imposed a rent cap of 7% for social housing. Sandwell made the decision to set rent at 5% to help support residents during the exceptional time of inflationary pressures and cost of living. Due to the rising supplier costs, other stock owned local authorities and social landlords took the decision to increase rents by the maximum 7%.
- 4.5 There is a recognition that the council needs to maintain the existing housing stock to a good standard and cover operational costs and to achieve the right balance between protecting our tenants, protecting tax payers (by limiting the welfare costs

associated with housing rents) and ensuring the council can deliver on its commitments to build new social homes.

- 4.6 For 2024/25, the government have not announced a rent cap, therefore the council are permitted to increase rents by CPI+1% in line with the Rent Standard and Policy Statement on Rents for Social Housing issued annually in April.

Rents

- 4.7 The Council applies two types of rents on its housing stock; Social Housing Rents (Formula) and Affordable Rent.

4.7.1 Formula rents take account various attributes such as post code area, type of property, local earnings and number of bedrooms; this ensures similar rents are charged for similar properties. The rents for new tenants letting existing stock are set using formula rent and it is proposed that this policy continues.

4.7.2 Affordable Rents are set at 80% of the market rent, inclusive of service charges. Affordable rent is charged on new builds under the affordable homes programme and any additional stock such as buy backs from previous Right to Buy or private acquisitions, or appropriated stock from the general fund. The proposal is to increase affordable rents by 7.7% in line with other rental increases.

- 4.7.3 Rents are charged for the following council properties and buildings:
- Council tenant properties
 - Properties managed by Riverside under the PFI
 - Travellers Pitch – Travellers at Hillside View, Tipton
 - There are a small number of properties that sit outside of the HRA and their income contributes to the General Fund

4.7.4 Appendix 1 sets out the proposed typical rent levels at 53 weeks for the main property types and sizes

4.7.5 It is estimated that 70% of our customers are full or partial benefits. This represents a mix of customers on Housing Benefit and Universal Credit.

Table 1 shows that 30% of our customers pay their rent in full.

Table 1 Customers in Receipt of Housing related benefits for Rents and Service Charges

| Overall Summary | No. Customers | % Customers |
|------------------------------------|---------------|-------------|
| Total properties | 26,616 | |
| Customers on full benefits (UC/HB) | 12,112 | 45.5% |
| Customers on partial benefits | 6,532 | 24.5% |
| Customers that pay full rent | 7,972 | 30.0% |

4.8 Customers who pay all of their rent and those on partial housing benefits will be impacted by a rental increase, however 45.5% of our customers who receive full benefits will be unaffected.

4.9 To demonstrate the impact a 7.7% rental increase would have, Table 2 below shows the financial impact for customers living in a 3-bedroom property in receipt of housing benefits for 20%, 50% or 70% of their rent.

For example, a customer living in a 3-bed house in receipt of 70% benefits would see a rental increase of £2.24 per week (example 3 below). Please see Appendix 2 for full details of all property types.

Table 2

Example 1 - Customers on 20% Housing Benefits - Impact of a 7.7% increase in rent (pays 80% of rent)

| Bedrooms | Bungalow | Flat High Rise | Flat Low Rise/Medium Rise | House | Grand Total |
|----------|----------|----------------|---------------------------|-------|-------------|
| 3 | £6.32 | £5.18 | £5.57 | £5.98 | £5.96 |

Example 2 - Customers on 50% Housing Benefits - Impact of a 7.7% increase in rent (pay 50% rent)

| Bedrooms | Bungalow | Flat High Rise | Flat Low Rise/Medium Rise | House | Grand Total |
|----------|----------|----------------|---------------------------|-------|-------------|
| 3 | £3.95 | £3.24 | £3.48 | £3.74 | £3.72 |

Example 3 - Customers on 70% Housing Benefits - Impact of a 7.7% increase in rent (pays 30% of rent)

| Bedrooms | Bungalow | Flat High Rise | Flat Low Rise/Medium Rise | House | Grand Total |
|----------|----------|----------------|---------------------------|-------|-------------|
| 3 | £2.37 | £1.94 | £2.09 | £2.24 | £2.23 |

Example 4 - Customers not in receipt of any benefits Impact of a 7.7% increase in rents (customers paying full rent)

| Bedrooms | Bungalow | Flat High Rise | Flat Low Rise/Medium Rise | House | Grand Total |
|----------|----------|----------------|---------------------------|-------|-------------|
| 3 | £7.90 | £6.48 | £6.96 | £7.48 | £7.45 |

4.10 The Income and Money Advice Service have implemented positive initiatives to support tenants that contribute towards their rental payment. The Welfare Rights Team assist the residents of Sandwell to claim the benefits that they are entitled to through benefit maximisation, representing clients where claims have failed.

- 4.11 The Housing Income and Money Advice Services actively promote and signpost customers to services provided through the partnership work with agencies such as; Citizens Advice Sandwell, SCVO, Think Sandwell Employment and Skills Team, Connexions Sandwell and proactive promotion of these services.
- 4.12 Additional funds have been sought through the Local Welfare Provision (LWP) to purchase furniture and white goods. Where customers are not eligible to be supported via the LWP, the HRA Hardship Fund will be utilised where customers are eligible for support. The current hardship fund available is £100k.
- 4.13 Proactive use of Discretionary Housing Payment (DHP) by applying to the Department of Levelling Up, Homes and Communities (DLUHC) to use funds from the HRA to off-set any shortfalls from the DHP fund for 2024/25. Sandwell's overall limit for 2023/24 is £1.786m.
- 4.14 The Council needs to get the right balance between protecting its tenants from rental increases and minimising lost income in order to achieve comments within the 30-year business plan.
- 4.15 The rental income is vital to the financial well-being of the Housing Revenue Account (HRA). Rental income offsets operational costs and financial charges, and the surplus is used to invest in capital improvements to the housing stock. This includes delivering the major works programme on our high-rise accommodation to meet the requirements of the Building Safety Act 2022 and provisions to fund the council's affordable homes new build scheme.
- 4.16 The additional income generated from a 7.7% increase of £11.93million will contribute to the upkeep of our existing stock as well as enabling us to build more high-quality housing to meet the needs of our residents. A rental increase lower than CPI+1% would have a detrimental impact on the council's ability to maintain and improve and increase our social housing stock.
- 4.17 As at 31 March 2023 there are 974 properties in Wednesbury currently managed by Riverside under the Private Finance Initiative (PFI) agreement. It is proposed that PFI property rents are increased by 7.7% and service charges are increased by CPI+1%. This is in line with properties managed by the council.
- 4.18 There are a small number of properties that sit outside the Housing Revenue Account and their rental income contributes to the council's general fund finances. This includes service tenants for Parks, Sandwell Valley and Caretaking. It is proposed that rent and service charges on these properties are increased by CPI+1% from April 2024. These properties are heavily discounted.

Service Charges

- 4.19 A decision was made to freeze service charges for council tenants during 2021/22. This was following the COVID pandemic as there was an interruption to some services provided.
- 4.20 Service charges were increase by CPI+1% in 2022/23 which was a 4.1% increase

- 4.21 Service charges were increased by CPI+1% in 2023/24 which was a 11.1% increase.
- 4.22 Analysis undertaken by Savills has highlighted a low level of service charge income in Sandwell (based on 2020/21 outturn) when benchmarking against other authorities.
- 4.23 The service charge freeze from previous years has had a detrimental impact on Sandwell's lower comparable service charges.
- 4.24 Service charges are outside of the government's legislative changes. The principle continues to be to recover the cost of service provision.
- 4.25 Service charges are charged to tenants living in flatted accommodation, and other properties having communal areas which require services such as:
- Cleaning - for internal and external cleaning of high and low-rise flatted accommodation
 - Security - for CCTV, Concierge and Door Entry
 - Aerials - for a digital aerial service
 - Heating, water and laundry services - relating specifically to some blocks, an estimated charge is set to recover costs but there may be retrospective adjustments between years to reflect actual costs
- 4.26 Service charges are annually reviewed, traditionally they have only been uplifted annually by inflation. The income generated from service charges contributes significantly to the HRA; however, the costs of service provision is subsidised by rental income as some charges do not cover actual costs.
- 4.27 A commitment was made in the Rent Review Cabinet Report in December 2021 to review all services charges to ensure charges applied cover the full cost of service delivery. This work has been completed; the review has identified a small number of properties are not being charged for the provision of services for heating and water where there is no independent metering for the property, and laundry facilities in a limited number of low and high-rise blocks. Consultation has commenced with residents and it is proposed that charges are implemented to these properties from 2023/24.
- 4.28 Cleaning charges relate to internal cleaning within blocks and other shared facilities, and the external cleaning of paths and gardens. There are higher costs associated with high rise blocks as they will receive more frequent inspections and cleaning.
- 4.29 Security charges are applicable in low and high-rise blocks. Most properties receive a secure door entry service with a fob key and intercom / buzzer link. Full provision includes CCTV at the entrance and around the block, a door entry service with a direct link to the 24/7 CCTV control room at Roway Lane. The block expansion project will increase this facility and ensure all residents in high-rise blocks benefit from the safety and security provided by a monitored CCTV system.

- 4.30 Aerial service charge relates to a digital aerial service provided to 10,163 properties. There is a contract to maintain and repair this service. The service charge contributes to a replacement fund for when these are renewed or replaced.
- 4.31 Other service charges for specific schemes include furniture costs, warden services and lifts. It is proposed that these charges increase by CPI+1% in line with other service charges.
- 4.32 Leaseholders are also charged service charges, in addition to services mentioned above there is a recharge for the management and administration functions.
- 4.33 The proposal is to increase service charges by CPI+1%. Appendix 3 shows how this will impact current charges. Customers who are in receipt of Housing Benefit or Universal Credit will largely not be affected by this increase.
- 4.34 In response to the requirements of the Building Safety Act 2022, additional services will be introduced to discharge new duties which can be recovered through the introduction of new service charges.

Garages

- 4.35 Garages are within the council's general fund property portfolio. As of October 2023, 62% of garages were rented by private home owners or by tenants with more than one garage.
- 4.36 Increased revenue from garage rental would support the general fund. Garages rented by customers that are not tenants or leaseholders will be charged a higher rate as VAT is applied as a requirement of His Majesty's Revenues and Customs (HMRC).
- 4.37 A large proportion of garage tenants use this facility as a much cheaper alternative to storage costs. It is recommended that the weekly garage rental is increased in line with the council's fees and charges approved annual by Cabinet.

Leaseholder Management fee

- 4.38 Leaseholders are charged a management fee to cover the resource costs of running the service. This includes employee costs, training, ICT costs, management of the billing process, repairs statements, printing and postage. The charge is currently £115.66 per annum.
- 4.39 It is proposed that the leaseholder annual fee be increase by CPI+1% in 2024/25 to £124.57. The council's leaseholder charges are significantly lower than neighbouring authorities; as a comparable, Dudley MBC increased their management fee from £140.00 per annum in 2022/23 to £230.00 per annum from 2023/24 following a review of the service provision to leaseholders.
- 4.40 A full review of the leasehold management fee will be undertaken during the next 12-18 months.

5 Alternative Options

- 5.1 It has been recommended from April 2024 to increase rents by 7.7% for tenants within the Riverside managed PFI estate of Wednesbury. The council does have the discretion to set PFI rent. It would be unfair and inconsistent for customers in council properties if PFI tenants did not receive the same increase.
- 5.2 Increasing rents below the rate of inflation creates financial pressures for the council to deliver key services. The provision of good quality Housing and Neighbourhoods are key to improving lives and life chances for our residents. Reducing the level of income to the HRA will seriously impact our 30-year business plans and less funding for maintenance of our own stock and funding for new homes.
- 5.3 An alternative would be to increase rents by a lower percentage. The budgetary pressures from this would significantly impact our ability to deliver key services and may result in reduced services where costs can't be met through operational budgets. The challenges presented through the Consumer Regulation Act and the Building Safety Act put financial pressures on the HRA to reshape our services to meet the requirements. Appendix 4 shows the rental impact on budgets.

6 Implications

| | |
|--------------------------|---|
| <p>Resources:</p> | <p>Rent income is a key component of the HRA finances. As a ringfenced account, all costs must be met from this revenue source. This includes all day to day running costs and any financing costs associated with capital investment.</p> <p>In order to continue the investment in the Housing stock, rent increases are inevitably required. With increases in CPI and Building Cost Indices (BCI) and the current energy crises more pressure is being put on HRA finances to continue to deliver services to tenants and continue improvements to the stock to ensure high quality homes and services are provided to tenants.</p> |
| | <p>Government policy allows an increase of up to CPI plus 1%, current inflation figure is 6.7% Applying rent increases lower than the CPI+1% is a risk to the Council as this results in a significant income loss to the HRA of £1.34m for every 1% reduction.</p> |

| | |
|-------------------------------------|---|
| <p>Legal and Governance:</p> | <p>Local housing authorities are required by s.74 of the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA) unless the Secretary of State has consented to their not doing so. The HRA identifies major elements of housing revenue expenditure, such as maintenance, administration and contributions to capital costs, and how they are funded by rents and other income.</p> <p>S.24 of the Housing Act 1985 gives local authorities the power to make reasonable charges for the tenancy or occupation of dwellings. Rent setting must be seen in the context of the statutory duty to set a balanced HRA budget.</p> <p>The Council is required to review from time to time that the rents and service charges that it charges for the tenancy or occupation of its dwellings are fair and reasonable. The review of rents is now subject to further restrictions arising from the provisions of the Welfare Reform and Work Act 2016. In October 2017, the Government confirmed details for future social rents and from 2020/21, providers are able to increase rents up to a limit of CPI plus 1% each year. This policy is designed to provide more certainty over rent levels.</p> <p>The Council may amend the rent for its tenants by giving at least 28-days notice. The notice period arises from s.102 (1)(b) of the Housing Act 1985 and in the terms of the Council's standard tenancy agreement.</p> |
| <p>Risk:</p> | <p>Appropriate measures will be put in place to mitigate any risks identified up to acceptable levels once a decision is made what increases are to be applied.</p> |
| <p>Equality:</p> | <p>Appropriate measures will be put in place to mitigate any risks identified up to acceptable levels once a decision is made what increases are to be applied.</p> |

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|------------------------------|--|
| Health and Wellbeing: | There are no direct implications from this report but rent and service charge income will continue to be used to protect residents such as through the funding of support for the anti-social behaviour service, cleaning of estates, fire protection and building safety measures and CCTV. |
| Social Value: | There is not direct impact resulting from this report. |
| Climate Change: | The requirement to retro-fit properties to achieve net zero targets for our housing stock will require significant investment which the HRA currently doesn't have capacity to deliver. Any rent increases below the current levels of inflation will increase further the budget pressures on the HRA in future years putting at risk our ability to deliver on these targets. |
| Corporate Parenting: | The Council has a duty under the Children (Leaving Care) Act 2000, to ensure that children leaving care and entering adulthood are not isolated and are able to participate social an economically in society. The Council provides training flats for care leavers aged 16 to 18 and access to social housing register as a care leaver of Sandwell Children's Trust aged 25 or below. Apprentice opportunities are being successfully explored within Housing and the Income Management Team have successfully appointed the first care leaver into an apprentice role. |

7. Appendices

- Appendix 1 – Impact of Rental Increase on Average Weekly Rents
- Appendix 2 – Impact of Rental Increase to Customers on Partial Housing Benefits
- Appendix 3 – Rental from Service charges and Impact on weekly charges
- Appendix 4 – Rental Increase and the Impact on Budgets

8. Background Papers

None.

Appendix 1 – Impact of rental increase on average weekly rents - varying property types and size

Average of Rent - 7.7% Increase

| Bedrooms | Bungalow | Flat High Rise | Flat Low Rise/Medium Rise | House | Average |
|----------|----------|----------------|---------------------------|---------|---------|
| 0 | £73.61 | £64.18 | £68.75 | £0.00 | £67.41 |
| 1 | £87.95 | £74.78 | £81.20 | £85.77 | £81.82 |
| 2 | £109.04 | £82.40 | £90.07 | £97.88 | £91.32 |
| 3 | £110.50 | £90.61 | £97.42 | £104.58 | £104.17 |
| 4 | £125.89 | £0.00 | £0.00 | £118.20 | £118.22 |
| 5 | £0.00 | £0.00 | £0.00 | £137.33 | £137.33 |
| 6 | £0.00 | £0.00 | £0.00 | £128.14 | £128.14 |
| 7 | £0.00 | £0.00 | £0.00 | £287.47 | £287.47 |
| 8 | £0.00 | £0.00 | £0.00 | £136.05 | £136.05 |
| Average | £90.66 | £80.95 | £84.73 | £103.82 | £94.71 |

Impact of 7.7% increase on weekly Rent

| Bedrooms | Bungalow | Flat High Rise | Flat Low Rise/Medium Rise | House | Average |
|----------|----------|----------------|---------------------------|--------|---------|
| 0 | £5.26 | £4.59 | £4.92 | £0.00 | £4.82 |
| 1 | £6.29 | £5.35 | £5.81 | £6.13 | £5.85 |
| 2 | £7.80 | £5.89 | £6.44 | £7.00 | £6.53 |
| 3 | £7.90 | £6.48 | £6.96 | £7.48 | £7.45 |
| 4 | £9.00 | £0.00 | £0.00 | £8.45 | £8.45 |
| 5 | £0.00 | £0.00 | £0.00 | £9.82 | £9.82 |
| 6 | £0.00 | £0.00 | £0.00 | £9.16 | £9.16 |
| 7 | £0.00 | £0.00 | £0.00 | £20.55 | £20.55 |
| 8 | £0.00 | £0.00 | £0.00 | £9.73 | £9.73 |
| Average | £6.48 | £5.79 | £6.06 | £7.42 | £6.77 |

Appendix 2 – Impact of Rental Increases for Customers on Partial Benefits

Impact of a 7.7% Increase

Example 1 - Customers on 20% Housing Benefits - Impact of a 7.7% increase in rent (pays 80% of rent)

| Bedrooms | Bungalow | Flat High Rise | Flat Low Rise/Medium Rise | House | Average |
|----------|----------|----------------|---------------------------|--------|---------|
| 0 | £4.21 | £3.67 | £3.93 | £0.00 | £3.86 |
| 1 | £5.03 | £4.28 | £4.64 | £4.91 | £4.68 |
| 2 | £6.24 | £4.71 | £5.15 | £5.60 | £5.22 |
| 3 | £6.32 | £5.18 | £5.57 | £5.98 | £5.96 |
| 4 | £7.20 | £0.00 | £0.00 | £6.76 | £6.76 |
| 5 | £0.00 | £0.00 | £0.00 | £7.85 | £7.85 |
| 6 | £0.00 | £0.00 | £0.00 | £7.33 | £7.33 |
| 7 | £0.00 | £0.00 | £0.00 | £16.44 | £16.44 |
| 8 | £0.00 | £0.00 | £0.00 | £7.78 | £7.78 |
| Average | £5.19 | £4.63 | £4.85 | £5.94 | £5.42 |

Example 2 - Customers on 50% Housing Benefits - Impact of a 7.7% increase in rent (pay 50% rent)

| Bedrooms | Bungalow | Flat High Rise | Flat Low Rise/Medium Rise | House | Average |
|----------|----------|----------------|---------------------------|--------|---------|
| 0 | £2.63 | £2.29 | £2.46 | £0.00 | £2.41 |
| 1 | £3.14 | £2.67 | £2.90 | £3.07 | £2.92 |
| 2 | £3.90 | £2.95 | £3.22 | £3.50 | £3.26 |
| 3 | £3.95 | £3.24 | £3.48 | £3.74 | £3.72 |
| 4 | £4.50 | £0.00 | £0.00 | £4.23 | £4.23 |
| 5 | £0.00 | £0.00 | £0.00 | £4.91 | £4.91 |
| 6 | £0.00 | £0.00 | £0.00 | £4.58 | £4.58 |
| 7 | £0.00 | £0.00 | £0.00 | £10.28 | £10.28 |
| 8 | £0.00 | £0.00 | £0.00 | £4.86 | £4.86 |
| Average | £3.24 | £2.89 | £3.03 | £3.71 | £3.39 |

Example 3 - Customers on 70% Housing Benefits - Impact of a 7.7% increase in rent (pays 30% of rent)

| Bedrooms | Bungalow | Flat High Rise | Flat Low Rise/Medium Rise | House | Average |
|----------|----------|----------------|---------------------------|-------|---------|
| 0 | £1.58 | £1.38 | £1.47 | £0.00 | £1.45 |
| 1 | £1.89 | £1.60 | £1.74 | £1.84 | £1.75 |
| 2 | £2.34 | £1.77 | £1.93 | £2.10 | £1.96 |
| 3 | £2.37 | £1.94 | £2.09 | £2.24 | £2.23 |
| 4 | £2.70 | £0.00 | £0.00 | £2.54 | £2.54 |
| 5 | £0.00 | £0.00 | £0.00 | £2.95 | £2.95 |
| 6 | £0.00 | £0.00 | £0.00 | £2.75 | £2.75 |
| 7 | £0.00 | £0.00 | £0.00 | £6.17 | £6.17 |
| 8 | £0.00 | £0.00 | £0.00 | £2.92 | £2.92 |
| Average | £1.94 | £1.74 | £1.82 | £2.23 | £2.03 |

Appendix 3 - Services Charges – Income and Charges

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Income from Service Charges – Impact of Increases

| Charge Description | Annual Income 2022/23 | Current Income Est. (IE +11.1% Incr. Apr23) | Additional Income | | | |
|--------------------------------------|-----------------------|---|-------------------|-----------------|-----------------|-----------------|
| | | | 5% Increase | 7% Increase | 7.7% Increase | 9% Increase |
| Communal Cleaning | £1,290,532 | £1,433,781 | £71,689.07 | £100,365 | £110,401 | £129,040 |
| Security - CCTV/Concierge/Door entry | £1,159,765 | £1,288,498 | £64,424.92 | £90,195 | £99,214 | £115,965 |
| Aerial | £233,197 | £259,082 | £12,954 | £18,136 | £19,949 | £23,317 |
| Heating | £86,063 | £95,616 | £4,781 | £6,693 | £7,362 | £8,605 |
| Gap Service | £46,675 | £51,856 | £2,593 | £3,630 | £3,993 | £4,667 |
| Furniture | £71,043 | £78,929 | £3,946 | £5,525 | £6,078 | £7,104 |
| Willow Gardens | £95,950 | £106,600 | £5,330 | £7,462 | £8,208 | £9,594 |
| Communal Facility | £15,623 | £17,357 | £868 | £1,215 | £1,336 | £1,562 |
| Water (Walker Grange) | £9,179 | £10,198 | £510 | £714 | £785 | £918 |
| Lift Maintenance | £7,999 | £8,887 | £444 | £622 | £684 | £800 |
| Warden | £1,724 | £1,915 | £96 | £134 | £147 | £172 |
| Grounds Maintenance | £2,061 | £2,290 | £115 | £160 | £176 | £206 |
| Total | £3,019,811 | £3,355,010 | £167,751 | £234,851 | £258,336 | £301,951 |

Average Weekly Charges – Impact of increases on weekly charges

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| Average Charges | Details | Charges 2023/24 | 5% Increase | 5% Inc. Difference | 7% Increase | 7% Inc. Difference | 7.7% Increase | 7.7% Inc. Difference | 9% Increase | 9% Inc. Difference |
|--------------------------------|-------------------------|-----------------|-------------|--------------------|-------------|--------------------|---------------|----------------------|-------------|--------------------|
| Cleaning | High rise flats | £5.36 | £5.63 | £0.27 | £5.74 | £0.38 | £5.77 | £0.41 | £5.84 | £0.48 |
| Cleaning | Low/med rise flats | £4.83 | £5.07 | £0.24 | £5.17 | £0.34 | £5.20 | £0.37 | £5.26 | £0.43 |
| Cleaning | Supported Accommodation | £10.33 | £10.85 | £0.52 | £11.05 | £0.72 | £11.13 | £0.80 | £11.26 | £0.93 |
| Communal cleaning | Medium rise | £0.73 | £0.77 | £0.04 | £0.78 | £0.05 | £0.79 | £0.06 | £0.80 | £0.07 |
| Aerial | Charge | £0.49 | £0.51 | £0.02 | £0.52 | £0.03 | £0.53 | £0.04 | £0.53 | £0.04 |
| Furniture | | £10.18 | £10.69 | £0.51 | £10.89 | £0.71 | £10.96 | £0.78 | £11.10 | £0.92 |
| Lift | Scribbans Place | £7.94 | £8.34 | £0.40 | £8.50 | £0.56 | £8.55 | £0.61 | £8.65 | £0.71 |
| Water | Walker Grange | £4.07 | £4.27 | £0.20 | £4.35 | £0.28 | £4.38 | £0.31 | £4.44 | £0.37 |
| Security - CCTV | | £4.27 | £4.48 | £0.21 | £4.57 | £0.30 | £4.60 | £0.33 | £4.65 | £0.38 |
| Security - Concierge & CCTV | | £9.91 | £10.41 | £0.50 | £10.60 | £0.69 | £10.67 | £0.76 | £10.80 | £0.89 |
| Security - Door entry and CCTV | | £6.23 | £6.54 | £0.31 | £6.67 | £0.44 | £6.71 | £0.48 | £6.79 | £0.56 |
| Security - security door | | £1.97 | £2.07 | £0.10 | £2.11 | £0.14 | £2.12 | £0.15 | £2.15 | £0.18 |
| Warden | Walker Grange | £0.94 | £0.99 | £0.05 | £1.01 | £0.07 | £1.01 | £0.07 | £1.02 | £0.08 |
| <u>Willow Gardens</u> | | | | | | | | | | |
| Furniture | | £3.14 | £3.30 | £0.16 | £3.36 | £0.22 | £3.38 | £0.24 | £3.42 | £0.28 |

| | | | | | | | | | | |
|------------------------------|------------------------------|---------|---------|-------|---------|-------|---------|-------|---------|--------|
| Guttering | | £0.16 | £0.17 | £0.01 | £0.17 | £0.01 | £0.17 | £0.01 | £0.17 | £0.01 |
| Management Fee | | £8.55 | £8.98 | £0.43 | £9.15 | £0.60 | £9.21 | £0.66 | £9.32 | £0.77 |
| Oven / Hob | | £1.99 | £2.09 | £0.10 | £2.13 | £0.14 | £2.14 | £0.15 | £2.17 | £0.18 |
| Utilities (communal) | | £9.18 | £9.64 | £0.46 | £9.82 | £0.64 | £9.89 | £0.71 | £10.01 | £0.83 |
| Windows | | £0.78 | £0.82 | £0.04 | £0.83 | £0.05 | £0.84 | £0.06 | £0.85 | £0.07 |
| Grounds | | £3.71 | £3.90 | £0.19 | £3.97 | £0.26 | £4.00 | £0.29 | £4.04 | £0.33 |
| Cleaning | | £9.93 | £10.43 | £0.50 | £10.63 | £0.70 | £10.69 | £0.76 | £10.82 | £0.89 |
| Cleaning materials | | £0.89 | £0.93 | £0.04 | £0.95 | £0.06 | £0.96 | £0.07 | £0.97 | £0.08 |
| Lift | | £0.50 | £0.53 | £0.03 | £0.54 | £0.04 | £0.54 | £0.04 | £0.55 | £0.05 |
| <u>Other service charges</u> | | | | | | | | | | |
| Gap | Gap | £33.24 | £34.90 | £1.66 | £35.57 | £2.33 | £35.80 | £2.56 | £36.23 | £2.99 |
| Grounds | Parkside/ Scribbans Place | £1.20 | £1.26 | £0.06 | £1.28 | £0.08 | £1.29 | £0.09 | £1.31 | £0.11 |
| Grounds | Norma Close | £0.62 | £0.65 | £0.03 | £0.66 | £0.04 | £0.67 | £0.05 | £0.68 | £0.06 |
| Heating | Selby House | £6.89 | £7.23 | £0.34 | £7.37 | £0.48 | £7.42 | £0.53 | £7.51 | £0.62 |
| Heating | Selby House | £7.34 | £7.71 | £0.37 | £7.85 | £0.51 | £7.91 | £0.57 | £8.00 | £0.66 |
| | | | | | | | | | | |
| Leaseholder charges | Per annum | £115.66 | £121.44 | £5.78 | £123.76 | £8.10 | £124.57 | £8.91 | £126.07 | £10.41 |

Appendix 4 – Budgeted Rental Income and Impact of Increasing rents

| | Annual Income 2024/25 (53 weeks) | Additional Annual Income PA (53 weeks) |
|--|--|--|
| Rental Income 52 weeks (2024/24 full year forecast) | £122,086,330 | |
| 6% Increase (53 weeks) | £131,900,193 | £9,813,863 |
| 7% Increase (53 weeks) | £133,144,534 | £11,058,204 |
| 7.7% Increase (53 weeks) | £134,015,573 | £11,929,243 |
| 8% Increase (53 weeks) | £134,388,876 | £12,302,546 |
| 9% Increase (53 weeks) | £135,633,217 | £13,546,887 |



Housing Revenue Account Business Plan Review

FINAL

Report v1

9 January 2024



HRA Business Plan Review

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1. Introduction

1.1. Background

Sandwell Metropolitan Borough Council (SMBC, the Council) have appointed Savills to support officers in the production of the annual Housing Revenue Account (HRA) Business Plan model.

This builds upon the work that officers have undertaken in previous years in establishing a refreshed HRA Business Plan. However, to add value, SMBC have now adopted the Savills HRA Business Plan platform for ease of operation and scenario testing. SMBC, like many authorities, need to adopt a new approach to setting out the financial capacity and capability of the HRA to deliver on its objectives towards refurbishment, investment, and new supply. Consideration of a new approach is also consistent with the requirement for the publication of Prudential Indicators specific to the HRA following their reintroduction alongside the abolition of the debt cap.

Savills have therefore worked with officers to update the HRA Business Plan that was produced in 2022.23, in respect of projected rent increases, uplifts to repair costs, and costs of new build schemes that are currently being and scheduled to be undertaken. Officers have also provided both the short-term investments levels in the stock but longer-term estimates are purely averages of these in the absence of the ongoing stock condition survey results.

This plan is based on the draft 2024.25 budget and the following four years that form the Councils Medium Term Financial Strategy.

Given that the results of the stock condition survey will be delivered in the coming months, this plan will be refreshed to take account of this but also any other national or local policy changes.

1.2. Factors the Sector is Facing

When considering the HRA business plan and its current resources, we must be mindful of the current and future challenges that the social housing sector faces.

The following areas are not exclusive, but are the key ones that will impact upon both staffing and financial resources.

Building Safety

Since the tragic consequences of Grenfell Tower, steps have been made by Government to ensure that building and fire safety is at the forefront of social housing investment and delivery. This has increased the amount of reporting that is required and where the point of responsibility over how and what data is held. For SMBC this has meant implementing new fire safety measures, which not only adds to capital investment but requires ongoing monitoring and maintenance. Recovery for these costs is also difficult from leaseholders due to current lease arrangements. Furthermore additional revenue resource is required in relation to ensuring compliance.

Enhanced Regulation and Tenant Satisfaction Measures

The Social Housing (Regulation) Act has introduced enhanced powers for the Regulator for Social Housing to monitor compliance with a refreshed set of consumer standards, and has also introduced statutory collections and reporting for Tenant Satisfaction Measures. For all local authorities with stock, Sandwell will in future be subject to an inspection by the Regulator which will provide a grading as to the compliance the Council is achieving against these standards.

1.3. Approach

This report sets out the work we have undertaken as follows:

1. The results of the latest HRA business plan model in the light of market conditions, policy initiatives and other factors.
2. Outputs from financial modelling and sensitivity testing (where appropriate) to establish alternative an alternative delivery scenario for the business plan.

2. Business plan model

2.1. Introduction

Our latest version of the HRA Business Plan model has been provided and populated in liaison with officers and forms the basis of this report.

It will continue to have revisits in respect of updates to the asset management strategy and any other amendments as further details become available from those included within this plan.

2.2. Overview of methodology and assumptions

Overall

The plan is based on the following overarching principles:

- Balanced to the 5 years (revenue) medium term financial strategy and then assumptions as to the following 25 years of projections
- Core inflation projected at 2.0% beyond 2022²⁸ thereafter with exceptions as detailed below:
- Rents increasing at CPI per annum only – a prudent assumption given recent interventions and the absence of a long-term national social rent policy
- Service charges increase in line with rents.
- Depreciation at fixed stock levels.
- Repairs increase by CPI only with adjustments to reflect
 - Stock losses through right to buy
 - Newly arising repair liabilities from new developments
 - An increase to reflect liabilities for when the PFI contract ceases in 2030.
- Management Costs increase in line with CPI with no adjustments for right to buy sales, new developments of PFI related properties. The PFI contract ceases at the end of 2030³¹ and both the government grant and contract liabilities have been excluded from the plan thereafter.
- Maintenance of the existing tenanted stock (subject to Inflation and Right to Buy sales) is modelled at a total of £900million over the 30 years from 2024²⁵.
- Provision of £103.429million new build programmes (with subsidy contributions of c£54.650million) delivering 378 homes.
- The inclusion of 34 loans directly attributable to the HRA, that are at fixed interest rates for varying periods.

The overall methodology within the plan is also founded on net rental income servicing the operational expenditure, interest charges, and where required, additional borrowing to finance investment to the stock and loan refinancing when existing loan facilities mature.

The following paragraphs provide more detail on the key elements of the plan.

Rents

The rents contained within the modelling are consistent with the current social rent policy where the increase applied to April 2024 is restricted to 7.7% (September CPI of 6.7% + 1%).

Rent levels, as an average for 2024.25, will be £93.74 per week on a 52 week basis and £130.55 for the 751 tenancies on affordable rents.

The rent policy moving forward will be consulted on by government during 2024 in respect of providing more certainty of rent increases for April 2025 and beyond. At this stage we have made the prudent assumption that rents increase as per the medium-term financial strategy for April 2025 to 2028 and beyond this will increase by CPI only.

Void rates of c1.5% and Bad Debt provision of c0.66% have been modelled throughout the plan.

Other Income

As stated the annual Government grant for the PFI scheme will conclude in 2030.31. All other income, including service charges will increase by CPI only period the medium-term financial strategy.

Management

We have made comparisons with other metropolitan (non-London) authorities for financial year 2021.22. In summary:

- SMBC Cost Per Unit 2024.25: £2,043 (Net £1,606 after service charges and other income)
- Average for peer group 2021.22: £1,320 (Net £1,033)
- Average for regional group 2021.22: £1,213 (Net £879)
- Average National position 2021.22: £1,888 (Net £1,211)

This demonstrates that SMBC's budgets for 2024.25 are higher than average benchmarks for 3 years ago. Obviously part of this will be due to inflation but also factors such as:

- PFI contractual payment
- TMO payments

In order for the medium term financial strategy to balance in each year amendments have been made to the overall management budget in respect of the savings required.

Repairs

We have made comparisons with other metropolitan (non-London) authorities for financial year 2021.22. In summary:

- SMBC Cost Per Unit 2024.25: £1,703
- Average for peer group 2021.22: £1,165
- Average for regional group 2021.22: £1,137
- Average National position 2021.22: £1,234

This demonstrates that SMBC's budgets for 2024.25 are higher than average benchmarks from 3 years ago. However the sector has since large inflationary increases with regards to repairs and also the impact of compliance, building safety and dis-repair claims is likely show that SMBC's will be more in line with average costs once our national database has been updated.

In order for the medium term financial strategy to balance in each year amendments have been made to the overall management budget in respect of the savings required.

Right to Buy sales volumes

The level of sales is modelled at 150 per annum which accounts for a stock loss of 16% over the plan period. It might be expected that SMBC will see further reductions in sale volumes on account of instability with house prices but also the availability and affordability of mortgages for prospective purchasers, but the approach taken is prudent. We have made adjustments to both rents, repairs and future investment expenditure to reflect these stock losses.

The HRA is modelled to benefit from the receipts from right to buy sales and also those ring-fenced for new delivery. This approach, will also be subject to annual review in respect of considering alternative uses.

Capital Works to Existing Properties

As already commented upon the early years capital investment in existing stock is based on the medium-term financial plan. Beyond this an average programme of £30million per annum has been modelled with allowances for inflation, stock losses but also new developments. This equates to an

average investment of c£32,136 per property over 30 years. This is lower than levels we have recently seen for other local authorities and therefore this level of investment must be viewed with caution. In addition it would not be normal to have a 'flat' annual investment expenditure.

SMBC are awaiting the results of the recently commissioned stock condition survey and this will form the basis for updating this plan.

Interest Rates

The opening debt (HRA Capital Financing Requirement or HRACFR) is estimated at £558.584million (excluding the PFI liability). It is currently financed by 34 fixed loans totalling £327.8million with varying interest rates and maturity dates. The average interest rate for these loans is c5.0%. Internal borrowing between the Council's General Fund and HRA is utilised to fund the £173.7million difference and with a lower level of interest is charged, offset by interest receivable on reserve balances. This position may well change as the Council annually reviews its treasury management strategy.

A long-term rate of 3.5% has been assumed for future borrowing and refinancing post 5 years, but rates of 5.0% reducing to 3.75% during the first 5 years of the plan have been modelled for new borrowing and refinancing of existing loans.

2.3. HRA Business Plan projections

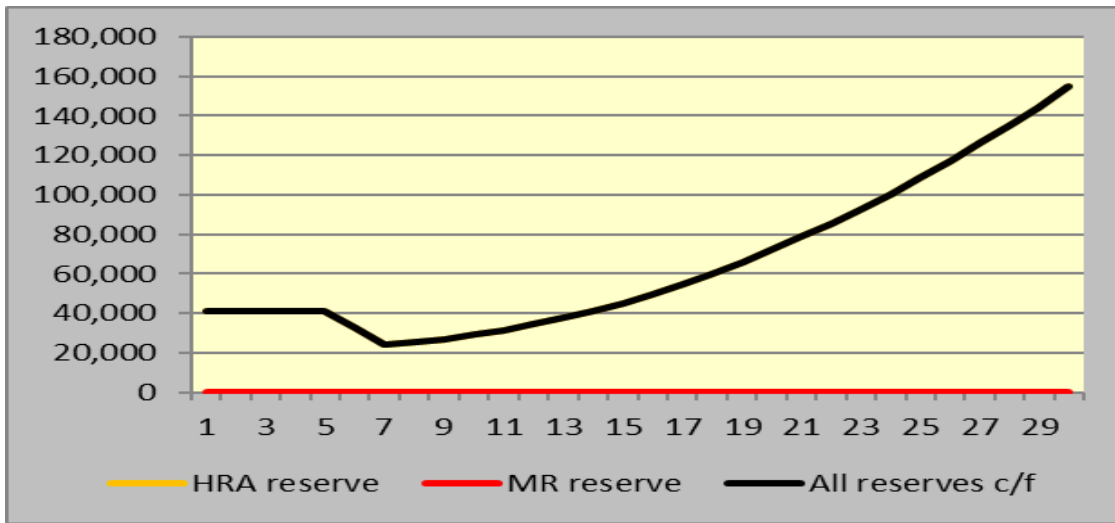
As a starting position for financial forecasting an agreed set of assumptions relating to inflation and interest rates and other cost and income adjustments are factored in. SMBC currently do not set a minimum reserve balance.

Various methodologies can be applied for arriving at a minimum balance such as:

- Equivalent to a period of gross expenditure with 1.5 months typically set as a basis
- A percentage of turnover is also adopted at other local authorities where limits are set at 10%
- Finally a straightforward allowance per unit is used.

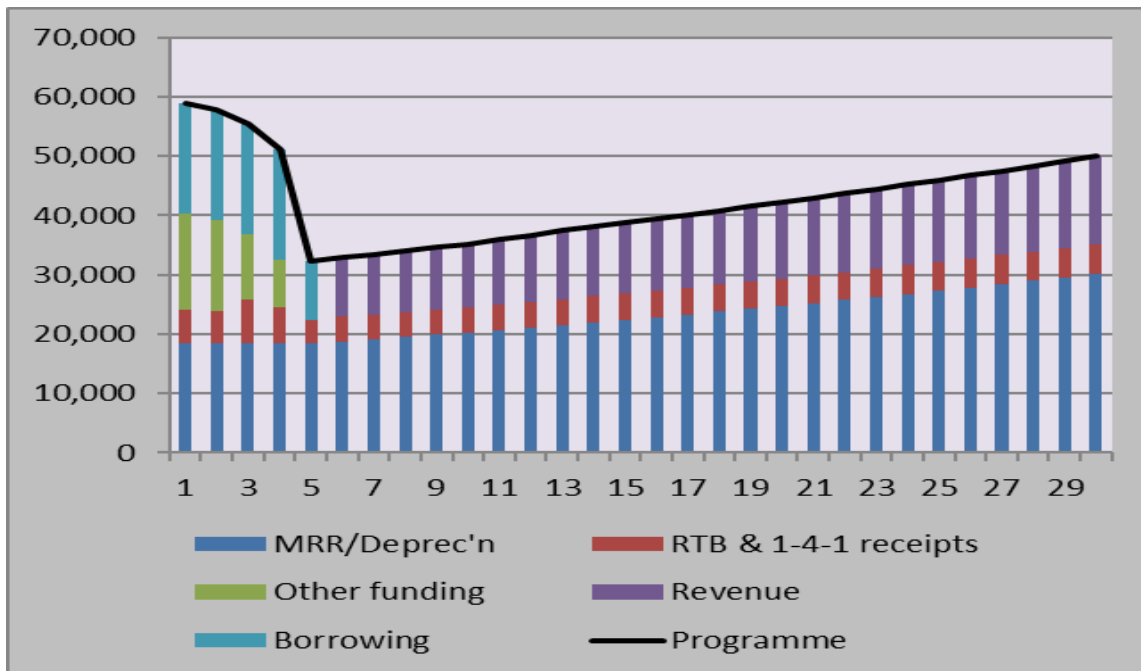
Therefore, SMBC should consider its minimum reserve levels moving forward, but we have adopted the 10% of turnover for the purposes of this plan. Year 1 of the plan relates to 2024.25.

Chart 2.1 – Projected HRA balances



The above graph demonstrates that from year 5 of the plan the reserves reduce, on account of funding the capital programme. Beyond this the HRA produces sufficient surpluses to continue to contribute towards capital expenditure and to begin to accrue reserves to the point of holding c£155million by year 30.

Chart 2.2 – Projected capital expenditure and financing



Capital expenditure is fully funded throughout the 30 years, demonstrated by the horizontal black line. There is a significant increase in projected expenditure in the early years to meet the requirements of the new build programme.

In order to part finance this, additional borrowing is required, which in turn results in additional interest charges.

Inflation has been included within the above projections, with the exception of years 1 to 4.

Chart 2.3 – Projected Capital Expenditure (By Category)

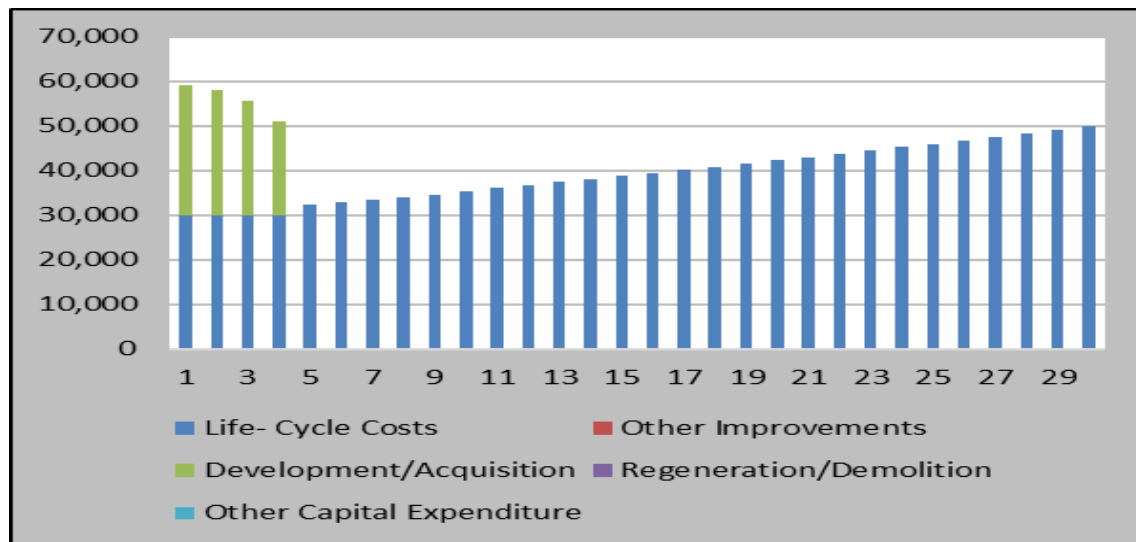
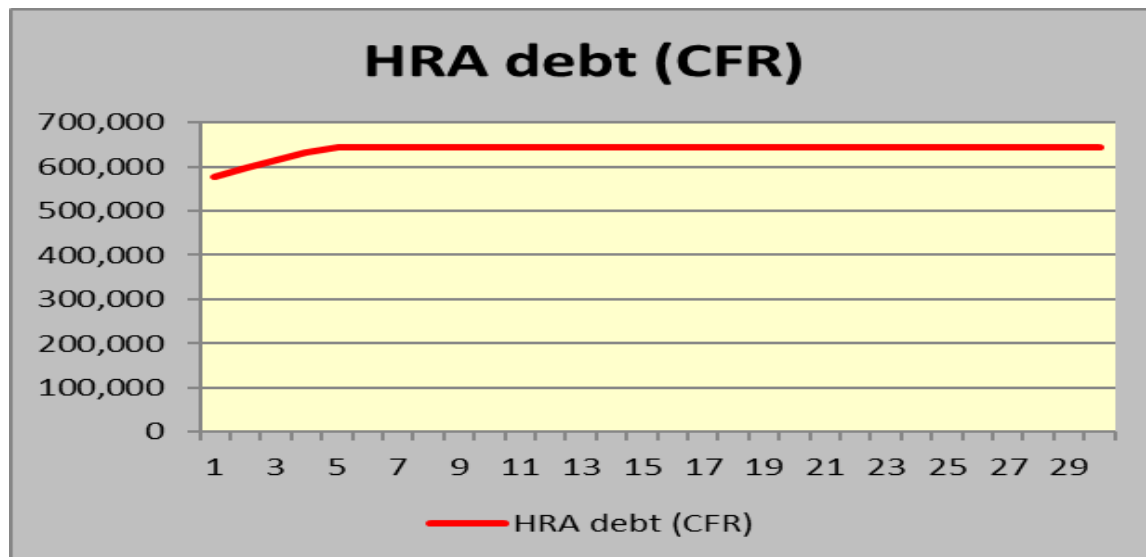


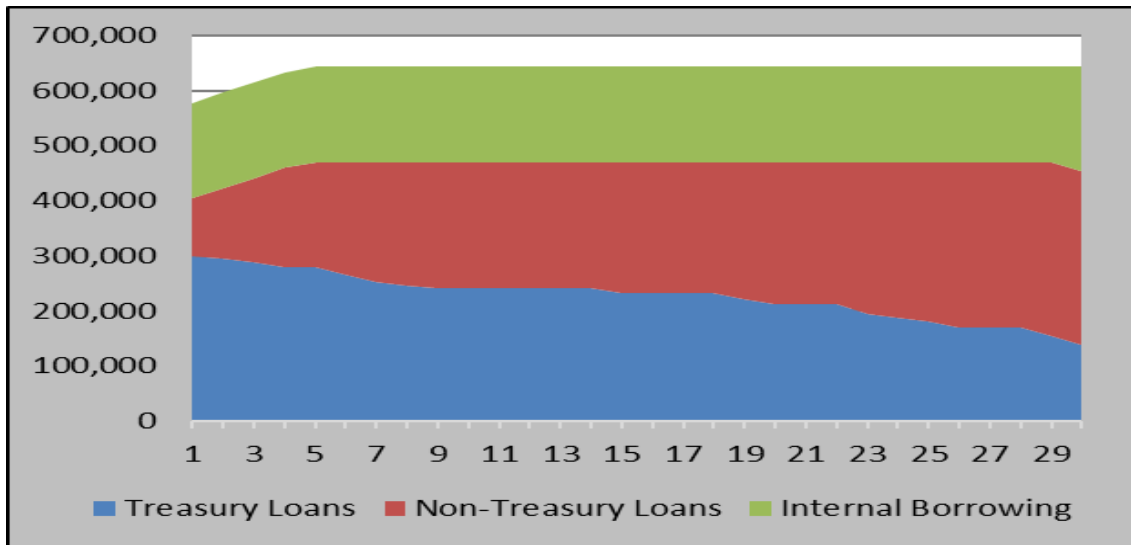
Chart 2.4 – Projected debt profile (HRACFR)



Borrowing is projected to initially peaks in year 4 at £643.0million from an opening position of £558.6million and remains at this level throughout the remainder of the plan.

All of the existing loan facilities that mature during the period of the plan are refinanced (as non-treasury loans) as demonstrated in the chart below.

Chart 2.5 – Projected Debt Analysis (HRACFR)



The blue shaded areas represent the existing loan portfolio that was allocated to the HRA in 2012 and any borrowing since then, whereas the red area represents a new pool of loans that are effectively a revolver type facility at an interest rate projected across all years at 3.5%, with the exception of higher rates in the earlier years.

3. Sensitivity Modelling

3.1. Sensitivity Modelling

We have modelled a range of scenarios that demonstrate the impact to the plan, which can be considered more externally influenced, as per the table below.

Table 3.1 -Sensitivity Table

| Sensitivity £'m | HRA Bal Yr 30 | Debt Yr 30 |
|--------------------------------|---------------|------------|
| BASE | 155 | 643 |
| Inflation +0.5% pa | 227 | 643 |
| Inflation -0.5% pa | 90 | 643 |
| Interest -0.25% pa | 183 | 643 |
| Rents CPI +1% all years | 977 | 643 |
| Rent Freeze (Yr 2 – 2025.26) | 25 | 713 |
| Capital Expenditure +5% | 103 | 645 |
| Capital Expenditure +30% | 25 | 953 |
| Repairs Expenditure +5% | 66 | 662 |
| Right to Buys (Reduced by 50%) | 283 | 645 |
| Voids +0.5% Bad Debts +1% | 83 | 647 |

The plan shows a varied impact to both positive and negative sensitivities. Areas of concern will more in respect of reserve balances and residual debt that the HRA has at year 30, although there is no statutory requirement for repayment, and the reduction in borrowing headroom.

4. Summary

1. The HRA business plan forecast as set out in our modelling for Sandwell Metropolitan Borough shows the current projected financial position.
2. The projections show that reserve balances begin to accrue whilst debt levels remain static. Whilst there is currently no requirement to repay debt, the accumulated reserves demonstrate the potential to do so.
3. The plan provides an initial basis on which to consider the investment plans, ahead of the results of the stock condition survey.
4. The Council can affect future operating surpluses above those modelled through effective cost management and this would increase borrowing capacity. Similarly, increases in inflation and in particular in rent inflation would add significantly to future capacity.
5. This report should provide a basis for the Council to inform its future approach to establishing a decision making framework for its HRA investment and development strategies, and also inform the work to be undertaken to adopt Prudential Indicators for the HRA. However, this needs to be considered in the context of Sandwell's treasury management strategy.

Simon Smith

Savills

January 2024

Appendix 1 Key Assumptions

| | Assumption | Notes |
|--|--|--|
| Dwelling Rent | 7.7% Increase 2024.25 then as per the Medium Term Financial Strategy (MTFS) then CPI only thereafter | |
| Void rates / Bad Debt Provision | 1.5% / 0.66% | |
| Service Charges | As per rents beyond the MTFS | |
| Other Income | PFI contract ceasing in 2030.31 results in loss of grant | |
| Major Works Leaseholder Contributions | Linked to Capital Programme | |
| Repairs and Maintenance Costs | CPI only increases Beyond MTFP with adjustments for right to buys, new build and PFI contract | Efficiency savings modelled to balance to MTFS |
| Management Costs | CPI only increases beyond MTFP. Cessation of the PFI contract in 2030.31 | Efficiency savings modelled to balance to MTFS |
| Interest rate on borrowings | Based on Existing actual rates c5.0% then long-term average of 3.5% (internal borrowing 4.5%) | |
| Depreciation | Straight Line Basis over life of Assets | |

Capital Strategy
2023/24 to 2027/28

Introduction

1. Sandwell Metropolitan Borough Council's Capital Strategy considers the Council's long-term aspirations, corporate objectives, affordability criteria and available resources to guide capital investment decisions over the next five years. Capital expenditure relates to long-term investment in assets and differs completely from the Council's revenue budget as set out in the Council's Medium Term Financial Strategy. The Council receives capital grants and external funding contributions, and can raise capital finances either by selling property and other assets that are no longer needed, or by borrowing funds to support long-term investment in assets.
2. The Prudential Code for Capital Finance in local authorities sets out the requirement that authorities should have in place a Capital Strategy and governance procedures for the setting and revising of the strategy and prudential indicators.
3. The Section 151 Officer is responsible for ensuring that all matters required to be taken into account are reported to the decision-making body for consideration and for establishing procedures to monitor performance. Under the Prudential Code guide, a Capital Strategy needs to demonstrate that the local authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.
4. This version of the Capital Strategy details the forecast outturn position for 2023/24 and the currently approved Capital Programme covering the period 2023/24 to 2027/28. It also summarises future proposed, but currently unapproved, capital schemes, anticipated to commence over the same period.

Recommendations

5. It is recommended that Cabinet approves the Capital Strategy 2023/24 to 2027/28.

Current Capital Programme – General Fund

6. The current projected Capital Programme for the General Fund (GF) is shown below in summary, with the full detailed programme included as Appendix E. It includes all projects that have proceeded to approval stage, either via delegated powers or full Cabinet and Council recommendation approvals. It also includes estimates for capital grants for 2023/24 and beyond where there is an expectation that grant funding will continue, such as Highways Maintenance and School Maintenance Grants. The profiling of expenditure between financial years is as per the latest forecast, which was presented within the Council's 2023/24 Quarter 2 Budget Monitoring Report.

Table 1 – Approved Capital Programme (GF), with Latest Forecast Profiled Expenditure

| Service Area | 2023/24 (£000) | 2024/25 (£000) | 2025/26 (£000) | 2026/27 (£000) | 2027/28 (£000) | Total (£000) |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Adult Social Care | 329 | 763 | 0 | 0 | 0 | 1,092 |
| Borough Economy | 25,661 | 19,852 | 26,284 | 8,334 | 8,334 | 88,465 |
| Finance | 9,305 | 2,428 | 1,200 | 1,200 | 1,200 | 15,333 |
| Children's Services | 7,732 | 12,300 | 10,000 | 10,000 | 10,000 | 50,032 |
| Housing | 5,512 | 13,716 | 4,800 | 4,800 | 4,800 | 33,628 |
| Law & Governance | 197 | 3,610 | 0 | 0 | 0 | 3,807 |
| Regeneration | 26,553 | 56,728 | 11,065 | 2,100 | 2,100 | 98,546 |
| Total | 75,289 | 109,397 | 53,349 | 26,434 | 26,434 | 290,903 |

7. As shown in Table 1, in the period 2023/24 to 2027/28, total approved capital expenditure is £291m for the General Fund. Reprofiting of expenditure between financial years is likely to continue to take place, particularly following completion of the 2023/24 capital closedown procedure when final figures are established, which may result in further reprofiling of budgets from 2023/24 into 2024/25 and beyond. Reprofiting of budgets takes place when expenditure in any year is more or less than the allocated budget for the year, in which case the remaining project budget is redistributed across the remaining project period, in accordance with the estimated profile of expenditure. This is standard practice across local authority capital programmes.
8. The Council may also receive additional grant notifications throughout the financial year or if bids are submitted for additional grant funding as the year progresses. These changes will be reported as part of the quarterly reporting of Capital budget monitoring.

Future General Fund Schemes

9. The main objective for the introduction of the Capital Strategy requirement was in response to the major expansion of local authority investment activity into the purchase of non-financial investments, particularly property. The Capital Strategy, therefore, requires local authorities to assess investments over the long-term as opposed to the three years that planning was previously conducted over.
10. Table 1 summarises the current approved capital programme for the 5 years to 2027/28. The projects included within this programme have progressed through the governance process and are deemed to have been assessed fully to ascertain the outcomes of the project against criterion of risk and reward.
11. In order to comply with the requirement to consider capital expenditure over a medium to long-term period and to determine the financial sustainability of the authority, focusing on the affordability of the capital programme, the Council has compiled a planned programme of capital schemes that have been agreed in principal by Cabinet but have yet to complete the full due diligence process. These are described as “pipeline schemes” and are summarized in Table 2 below and detailed in Appendix E.

Table 2 – Capital Programme (Pipeline Schemes)

| Service Area | 2023/24 (£000) | 2024/25 (£000) | 2025/26 (£000) | 2026/27 (£000) | 2027/28 (£000) | Total (£000) |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Adult Social Care | 0 | 563 | 0 | 0 | 0 | 563 |
| Borough Economy | 0 | 20,522 | 37,337 | 39,884 | 0 | 97,743 |
| Finance | 0 | 1,216 | 0 | 0 | 0 | 1,216 |
| Children's Services | 0 | 8,155 | 8,135 | 935 | 0 | 17,225 |
| Housing | 0 | 0 | 0 | 0 | 0 | 0 |
| Law & Governance | 0 | 1,625 | 0 | 0 | 0 | 1,625 |
| Regeneration | 0 | 2,998 | 4,732 | 0 | 0 | 7,730 |
| Total | 0 | 35,079 | 50,204 | 40,819 | 0 | 126,102 |

12. As shown above, in the period 2023/24 to 2027/28, total capital expenditure on pipeline schemes yet to be approved is expected to be in the region of £126m for the General Fund. The total scheme costs detailed in Table 2 are initial estimates only and these are likely to change as more work is undertaken to develop robust business cases on an individual project basis including full options appraisal and detailed costings.

Capital Investment Plans

13. This Capital Strategy sits alongside the Medium-Term Financial Strategy and feeds into the annual revenue budget as part of an integrated revenue and capital financial strategy. The ongoing implications for the revenue budget strategy are fully considered before any capital funding decisions are confirmed.

14. Sandwell Council has a range of ambitious, affordable capital investment plans designed to achieve the objectives set out in the corporate plan and 2030 Vision.

15. There are currently over 100 General Fund schemes that are included within the 5 year programme covering a wide range of developments. The main areas of investment include the following:

Towns Fund (Regeneration & Growth)

16. There are currently 15 active projects within the Towns Fund programme totaling £55m. These cover the areas of Rowley Regis, Smethwick and West Bromwich. The major schemes relate to:
- Rowley Regis - Satellite Education Hub (£8.5m)
 - Smethwick - Midland Met Learning Campus (£11.3m)
 - West Bromwich – Retail Diversification Programme (£7.8m)
 - West Bromwich – Town Hall Quarter (£6.2m)

Levelling Up Partnership (Regeneration & Growth)

17. There are currently 5 projects due to start in 2024/25 totaling £20m, with the main scheme relating to the development of the Friar Park Urban Village (£11.5m).

Levelling Up Fund (Borough Economy)

18. £22m has recently been included within the programme for the development of Haden Hill Leisure Centre.

Oracle Fusion (Finance)

19. The programme includes £7.7m for the introduction of a new ERP system to transform Finance and HR support.

Highways (Borough Economy)

20. The programme includes a variety of schemes aimed at maintaining and developing the Council's Highways network. This totals £56.9m and includes the development of Birchley Island (£5.9m).

Schools (Children's Services)

21. There is a budget provision of around £50m for investment in schools over the next 5 years.

Disabled Facilities Grants (Housing & Assets)

22. £31.7m is included within the programme to provide grants to help private homeowners to adopt their properties to accommodate disabled needs.

West Bromwich Cemetery (Law & Governance)

23. The construction of a new cemetery in West Bromwich is due to be completed in 2024/25 at a cost of £3.6m.

Key (Pipeline) Projects

24. The largest value projects proposed to be added into the programme are as follows. These schemes have been agreed in principal but have yet to complete the full due diligence process:

- LUF Round 3 – Grove Lane (Regeneration and Growth): £20m
- New Archive Centre (Borough Economy): £20m
- City Region Sustainable Transport Settlements – Smethwick to Birmingham Growth Corridor (Borough Economy): £19m
- Causeway Green Primary School (Children's Services): £14m
- City Region Sustainable Transport Settlements – A461 WCB Corridor (Borough Economy): £13m
- City Region Sustainable Transport Settlements – Wednesbury to Brierly Hill Sustainable Access Measures (Borough Economy): £8m
- Sandwell Valley Master Plan (Borough Economy): £8m

Sandwell 2030 Vision

25. A continuous review of the capital programme is essential to ensure that resources are aligned to the corporate plan and 2030 Vision at all times. The 10 ambitions which make up the Sandwell 2030 Vision are listed in the table below:-

Table 3 – Sandwell 2030 Vision - Ambitions

| | |
|-------------|---|
| Ambition 1 | Raising Aspirations & Resilience |
| Ambition 2 | Healthier for longer & safer |
| Ambition 3 | Young People have skills for the future |
| Ambition 4 | Raising the quality of Schools |
| Ambition 5 | Lowering Crime & ASB |
| Ambition 6 | Excellent public transport to the region & beyond |
| Ambition 7 | Major new housing along major transport routes & employment sites |
| Ambition 8 | Create environments in the 6 towns where people choose to live |
| Ambition 9 | Hosting industries of the future |
| Ambition 10 | National reputation for getting things done |

26. The following sections detail how capital investment at a service level is being targeted to meet these ambitions.

Housing – Ambitions 1,2,5 & 7

27. One in 20 new council houses built in England in 2018 were built in Sandwell, and the Council plans to continue to deliver good quality, affordable housing for the people of Sandwell over

the next 5 year period using grant funding from Homes England as well as other sources of funding. The capital investment in existing stock provides the opportunity to raise standards of design, quality and sustainability across the Borough Housing and improve the quality of the neighbourhood.

28. The Council is also working on a number of energy efficiency upgrades to heating systems and boilers across council properties in order to help reduce fuel poverty across Sandwell. The HRA business plan includes £3 million annually for these improvements and a further £3 million annually for disabled adaptations to council homes.
29. This investment sits alongside a major programme of refurbishment in council housing stock. The investment recognises Sandwell's responsibility to invest in housing assets within the Borough to promote wellbeing and help people live healthy lives - this will continue to create mixed and sustainable communities and help residents maintain their independence for longer.

Schools – Ambitions 3 & 4

Primary Schools

30. Sandwell has 95 primary schools located across its 6 towns. 29 of these primary schools are now academies with 1 maintained and 1 foundation trust school scheduled to convert in this academic year. Like many parts of the country Sandwell has seen huge increases in its birth rate with Reception cohorts growing significantly. Additionally, the Council has seen increased in-year migration which has affected all primary year groups, with a levelling off experienced since School Capacity 2019, and most secondary year groups.
31. The total Reception capacity in 2010 was 4,246 with an overall primary capacity of 29,336. However, with Sandwell's pupil numbers in the primary sector increasing quickly and significantly, the total Reception capacity increased to 5,070 in September 2017 and has since reduced to the current figure of 4,950 for September 2023. This offers an overall primary capacity of 35,056 and a projected Reception surplus of 10.26%.
32. The projected overall primary surplus for September 2023 will be 4.66%. Although the cohort starting Reception in September 2017 saw the highest numbers since the mid-1970s, previous expansions meant that only an additional 3 temporary bulge expansions were required in Sandwell with one additional permanent form of entry introduced for Smethwick in 2018. A two forms of entry primary free school opened in September 2019 which has provided 420 additional places across the town of Smethwick, a town that had continued to attract considerable demand in all year groups.
33. No additional primary provision is anticipated to be required in Reception for the foreseeable future.
34. The Published Admission Numbers at 2 primary schools in Smethwick have this year been reduced by a form of entry at each school (60 places in total), and a third school in West Bromwich will reduce by a form of entry (30 places) with effect from September 2025 in response to the reducing demand for Reception places.

Secondary Schools

35. There are 22 secondary schools in Sandwell made up of 1 Voluntary Aided School, 2 Foundation Trust Schools, 18 Academies and 1 University Technology College (11-18 years). The overall secondary capacity is 24,294 and a projected year 7 surplus of 5.75%. The projected overall secondary surplus for September 2023 will be 3.40%.
36. It is projected that secondary numbers will increase by 969 across all year groups between 2023 and 2027 as larger cohorts move up from the primary sector and inward migration

continues to occur at similar levels. Based on the planned capacity for Year 7 in 2024 of 5,176, the borough wide PAN will be just sufficient to meet demand in 2024 with limited surplus.

37. Both Windsor Olympus Academy and Shireland CBSO Academy finally opened in September 2023 delivering 900, and 750 new places respectively. It has been projected that there will be a need for an additional 60 Year 7 places in Sandwell's secondary sector for the 2024/25 academic year to address local demand pressures in the Rowley Regis and Tipton areas, and in-year applications. The projections may need to revise if inward migration continues to increase at current levels.

Special Schools

38. During 2023 the Local Authority has started a major review for SEND provision, the 'Inclusion Transformation Programme' which, in part, is due to a continuing significant increase in the number of children and young people with a confirmed Education, Health and Care plan (EHCP). Over the past 2 years the total number of EHCPs has risen from 2,503 to 3,400 as at end June 2023. Such an increase has created significant pressure on the availability of suitable specialist places.
39. Two new schools, High Point Academy and Elm Tree Primary Academy have opened in the last 3 years to help with demand.
40. The Authority is supporting the expansion of The Brades Lodge to provide new places, and to further ease pressure on places, proposals are being considered to establish a new special school following an unsuccessful bid to the DfE to secure a new all through SEMH school through the Special Free School Programme.
41. There is an ongoing commitment to continue with locally based solutions such as expansion of well-established Focus Provision Units to complement mainstream special school provision.

Adult Social Care & Health – Ambition 2

42. The capital resources available to Adult Social care will be used in three main areas:
- The completion of a new £14m Social Care & Health Centre in Rowley Regis.
 - To support the ongoing development of the social care business system; and
 - To fund a range of ICT related expenditure to support mobile working, an integral element in the adult social care customer journey.

Transport – Ambitions 6,8 & 10

43. In a recent survey considering the importance of a "Connected and Accessible Sandwell", residents identified "Maintaining Roads and Pavements" as the most valued service (72% to 78% agreed) followed by "Improving Transport Options and Transport Links" (47% to 53% agreed). Capital investment in the delivery of Highway Maintenance, Highway Network Improvement and Road Safety Programmes, and Traffic Management related services, continue to generate significantly higher levels of public satisfaction than the Council's benchmarking peers.
44. The Council has approved a capital programme of maintenance work for 2023/24 and 2024/25, in line with Highway Infrastructure policy, that supplements the external capital grants from the Department for Transport (DfT) with additional capital resource. In addition to the DfT capital allocation of £5.4M, The Council has approved £3.6m of capital funding for 2023/24 and a further £4.9m in 2024/25.

45. In summer 2024 Highway Services will be reviewing the condition of Sandwell's highway infrastructure to identify capital budget requirements for 2025/26 and 2026/27.
46. Capital investments in Road Safety strategies, initiatives and programmes of work are maintaining a 22 year trend in the reduction of road casualties and continue to prioritise vulnerable groups identified within the Sandwell Strategic Road Safety Plan 2024-2030. Capital investment in traffic management and road improvement schemes support the related sustainable benefits of encouraging active travel and modal shift, improving air quality and addressing climate change.
47. The Council is leading the delivery of the Birchley Island transport scheme at Junction 2 of the M5 in Oldbury along with developing a bid for a future improvement at M5 Junction 1.
48. The Council is a partner in Wednesbury- Brierley Hill West Midlands Metro Corridor (£450million investment) which is the largest light rail project in Europe and is coming to Wednesbury in 2024 creating a strategic link to Dudley and through West Bromwich to Birmingham.
49. The Council is also committed to enabling people to get around in a healthy and sustainable way which supports its health and wellbeing and its climate change strategies. The Council aims to make sure that all public transport options available locally are as green as possible, and will lobby for clean green buses for the borough as well as delivering bus priority measures on the West Midlands Core Bus Network. The Council is bringing forward a programme of schemes to develop the West Midlands Cycle Network in Sandwell along with more local cycling facilities and improvements for pedestrians. These will be predominantly segregated links that are part of the highway network.
50. The Council will also continue to make use of its extensive canal network as a means for cycling and walking and invest in green infrastructure as part of the successful delivery of the Local Transport Plan.
51. In addition, partnership work with the Canal and River Trust will enable the Council to make the best use of the borough's waterways.

Parks and Green Spaces – Ambitions 2 & 8

52. Sandwell has 543 green spaces, covering around 24% of the borough. Green spaces include 1,200 hectares of unrestricted green space including 32 parks and gardens, 22 green corridors, 211 amenity green spaces, 10 nature reserves, and 69 play areas. The Council is proud to have 14 green flag sites and will maintain this standard, as well as improving the quality and value of all its green spaces.
53. The Council approved a new green spaces strategy in June 2022, with a set of objective for three years to improve the quality and value scores for its green spaces. The Council has now completed 202 green space improvement plans, and will be bringing to Cabinet in March 24 a safer green spaces strategy, an allotments review and strategy. The Council has also implemented education and volunteering programmes in its green spaces. The Council's revised trees strategy and planting plan was approved by Cabinet in February 23, and set out how the Council plans to meet its commitment to plant 15,000 new trees by 2030 and to manage and protect its tree stock.
54. The Council has benefited from several capital investment projects, including:
 - The completion of £5.2m of National Lottery Heritage Fund and Sandwell Council funding for heritage and landscape improvements and a new Pavilion at West Smethwick Park.
 - The start of a £2.2m Town's Fund and Sandwell Council funding for heritage and landscape improvements, and new facilities at Britannia Park due to be completed in 2024.

- A smaller capital investment into Black Patch Park from the Levelling Up Fund of £86,000 to develop a master plan and improvements.
- A new Sandwell Valley Urban Bike Track, with £600,000 from Sport England, Birmingham Council, and Sandwell Council funding due to be completed in Summer 2023.

55. Sandwell Valley is a jewel in Sandwell's Crown and is currently seeing developments in Forge Mill Farm and at Sandwell Valley Visitor Centre. The Council is currently finalising a Master Plan for Sandwell Valley to become a sub-regional visitor destination, which is due for presentation and consideration in March 2024.

Leisure Facilities – Ambitions 1,2,9 & 10

56. The Council has developed an estate of modern leisure facilities within the borough. 2023 saw the opening of Sandwell Aquatics Centre as a community venue following the post-Commonwealth Games legacy works. Over the last 10 years the Council has now opened new leisure centres in Smethwick, Tipton, Oldbury, West Bromwich, and Wednesbury.
57. In 2023 the Council secured £20m funding from LUF2 to replace the ageing Haden Hill Leisure Centre. Subject to sign-off by LUF and Sport England, the centre will close in 2024 for a rebuild / refurbishment – to re-open in 2026.
58. With the opening of Sandwell Aquatics Centre, Langley and Smethwick Swimming Centres closed. The long-term future of some of the older leisure sites will need to be considered as part of the Capital Strategy to 2028.

Climate Change – Ambition 8

59. Sandwell Council is now actively pursuing capital investments to deliver its climate change agenda, including Heat Networks, Heat Pump Technology and Electric Vehicle (EV) Charging Points.

Revenue Implications of Capital Investment

60. The council takes into consideration the ongoing revenue implications of capital investment and has a consolidated revenue and capital budget setting process. The Cabinet receives all reports and information about the council's revenue and capital strategies and expenditure plans. The merging of the two processes allows the council to fully consider the implications on revenue of any capital schemes (whether savings or increased costs) and also places it in a position to consider the impact of the Prudential Framework in the future.
61. The cost of borrowing over the medium term expressed through the Minimum Revenue Provision is fully incorporated into the revenue budget setting process to ensure prudence and affordability.
62. The appraisal forms submitted when requesting a scheme to be included within the capital programme highlights both the financing of borrowing costs that the council may need to incur in pursuing the scheme together with the ongoing revenue costs of 'running' the asset once it is operational. The inclusion of these costs allows decisions to be taken with full consideration of the impact on the revenue position of the council. The Council has a robust process in place to test and consider all capital investment proposals with the underlying requirement that all decisions taken are affordable.

Allocating Resources to Capital Projects - The Capital Appraisal Process

- 63. The Council has a comprehensive project appraisal process, based on HM Treasury's best practice principles, as a means of assessing the merits and identifying the risks of individual capital schemes and the evaluation and comparison of such schemes for selection in times of limited resources. The appraisal process considers available external funding, any funding required by the Council and the resulting revenue implications of any such Council funding.
- 64. Project appraisals are the basis for formal monitoring and reporting on any capital schemes which are approved.
- 65. The level of appraisal and the route of approval that each scheme will follow is summarised in table 3 below:

Table 3 – Capital Appraisals - Approval Process

| Total Project Costs | Short Appraisal | Full Appraisal | Capital Asset Management Board Approval | S151 Approval | Cabinet Member Approval | Cabinet Approval |
|----------------------------|------------------------|-----------------------|--|----------------------|--------------------------------|-------------------------|
|----------------------------|------------------------|-----------------------|--|----------------------|--------------------------------|-------------------------|

Under
£0.100m

71. These reports are also presented to the Budget and Corporate Services Scrutiny Management board for consideration.
72. Project Officers are consulted monthly to ensure capital forecast expenditure is accurate. Expenditure is monitored and analysed to ensure it is in accordance with the nature of the project and can be applied to the relevant asset register.
73. Re-profiling of capital resources into future years is reflected where necessary.
74. Capital grant claims are completed in accordance with grant terms and conditions to ensure all expenditure is financed.
75. Regular Capital Asset Management Board meetings are held to ensure that the capital programme is managed effectively.
76. Capital receipts are analysed monthly to ensure that all projects are financed correctly.

PFI

77. The Council has previously pursued the use of Public Private Partnerships and Private Finance Initiatives as a means of funding the investment identified through the Capital Strategy and Capital Programme. The council will continue to consider future opportunities as they arise but is no longer actively pursuing this funding option.

Commercial Activity

78. The Council currently holds commercial properties that generate significant revenue income to the authority. At present, the authority is not actively pursuing new investment in commercial assets for the sole purpose of providing income streams to aid the future funding of services. However, any new schemes will be evaluated to ensure that Members are fully informed of the risks and rewards of such investments

Asset Management

79. Sandwell Council is committed to proactive management of its assets, as reflected in the rolling programme of investment in buildings and ICT infrastructure. A 5-year programme of refurbishment of Sandwell Council House is now complete and will now secure this key asset for the longer-term but, alongside this investment, the Council will continue to rationalize its office accommodation to reduce ongoing costs to the council as it reaps the benefits of new, more agile ways of working.
80. The next year will see the Council's biggest ever investment in its ICT infrastructure as the Council implements a major upgrade to Oracle e-business suite; delivers technology modernization programme; and continues to roll out an expanding digital offer.

Knowledge and Skills

81. Sandwell Council has built up a significant pool of internal expertise and has a well-earned reputation for delivering projects on time and within budget. However, the Council will also buy in additional capacity and expertise as required.

Delivering the Strategy

82. The Capital Programme is revised annually as part of the budget setting process, and approved by Cabinet and Council. Any significant in-year variations to the programme require Cabinet approval.

83. Performance of the Capital Programme is part of the monthly financial monitoring process.

Review

84. The Capital Strategy will be reviewed annually to ensure it remains fit for purpose and enables the Council to make the investments necessary to deliver its strategic aims.

Capital Financing Strategy
2023/24 to 2027/28

Introduction

1. The Capital Financing Strategy is intended to give a high-level overview of how capital expenditure within Council's General Fund and Housing Revenue Account Capital Programmes will be funded.
2. The total approved Capital Programme for the General Fund is as shown in Table 1 below and for the Housing Revenue Account is as shown in Table 4 below.

Recommendations

3. It is recommended that Cabinet approves the Capital Financing Strategy.

Sources of Capital Funding

4. There are several sources of funding that the Council can use to finance its Capital Programme. The Current Programme is primarily funded from the following sources:
 - Capital Receipts
 - Prudential Borrowing
 - Revenue Contributions
 - Capital Grants

Capital Receipts

5. Capital Receipts come from the sale of the Council's assets. If the disposal is Housing Revenue Account land or property, then the whole receipt is not available to support the capital programme as a percentage must be paid over to the Department of Levelling Up, Homes and Communities (DLUHC). Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the capital programme as a corporate resource. Where the asset has been funded from prudential borrowing a review will be undertaken to determine whether the most cost-effective option is to utilise the receipt to repay debt, considering the balance sheet position of the authority.

HRA Right to Buy Receipts

6. In most cases there will be no ring fencing of capital receipts to specific projects. One exception to this is the retained Right to Buy (RTB) receipts held by the Council under the agreement signed in June 2012 and amended in June 2013. Under this agreement any retained RTB receipts, which are not used for the specific purpose of providing replacement affordable housing, must be returned to DLUHC.

Prudential Borrowing

7. The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable, and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing.
8. Where it is considered that prudential borrowing is the appropriate method of funding, but it requires additional revenue financing, the cost will be built into the revenue budget planning process.

9. The term Prudential Borrowing above does not automatically lead to external borrowing as the Council may be able to use cash it holds in reserves and as working capital which is usually termed internal borrowing. The decision to borrow externally or to use existing cash will be made at an operational level when the relevant cash outflows take place, but over the course of a financial year as a whole, borrowing should be in line with the Council's Treasury Management Strategy.
10. The revenue implications of Prudential Borrowing are interest costs, if external borrowing takes place, and minimum revenue provision (MRP), which is a charge to the General Fund even if the Council does not borrow externally and chooses instead to use existing cash resources.

Revenue Contributions

11. Subject to affordability, an element of the revenue budget can be set aside to fund the Capital Programme (Direct Revenue Financing). However, with increasing General Fund revenue pressures these opportunities are reducing.

Capital Grants: Government Grants

12. Capital resources from the Government can be split into two categories:
 - i). *Non-ring fenced* - resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose). This now encompasses the vast majority of Government funding and the Council will initially allocate these resources to a general pool from which prioritised schemes can be financed.
 - ii). *Ring-fenced* - resources which are ring fenced to particular areas and therefore have restricted uses, specified by the funder.

Non-Government Contributions

13. Where there is a requirement to make an application to an external agency to receive external funding, and when appropriate to commit Council resources as matched funding to any bid for external resources, a business case should first be presented for consideration to the Capital Asset Management Board. The business case must demonstrate how the project aligns to Council's priorities and how matched funding and any revenue consequences can be managed within the context of the capital and revenue budget.

Current Capital Programme

General Fund

14. As per the Capital Strategy (Appendix G), the current projected Capital Programme for the General Fund is shown below in summary, with the full detailed programme included as Appendix E. The profiling of expenditure between financial years is as per the latest forecast, which was presented within the Council's 2023/24 Quarter 2 Budget Monitoring Report.

Table 1 – Approved Capital Programme (General Fund), with Latest Forecast Profiled Expenditure

| Service Area (General Fund) | 2023/24 (£000) | 2024/25 (£000) | 2025/26 (£000) | 2026/27 (£000) | 2027/28 (£000) | Total (£000) |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Adult Social Care | 329 | 763 | 0 | 0 | 0 | 1,092 |
| Borough Economy | 25,661 | 19,852 | 26,284 | 8,334 | 8,334 | 88,465 |
| Finance | 9,305 | 2,428 | 1,200 | 1,200 | 1,200 | 15,333 |
| Children's Services | 7,732 | 12,300 | 10,000 | 10,000 | 10,000 | 50,032 |
| Housing | 5,512 | 13,716 | 4,800 | 4,800 | 4,800 | 33,628 |
| Law & Governance | 197 | 3,610 | 0 | 0 | 0 | 3,807 |
| Regeneration | 26,553 | 56,728 | 11,065 | 2,100 | 2,100 | 98,546 |
| Total | 75,289 | 109,397 | 53,349 | 26,434 | 26,434 | 290,903 |

15. It is currently proposed that this expenditure will be financed as follows:

Table 2 – Capital Financing (General Fund)

| Funding Source | 2023/24 (£000) | 2024/25 (£000) | 2025/26 (£000) | 2026/27 (£000) | 2027/28 (£000) | Total (£000) |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Grants | 49,165 | 93,516 | 46,254 | 21,339 | 21,339 | 231,613 |
| Capital Receipts | 0 | 0 | 2,100 | 2,100 | 2,100 | 6,300 |
| Revenue Contributions | 147 | 3,560 | 0 | 0 | 0 | 3,707 |
| Prudential Borrowing | 25,977 | 12,321 | 4,995 | 2,995 | 2,995 | 49,283 |
| Total | 75,289 | 109,397 | 53,349 | 26,434 | 26,434 | 290,903 |

16. As shown in Table 2, the main source of funding for the existing General Fund programme is Capital grants, which accounts for 80% of the programme funding required.
17. The second most significant funding source is borrowing, which accounts for 17% of funding required. Borrowing is required to fund all programmed expenditure that is not being funded from external funding (largely capital grants), capital receipts or revenue contributions.
18. The Council has a limited amount of capital receipts to fund the current capital programme. Capital receipts generation is dependent on the sale of assets. A prudent estimate of the value of capital receipts that may be available in future years has been included within Table 2. The corresponding values are subject to change, and will be revised as the Council's asset management strategy progresses. At present, capital receipts account for 2% of the funding of the existing programme, with a further 1% of funding coming from revenue contributions.
19. The resulting revenue impact of the prudential borrowing required to fund the existing General Fund Capital Programme is shown in Table 3 below.

Table 3 – Revenue Impact of Prudential Borrowing Required for Existing Programme

| Revenue Implications | 2023/24 (£000) | 2024/25 (£000) | 2025/26 (£000) | 2026/27 (£000) | 2027/28 (£000) | Total Over 5 Years (£000) |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------------------|
| Prudential Borrowing Required | 25,977 | 12,321 | 4,995 | 2,995 | 2,995 | 49,283 |
| Total Annual Revenue Impact (MRP and | 2,079 | 3,065 | 3,442 | 3,661 | 3,880 | 16,127 |

| | | | | | | |
|---|--|--|--|--|--|--|
| Interest Costs) of Prudential Borrowing | | | | | | |
|---|--|--|--|--|--|--|

20. All borrowing costs in 2024/25 are included within 2024/25 revenue budgets and borrowing costs in future years are incorporated into the Council's Medium Term Financial Strategy as per Appendix A.

Housing Revenue Account (HRA)

21. The current projected capital programme for the Housing Revenue Account is shown below in Table 4.

Table 4 – Approved Capital Programme (HRA)

| Service Area (HRA) | 2023/24 (£000) | 2024/25 (£000) | 2025/26 (£000) | 2026/27 (£000) | 2027/28 (£000) | Total (£000) |
|----------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| New Build | 36,708 | 28,945 | 27,857 | 25,541 | 21,086 | 140,137 |
| Housing Improvements | 56,129 | 30,000 | 30,000 | 30,000 | 30,000 | 176,129 |
| Total | 92,837 | 58,945 | 57,857 | 55,541 | 51,086 | 316,266 |

22. As shown in Table 4, in the period 2023/24 to 2027/28, total approved capital expenditure is expected to be in the region of £316m, and it is currently proposed that this expenditure will be financed as follows:

Table 5 – Capital Financing (HRA)

| Funding Source | 2023/24 (£000) | 2024/25 (£000) | 2025/26 (£000) | 2026/27 (£000) | 2027/28 (£000) | Total (£000) |
|-----------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Grants | 2,190 | 12,287 | 11,306 | 7,000 | 3,966 | 36,749 |
| RTB (141) Receipts | 6,000 | 5,658 | 5,551 | 7,541 | 6,120 | 30,870 |
| MRR | 17,490 | 18,369 | 18,369 | 18,369 | 18,369 | 90,966 |
| Reserves | 4,200 | 0 | 0 | 0 | 0 | 4,200 |
| Revenue Contributions | 5,875 | 0 | 0 | 0 | 0 | 5,875 |
| Capital Receipts | 0 | 4,000 | 4,000 | 4,000 | 4,000 | 16,000 |
| Borrowing | 57,082 | 18,631 | 18,631 | 18,631 | 18,631 | 131,606 |
| Total | 92,837 | 58,945 | 57,857 | 55,541 | 51,086 | 316,266 |

23. The major sources of financing for the HRA Capital Programme are prudential borrowing and the Major Repairs Reserve (MRR).

Future General Fund (Pipeline) Schemes

24. As per the General Fund Capital Strategy (Appendix G), a summary of proposed pipeline schemes is as follows:

Table 6 – Capital Programme (Pipeline Schemes)

| Service Area (General Fund) | 2023/24 (£000) | 2024/25 (£000) | 2025/26 (£000) | 2026/27 (£000) | 2027/28 (£000) | Total (£000) |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Adult Social Care | 0 | 563 | 0 | 0 | 0 | 563 |
| Borough Economy | 0 | 20,522 | 37,337 | 39,884 | 0 | 97,743 |
| Finance | 0 | 1,216 | 0 | 0 | 0 | 1,216 |
| Children's Services | 0 | 8,155 | 8,135 | 935 | 0 | 17,225 |
| Housing | 0 | 0 | 0 | 0 | 0 | 0 |
| Law & Governance | 0 | 1,625 | 0 | 0 | 0 | 1,625 |
| Regeneration | 0 | 2,998 | 4,732 | 0 | 0 | 7,730 |
| Total | 0 | 35,079 | 50,204 | 40,819 | 0 | 126,102 |

25. As shown in Table 6, in the period 2023/24 to 2027/28, total capital expenditure on pipeline schemes yet to be approved is expected to be in the region of £126m for the General Fund, and it is currently proposed that this expenditure will be financed as follows:

Table 7 – Capital Financing (Pipeline Schemes)

| Funding Source | 2023/24 (£000) | 2024/25 (£000) | 2025/26 (£000) | 2026/27 (£000) | 2027/28 (£000) | Total (£000) |
|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Grants | 0 | 25,896 | 42,183 | 32,963 | 0 | 101,042 |
| Prudential Borrowing | 0 | 9,183 | 8,021 | 7,856 | 0 | 25,060 |
| Capital Receipts | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 35,079 | 50,204 | 40,819 | 0 | 126,102 |

26. As shown in Table 7, the major sources of financing for the pipeline schemes are Capital grants (80%) and prudential borrowing (20%). No other sources of funding are likely to be available to fund these schemes. A small proportion of grant funding for the pipeline schemes has already been secured, but the majority of external funding contributions required are prospective at this time and are subject to confirmation.
27. The resulting revenue impact of the borrowing forecast to be required is shown in Table 8 below. Taking a prudent approach, estimates assume that all borrowing would be external borrowing.

Table 8 – Revenue Impact of Prudential Borrowing Required to Fund Pipeline Schemes

| Revenue Implications | 2024/25 (£000) | 2025/26 (£000) | 2026/27 (£000) | 2027/28 (£000) | Total Over 4 Years (£000) |
|--|-------------------|-------------------|-------------------|-------------------|---------------------------------|
| Prudential Borrowing Required | 9,183 | 8,021 | 7,856 | 0 | 25,060 |
| Annual Revenue Impact (MRP and Interest Costs) of 2024/25 Prudential Borrowing | 735 | 735 | 735 | 735 | 2,940 |
| Annual Revenue Impact (MRP and Interest Costs) of 2025/26 Prudential Borrowing | 0 | 606 | 606 | 606 | 1,818 |
| Annual Revenue Impact (MRP and Interest Costs) of 2026/27 Prudential Borrowing | 0 | 0 | 573 | 573 | 1,146 |
| Total Annual Revenue Impact (MRP and Interest Costs) of Prudential Borrowing | 735 | 1,341 | 1,914 | 1,914 | 5,904 |

28. The additional revenue budget required to fund the borrowing costs from 2024/25 is considered to be affordable, taking into consideration all other revenue budget pressures forecast, and the corresponding additional revenue budget required has been incorporated into the Medium Term Financial Strategy, as per Appendix A.

General Fund Total Programme

29. The existing programme, together with the pipeline schemes, gives a total programme value of £417m for the General Fund, which is scheduled in principle to be funded as follows:
- £333m is to be funded from Capital Grants (80%)
 - £74m from Borrowing (18%)
 - £6m from Capital Receipts (1%)
 - £4m from Revenue Contributions (1%)

Affordability of Borrowing

30. The revenue costs associated with the prudential borrowing required to fund the General Fund Capital Programme represented as a percentage of the Council's net revenue budget are as follows:
- 2023/24 – 4.7%
 - 2024/25 – 6.0%
 - 2025/26 – 6.3%
 - 2026/27 – 5.6%
 - 2027/28 – 5.7%
31. These percentages are well within expected tolerances and provide further assurance that the prudential borrowing required to fund the programme is at an appropriate level.

Next Steps

32. The Council's Treasury Management Strategy sets out medium and long term cash flow planning to ensure that the Council can meet its capital expenditure plans.

Investment Strategy 2024/25

Introduction

1. Sandwell Metropolitan Borough Council's Investment Strategy sits alongside the Capital Strategy and the Capital Financing Strategy and considers the non-treasury investments (industrial units and various commercial premises) that the Council holds in addition to cash investments which are discussed as part of the Treasury Management Strategy.
2. In general, non-treasury investments are held (a) to enhance and facilitate regeneration policy initiatives and (b) where this is so to ensure assets are held on a VFM basis such that suitable inflow of commercial rentals are received for the letting of such premises.

Context and Background

3. In October 2019, HM Treasury increased Public Works Loan Board (PWLB) rates by 1% on the back of concerns that councils were borrowing from the PWLB in order to invest in commercial investments (retail, offices, industrial parks, land etc) purely for a yield on that investment. This does not form part of this Council's operations in the past nor looking forward.
4. The 1% increase was reversed in November 2020 following the end of a consultation, and implemented new restrictions on borrowing to ensure that councils are not acquiring assets (land or buildings) primarily for yield. The Council should not have any proposals to invest primarily for yield in its Capital Programme as this would impair access to flows of capital funding from PWLB.
5. There are no proposals within the Capital Programme for acquiring new assets for yield and this is in line with relevant guidance.
6. The portfolio of investment assets was last valued at approximately £77m (source: Draft Statement of Accounts 2021/22) and for the period 2019/20 to 2021/22 has generated an average gross revenue yield of 4.6% and average net revenue yield of 3.9% per annum.

Equity Investments

7. The Council holds an equity investment in Birmingham Airport; this is a historic and long term investment undertaken with the 7 West Midlands District Councils to oversee the development of Birmingham Airport which is a major regional asset for the West Midlands conurbation. Accordingly, this investment is held as a long term policy initiative the driver of which is regenerative in character.

8. Sandwell Metropolitan Borough Council own 5.6% of the total Ordinary share allocation with a nominal value of 1 penny per share; this equates to a nominal value of £182,000 (i.e. the initial cost of investment). Sandwell MBC, along with the other councils in the West Midlands holds 49% of the issued Ordinary share capital for the Airport.
9. The Council also holds 11.5% of the preference shares issued to the councils at a nominal value 1 pence per share. This equates to £1.766m for Sandwell MBC.
10. The total nominal value of the share holdings in Birmingham Airport are approximately £1.95m and represents the amount of expenditure the Council incurred in purchasing this equity investment.
11. The Council is required to hold the shares at Fair Value (i.e. open market valuation basis) and independent experts are appointed through Solihull Metropolitan Borough Council to conduct an annual valuation on behalf of all the councils investing in Birmingham Airport.
12. As at the end of 2019/20 the fair value of these shares equated to £17.32m which, although significantly more than the original cash cost to the Council, was a large decrease in value from the previous year's estimate of £28.41m. This reflected the impact of the Covid-19 pandemic and the restrictions on air travel on share prices in UK airports. During 2020/21 and 2021/22 the valuation remained stable as the economy began the slow recovery post pandemic. However, as air travel restrictions were fully lifted and there has been a general return to air travel (275% increase in 2022 compared to 2021), the last formal valuation as at March 2023 has seen the fair value of Sandwell's holdings increase to £32.55m.
13. The valuation is an estimate taking into consideration market conditions and the financial status of Birmingham Airport and is required for financial reporting in accordance with financial reporting standards and is not intended to identify the amount that might be realised from a disposal of shares.

Strategy

14. In the future, the Council is clear that it will not be seeking to invest in properties for yield but will only do so where the major driver is to achieve regeneration goals and where the ownership of additional commercial assets is a by-product of such endeavour. This strategy will ensure that the Council can maintain access to PWLB borrowing in future to support capital investment across the whole Council asset base, including investment in the Housing Revenue Account.
15. As with infrastructure assets (which fall outside of this Investment Strategy) the Council will undertake a periodic and cyclical review to ensure that the policy drivers which led to the original acquisition are still current and that the commercial returns represent VFM for the Council.

Treasury Management Strategy Statement, Policy and Minimum Revenue Provision Policy
2024/25

Introduction

1. This Treasury Management Strategy Statement provides a comprehensive view of the Council's treasury position and its projected Treasury and Prudential Indicators having taken into consideration the proposed capital programmes for both the General Fund and the Housing Revenue Account.
2. The statutory indicators and limits are explained and included throughout this document and are summarised at Annex 6.
3. Annexes included within this Strategy:

| | |
|---------|---|
| Annex 1 | Glossary |
| Annex 2 | Economic Background |
| Annex 3 | Credit and Counterparty Risk Management |
| Annex 4 | Approved Countries for Investment |
| Annex 5 | Treasury Management Role of the Section 151 Officer |
| Annex 6 | Summary of Treasury and Prudential Indicators |

Recommendations

4. Cabinet are requested to approve the Treasury Strategy Statement for onward submission to Full Council for adoption including:
 - i) The Borrowing and Investment Strategy for 2024/25
 - ii) The Minimum Revenue Provision Policy Statement for 2024/25
 - iii) The Treasury and Prudential Indicators for 2024/25 to 2026/27 summarised at Annex 6
 - iv) Expected new net borrowing of £40.4m in 2024/25

Background

5. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, prioritising adequate liquidity and security of capital funds before considering investment return.
6. The second main function of the Treasury Management service is the funding of the Council's capital programme. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or value for money objectives.

7. The contribution the Treasury Management function makes to the Council is of critical importance, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
8. CIPFA defines Treasury Management as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Reporting Requirements

Capital Strategy

9. The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:
 - i) a high-level long-term overview of how capital expenditure, capital financing and Treasury Management activity contribute to the provision of services
 - ii) an overview of how the associated risk is managed
 - iii) the implications for future financial sustainability
10. The aim of the capital strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
11. The capital strategy is included as a separate document within the budget report.

Treasury Management Reporting

12. Full council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals:
 - i). Prudential and Treasury Indicators and Treasury Strategy (this report) – The first, and most important report is forward looking and covers:
 - a. The capital plans (including prudential indicators)
 - b. A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time)
 - c. The Treasury Management Strategy (how the investments and borrowings are to be organised), including treasury indicators
 - d. An Annual Investment Strategy (the parameters on how investments are to be managed).

- ii). A Mid-Year Treasury Management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- iii). An Annual Treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Treasury Management Strategy for 2024/25

13. The strategy for 2024/25 covers two main areas:

Capital Issues

- i). The capital expenditure plans and the associated prudential indicators;
- ii). The Minimum Revenue Provision (MRP) policy.

Treasury Management Issues

- i) The current treasury position;
- ii) Treasury indicators which will limit the treasury risk and activities of the council;
- iii) Prospects for interest rates;
- iv) The borrowing strategy;
- v) Policy on borrowing in advance of need;
- vi) Debt rescheduling;
- vii) The investment strategy;
- viii) Creditworthiness policy; and
- ix) Policy on use of external service providers.

14. These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Training

15. The CIPFA Treasury Management Code requires the responsible officer to ensure that Elected Members with responsibility for treasury management receive adequate training in Treasury Management. This especially applies to members responsible for scrutiny.
16. Furthermore, the Code states that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of Treasury Management knowledge and skills for those responsible for management, delivery, governance and decision making.
17. The scale and nature of this will depend on the size and complexity of the organisation’s Treasury Management needs. Organisations should consider how to assess whether Treasury Management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.
18. As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
 - Prepare tailored learning plans for Treasury Management officers and board/council members.
 - Require Treasury Management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
 - Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”
19. It is anticipated that formal training will be provided to the cabinet during 2024/25 to ensure compliance with the Code’s requirements.
20. The training needs of Treasury Management officers are periodically reviewed with officers attending training sessions and economic/strategy updates throughout the year as and when they are provided by the councils treasury consultants.
21. A formal record of the training received by officers central to the Treasury function and members will be maintained by the Head of Technical Finance, Capital and Strategy.

Treasury Management Advisors

22. The council uses Link Group, Treasury Solutions as its external Treasury Management advisors. The council understands that responsibility for Treasury Management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.
23. The Council also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

The Capital Prudential Indicators 2024/25 – 2026/27

24. The council’s capital expenditure plans are the key driver of Treasury Management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist member’s overview and confirm capital expenditure plans.

Capital Expenditure and Financing

25. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are being asked to approve the capital expenditure forecasts as part of the 2024/25 Budget framework:

| Capital expenditure £m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Non-HRA | 65.681 | 75.289 | 144.476 | 103.553 | 67.253 |
| HRA | 55.043 | 92.837 | 58.945 | 57.857 | 55.541 |
| Total Indicator | 120.724 | 168.126 | 203.421 | 161.410 | 122.794 |

26. The table below summarises how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

| Financing of capital expenditure £m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| Capital receipts | 1.677 | 6.000 | 9.658 | 11.651 | 13.641 |
| Capital grants and Contributions | 45.105 | 51.355 | 131.699 | 99.743 | 61.302 |
| Major Repairs Reserve | 16.834 | 17.490 | 18.089 | 18.000 | 17.950 |
| Revenue Contributions | 6.010 | 10.222 | 3.560 | - | - |
| Net financing need for the year | 51.098 | 83.059 | 40.415 | 32.016 | 29.901 |
| <i>Non-HRA amounts</i> | <i>19.265</i> | <i>25.977</i> | <i>21.504</i> | <i>13.016</i> | <i>10.851</i> |
| <i>HRA amounts</i> | <i>31.833</i> | <i>57.082</i> | <i>18.911</i> | <i>19.000</i> | <i>19.050</i> |

27. Other long-term liabilities - The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

The Council's Borrowing Need (the Capital Financing Requirement)

28. The second prudential indicator is the council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's indebtedness and so its underlying borrowing need. Any unfinanced capital expenditure as shown above will increase the CFR.
29. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life and so charges the General Fund budget with a notional amount which represents the economic consumption of capital assets as they are used.
30. The CFR includes any other long-term liabilities such as PFI schemes and finance leases. Whilst these increase the CFR, and therefore the council's borrowing requirement, these types of scheme include a borrowing facility and so the council is not required to separately borrow for these schemes. The council currently has

£65.477m of such schemes within the CFR as at 31 March 2023 and is forecast to reduce to £61.569m by 31 March 2024.

31. The council is asked to approve the CFR projections below:

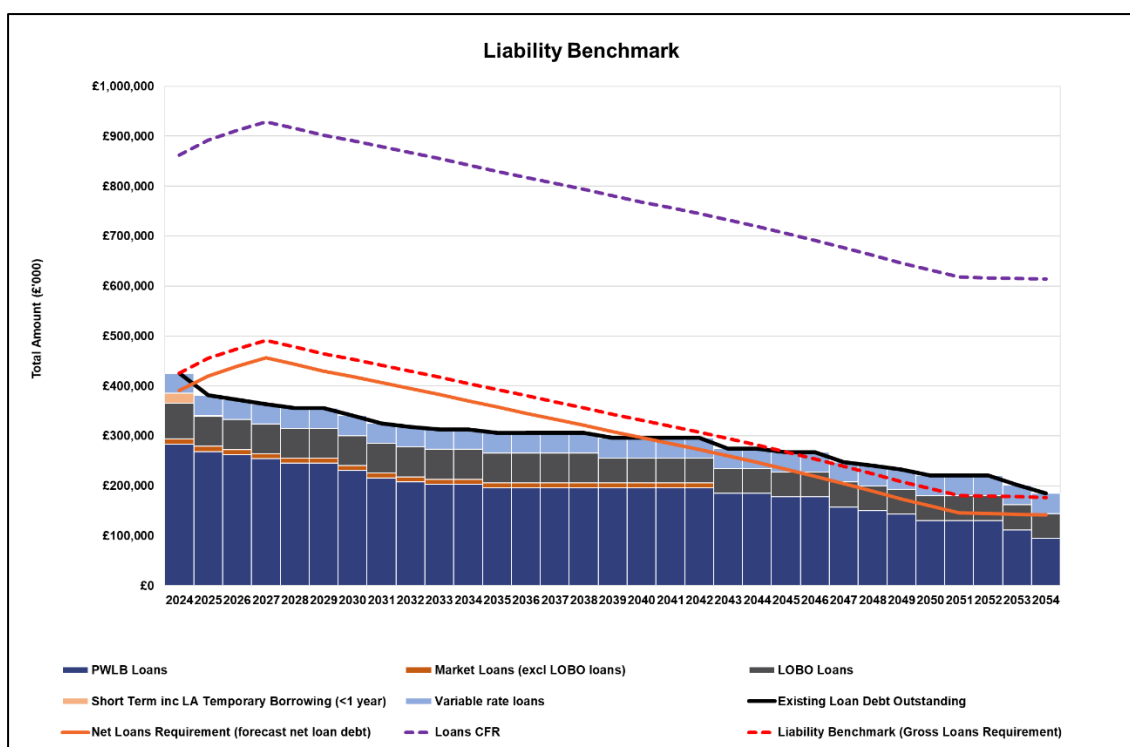
| £m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|--------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Capital Financing Requirement | | | | | |
| Non-HRA | 334.348 | 350.655 | 357.949 | 355.941 | 350.686 |
| Housing | 517.908 | 573.601 | 591.089 | 608.465 | 623.985 |
| Total CFR | 852.256 | 924.256 | 949.038 | 964.406 | 974.671 |
| Movement in CFR | 41.457 | 72.000 | 24.782 | 15.368 | 10.265 |

| Movement in CFR represented by | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net financing need for the year | 51.098 | 83.059 | 40.415 | 32.016 | 29.901 |
| Less MRP/VRP | (6.593) | (7.151) | (11.477) | (12.211) | (12.881) |
| Other financing movements (i.e. PFI) | (3.048) | (3.908) | (4.156) | (4.437) | (6.755) |
| Movement in CFR | 41.457 | 72.000 | 24.782 | 15.368 | 10.265 |

The revenue implications of increases in the CFR due to the additional financing requirement are included in the budget proposals for General Fund and Housing Revenue Account.

Liability Benchmark

32. The council is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.
33. There are four components to the Liability Benchmark: -
1. Existing loan debt outstanding: the council's existing loans that are expected to still be outstanding in future years.
 2. Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
 3. Net loans requirement: this will show the Authority's gross loan debt less Treasury Management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
 4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



Core funds and expected investment balances

34. Whilst not a formal Treasury or Prudential Indicator, it is prudent to be mindful of the cash resources available to the Council for investment purposes. This ensures that there are sufficient resources to meet expenditure needs and also to manage the Council's under-borrowing position and debt refinancing risk. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

| Year End Resources £m | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| Fund balances / reserves | 243.072 | 243.072 | 228.072 | 218.072 |
| Capital receipts | 16.000 | 14.000 | 12.000 | 10.000 |
| Grants unapplied | 46.000 | 44.000 | 43.000 | 42.000 |
| Provisions | 17.000 | 17.000 | 18.000 | 18.000 |
| Other | - | - | - | - |
| Total core funds | 322.072 | 318.072 | 301.072 | 288.072 |
| Working capital* | 21.748 | 14.271 | 19.060 | 19.179 |
| Under/over borrowing | (308.820) | (297.343) | (285.132) | (272.251) |
| Expected investments | 35.000 | 35.000 | 35.000 | 35.000 |

* Working capital balances shown are estimated year-end; these may be lower or higher mid-year

Minimum Revenue Provision (MRP) Policy Statement

35. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to 'charge to a revenue account a minimum revenue provision (MRP) for that year'. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g. s.106 and community infrastructure levy) revenue contributions, earmarked reserves or capital receipts.
36. MRP is sometimes referred to as the mechanism for setting aside monies to repay external borrowing. In fact, the requirement for MRP set aside applies even if the capital expenditure is being financed from the Council's own cash resources and no new external borrowing or other credit arrangement has been entered into.
37. Regulation 28 of the 2003 Regulations requires full Council to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. This statement is designed to meet that requirement.
38. In setting a prudent level of MRP local authorities must "have regard" to guidance issued from time to time by the Secretary of State for Housing, Communities and Local Government. The latest version of this guidance (version four) was issued by Ministry of Housing, Communities and Local Government (as it then was) in February 2018.
39. In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.
40. The Guidance sets out four "possible" options for calculating MRP, as set out below,

| <u>Option</u> | <u>Calculation Method</u> | <u>Applies to</u> |
|------------------------|--|--|
| 1: Regulatory Method | Formulae set out in 2003 Regulations (later revoked) | Expenditure incurred before 1 April 2008 |
| 2: CFR Method | 4% of Capital Financing Requirement | Expenditure incurred before 1 April 2008 |
| 3: Asset Life Method | Amortises MRP over the expected lift of the asset | Expenditure incurred after 1 April 2008 |
| 4: Depreciation Method | Charge MRP on the same basis as depreciation | Expenditure incurred after 1 April 2008 |

41. Two main variants of Option 3 are set out in the 2018 Guidance: (i) the equal instalment method and (ii) the annuity method. The annuity method weights the MRP charge towards the later part of the asset's expected useful life and is increasingly becoming the most common MRP option for local authorities.
42. The 2018 Guidance also includes specific recommendations for setting MRP in respect of finance leases, investment properties and revenue expenditure which is statutorily defines

as capital expenditure under the 2003 Regulations (also referred to as revenue expenditure funded by capital under statute or REFCUS). Examples of REFCUS include capitalised redundancy costs, loans or grants to third parties for capital purposes, and the purchase of shares in limited companies.

43. Other approaches are not ruled out however they must meet the statutory duty to make prudent MRP provision each financial year.
44. Looking forward, DLUHC is consulting on changes to the current guidance and statutory requirement for MRP. To date however no definitive announcement has been made. Members will be kept abreast of these changes, and any implications for the Council locally, as and when they take place.

Minimum Revenue Provision (MRP) Policy Statement for 2024/25

45. Having regard to the current 2018 Guidance on MRP issued by DLUHC and the “options” outlined in that Guidance (the MRP Guidance), the Council is recommended to approve the following MRP Statement to take effect from 1 April 2024, on the basis that this represents “a prudent provision” in line with Regulation 28.

| <u>MRP Stream</u> | <u>Policy</u> | <u>Explanation</u> |
|---|--|--|
| Capital Expenditure incurred before 1 st April 2008 | MRP will be calculated on the remaining un-financed balance at 1 April 2024 using an amortisation basis over 25 years from 2024/25 through to 2048/49 inclusive. (25 years remaining) The discount rate to be applied will be the 25 year PWLB annuity rate as at 1 April 2024. | Utilising an amortisation basis for MRP ensures that the full balance is repaid in 25 years whereas Options 1 and 2 never repay the debt as they both work on a reducing balance method. This is a deviation from Options 1 and 2 of the guidance. |
| All General Fund operational capital expenditure after 1 st April 2008 | MRP will be calculated on an amortised basis using the expected asset lives of the assets (Option 3 asset life), subject to a maximum useful asset life of 50 years. The balance for the purpose of the MRP calculation will be remaining un-financed balance as at 1 April 2024 and amortised over the remaining life of the asset. The discount rate to be applied will be the PWLB annuity rate applicable on 1 April in the year of expenditure. | The use of the annuity method complies with Option 3 as set out in para 35(b) of the MRP Guidance. The MRP Guidance does not suggest with discount rate(s) to use. By specifying the PWLB new loan annuity rate at 1 April of year of expenditure provides a clearly evidenced trail to the discount rate to be used. |

| <u>MRP Stream</u> | <u>Policy</u> | <u>Explanation</u> |
|---|--|--|
| Expenditure capitalised by virtue of a capitalisation direction under section 16(2)(b) of the Local Government Act 2003 | <p>MRP on any expenditure capitalised by way of a direction will be charged over 20 years using the asset-life method annuity approach.</p> <p>The balance for the purpose of the MRP calculation will be remaining un-financed balance as at 1 April 2024 and amortised over the remaining balance of the 20 year period.</p> <p>The discount rate to be applied will be the PWLB annuity rate applicable on 1 April in the year of expenditure.</p> | <p>The 20 year life is the period specified in para 47 of the MRP Guidance.</p> <p>The use of the annuity method complies with Option 3 as set out in para 35(b) of the MRP Guidance.</p> |
| MRP for service concession contracts | The amount of MRP charge will be equal to the amount by which the balance sheet liability is written down by the unitary charge (i.e. the principal element of the unitary charge) | This complies with para 43 of the MRP Guidance. |
| Loans to third parties | <p>MRP will be calculated on an annuity basis over the expected useful life for which the loan is to be used and adjusted by any loan principal repayments by the third party. Any residual balance will be charged to the General Fund Revenue Account, subject to the amount not being less than nil (i.e. a credit to the revenue account).</p> <p>The discount rate to be applied will be the PWLB annuity rate applicable on 1 April in the year the loan was issued.</p> | <p>This approach complies with Option 3 of the MRP Guidance and the useful life is that set out in para 47 of the MRP Guidance.</p> <p>At the time of writing the application of loan repayments from the third party can be applied to reduce the CFR and therefore the outstanding unfinanced capital expenditure which is used for MRP calculations but is subject to review as part of the consultation and therefore has potential to be changed.</p> |

Asset Lives used for MRP calculations will be determined by the Council's capital team (using RICS registered valuers where appropriate) and will be consistent with the depreciation policies set out in the Council's annual Statement of Accounts. If no life can

be reasonably attributed to an asset, such as freehold land, the estimated useful life will be taken to be a maximum of 50 years. This complies with para 42 of the MRP Guidance.

MRP commencement – MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory MRP Guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational. This approach complies with para 41 of the MRP Guidance.

The above MRP Policy statement is considered to represent a prudent charge to the General Fund for the provision of repayment of unfinanced capital expenditure and will ensure that all unfinanced capital expenditure is funded through the MRP charge in line with the life expectancies of the assets underpinning the CFR balance.

There is no requirement on the HRA to make an MRP charge, but there is a requirement for a charge to be made for depreciation.

West Midlands Combined Authority: Collective Investment Fund

46. The agreed Combined Authority Devolution Deal proposes the establishment of a Collective Investment Fund to support investment in the region. It is possible that some of this investment may be delivered by individual districts and funded from prudential borrowing.
47. MRP on investments in Equities will be made on an annuity profile over 20 years, as recommended by Government guidance.

Borrowing

48. The capital expenditure plans set out in Section 2 provide details of the service activity of the council. The Treasury Management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Portfolio Position at 31 December 2023

49. The overall Treasury Management portfolio as at 31 March 2023 and for the position as 31 December 2023 are shown below for both borrowing and investments:

| Treasury Portfolio | 31 March 2023 | | 31 December 2023 | |
|---|---------------|------------------|------------------|------------------|
| | Balance £m | Interest Rate | Balance £m | Interest Rate |
| Treasury Investments | | | | |
| Specified Investments: | | | | |
| Bank/ Building Society (Fixed Rate) | 10.000 | 4.34% | 5.000 | 5.62% |
| Bank/ Building Society (Variable Rate) | 0.620 | 1.00% | 15.671 | 3.25% |
| Money Market Funds (Variable Rate) | 19.834 | 4.16% | 70.502 | 5.34% |
| Total Specified | 30.454 | 4.16% | 91.173 | 5.00% |
| Total Investments | 30.454 | 4.16% | 91.173 | 5.00% |
| Treasury External Borrowings | | | | |
| Other Local Authorities | 41.498 | 3.02% | 16.498 | 5.37% |
| PWLB | 295.482 | 5.07% | 290.904 | 5.02% |
| LOBO | 82.000 | 4.08% | 72.000 | 4.01% |
| Market | 10.000 | 4.50% | 15.000 | 4.62% |
| Temporary Loans | 39.933 | 3.16% | 41.306 | 4.79% |
| Interest Free | 1.895 | 0.00% | 1.895 | 0.00% |
| Total External Debt | 470.808 | 4.52% | 437.603 | 4.81% |
| Net Debt Position | 440.354 | | 346.430 | |

| Treasury External Borrowings (Non HRA / HRA apportionment) | 31 March 2023 | | 31 December 2023 | |
|---|---------------|------------------|------------------|------------------|
| | Balance £m | Interest Rate | Balance £m | Interest Rate |
| Non-HRA | 143.006 | 3.65% | 122.752 | 4.65% |
| HRA | 327.802 | 4.91% | 314.851 | 4.87% |
| Total External Debt | 470.808 | 4.52% | 437.603 | 4.81% |

50. The council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

| £m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|
| External Debt | | | | | |
| Debt at 1 April | 475.588 | 470.808 | 553.867 | 594.282 | 626.298 |
| Expected change in Debt | (4.780) | 83.059 | 40.415 | 32.016 | 29.901 |
| Other long-term liabilities (OLTL) at 1 April - PFI | 68.525 | 65.477 | 61.569 | 57.413 | 52.976 |
| Expected change in OLTL | (3.048) | (3.908) | (4.156) | (4.437) | (6.755) |
| Actual gross debt at 31 March | 536.285 | 615.436 | 651.695 | 679.274 | 702.420 |
| The Capital Financing Requirement | 852.256 | 924.256 | 949.038 | 964.406 | 974.671 |
| Over/ (Under) Borrowing | (315.971) | (308.820) | (297.343) | (285.132) | (272.251) |

51. Within the range of prudential indicators, there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes or speculative purposes.
52. The Director of Finance (Section 151 Officer) confirms that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and the proposals in this budget report. For example, actual gross debt at 31st March 2025 (£651.7m) is expected to be less than both the CFR for the previous year (£924.3m) and the CFR at 31st March 2027 (£974.7m).

Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

53. The Operational Boundary is the limit beyond which external debt would not normally be expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

| Operational Boundary £m | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Debt | 553.867 | 594.282 | 626.298 | 656.199 |
| Other long-term liabilities (PFI) | 65.477 | 61.569 | 57.413 | 52.976 |
| Total | 619.344 | 655.851 | 683.711 | 709.175 |

The Authorised Limit

54. The Authorised Limit for external debt is a key prudential indicator, which represents control over the maximum level of debt. This represents a legal limit beyond which external debt is prohibited and this limit needs to be set or revised by the full council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.
55. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
56. The council is recommended to approve the following Authorised Limit:

| Authorised Limit £m | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Debt | 901.718 | 931.842 | 952.343 | 967.780 |
| Other long-term liabilities (PFI) | 85.477 | 81.569 | 77.413 | 72.976 |
| Total | 987.195 | 1,013.411 | 1,029.756 | 1,040.756 |

Prospects for Interest Rates

57. The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 07 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 basis points (0.80%)

| Link Group Interest Rate View | | 07.11.23 | | | | | | | | | | | |
|-------------------------------|--------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
| BANK RATE | 5.25 | 5.25 | 5.25 | 5.00 | 4.50 | 4.00 | 3.50 | 3.25 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 3 month ave earnings | 5.30 | 5.30 | 5.30 | 5.00 | 4.50 | 4.00 | 3.50 | 3.30 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 6 month ave earnings | 5.60 | 5.50 | 5.40 | 5.10 | 4.60 | 4.10 | 3.60 | 3.40 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 |
| 12 month ave earnings | 5.80 | 5.70 | 5.50 | 5.20 | 4.70 | 4.20 | 3.70 | 3.50 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 |
| 5 yr PWLB | 5.00 | 4.90 | 4.80 | 4.70 | 4.40 | 4.20 | 4.00 | 3.80 | 3.70 | 3.60 | 3.50 | 3.50 | 3.50 |
| 10 yr PWLB | 5.10 | 5.00 | 4.80 | 4.70 | 4.40 | 4.20 | 4.00 | 3.80 | 3.70 | 3.60 | 3.60 | 3.60 | 3.50 |
| 25 yr PWLB | 5.50 | 5.30 | 5.10 | 4.90 | 4.70 | 4.50 | 4.30 | 4.20 | 4.10 | 4.10 | 4.00 | 4.00 | 4.00 |
| 50 yr PWLB | 5.30 | 5.10 | 4.90 | 4.70 | 4.50 | 4.30 | 4.10 | 4.00 | 3.90 | 3.90 | 3.80 | 3.80 | 3.80 |

Additional notes by Link on this forecast table: --

58. Our central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.
59. Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
60. In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.
61. On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, as noted previously, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB Rates

62. Gilt yield curve movements have broadened. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns. At the time of writing there is 60 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy

63. The overall balance of risks to economic growth in the UK is to the downside mostly due to:

- i) Labour and supply shortages depressing economic activity
- ii) Perception that the Bank of England has increased Bank Rate too fast and too far which would subsequently bring about a deeper and longer UK recession
- iii) UK/ EU trade arrangements having a major impact on trade flows due to complications or lack of co-operation in fixing and remaining significant issues.

64. However, the possible upside risks to current forecasts could be:

- i) A view that the Bank of England increases have been too timid and inflationary pressures remain for a longer period.
- ii) A weakening of the pound due to a lack of confidence in the UK Governments fiscal policies.

Borrowing and Investment Advice

65. The long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024. Target borrowing rates are set two years forward (as rates are expected to fall back) and the current PWLB (certainty) borrowing rates are set out below:

| PWLB debt | Current borrowing rate as at 6 Nov 23 p.m. | Target borrowing rate (from Q3 2025) | Target borrowing rate previous (end of Q3 2025) |
|-----------|--|--------------------------------------|---|
| 5 years | 5.02% | 3.80% | 3.90% |
| 10 years | 5.15% | 3.80% | 3.80% |
| 25 years | 5.61% | 4.20% | 4.10% |
| 50 years | 5.38% | 4.00% | 3.90% |

66. The suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps and set out below. You will note that investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer.

| Average earnings in each year | Now | Previously |
|-------------------------------|-------|------------|
| 2023/24 (residual) | 5.30% | 5.30% |
| 2024/25 | 4.70% | 4.70% |
| 2025/26 | 3.20% | 3.00% |
| 2026/27 | 3.00% | 2.80% |
| 2027/28 | 3.25% | 3.05% |
| Years 6 to 10 | 3.25% | 3.05% |
| Years 10+ | 3.25% | 3.05% |

Borrowing Strategy

67. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy
68. Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Director of Finance (Section 151 Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- i) If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
 - ii) If it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years
69. Any decisions will be reported to the appropriate decision making body at the next available opportunity.
70. Despite the above, it is highly likely that there will be a requirement to take loan debt during 2024/25 to cover capital financing needs and cash flow requirements. Therefore the strategy in this instance would be to acquire short dated borrowing due to the borrowing rates expected to be temporarily elevated in the short term. As borrowing rates decrease, and as these loans mature, they would be replaced with longer dated debt at more affordable levels.

Policy on Borrowing In Advance of Need

71. The council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Levels of short-term cash based investments are generally low and expected to remain so during 2024/25. Any decision to borrow in advance will be within forward approved Capital Finance Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds.
72. Borrowing in advance will be made within the constraints that it will be limited to no more than 20% of the expected increase in borrowing need (CFR) over a three-year planning period.
73. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

74. Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.
75. If rescheduling was done, it will be reported to the council at the earliest meeting following its action.

New Financial Institutions (as a source of borrowing or types of borrowing)

76. Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing however, consideration may still need to be given to sourcing funding from the following sources for the following reasons:
 - i) Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the certainty rate).
 - ii) Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid “cost of carry” or to achieve refinancing certainty over the next few years)
77. Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Annual Investment Strategy

Investment policy – management of risk

78. The Department of Levelling Up, Housing and Communities and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the Treasury Management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Investment Strategy, (a separate report).
79. The council’s investment policy has regard to the following: -
 - i) DLUHC’s Guidance on Local Government Investments (“the Guidance”)

- ii) CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
 - iii) CIPFA Treasury Management Guidance Notes 2021
80. The Council’s investment priorities will be security first, portfolio liquidity second and then yield (return). The council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the council’s risk appetite.
81. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.
82. The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -
- i). Minimum acceptable credit criteria are applied to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - ii). Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
 - iii). Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
 - iv) This Council has defined the list of types of investment instruments that the Treasury Management team are authorised to use. There are two lists in Annex 3 under the categories of ‘specified’ and ‘non-specified’ investments.
 - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
 - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
 - Non-specified investments limit. The council has determined that it will limit the maximum total exposure to non-specified investments as being 30% of the total investment portfolio.

- Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 89.
- Transaction limits are set for each type of investment in paragraph 89.
- This council will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 102).
- Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 93).
- This council has engaged external advisors, (see paragraph 22), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in sterling.
- As a result of the change in accounting standards under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023 which has subsequently been extended for a further two years to 31 March 2025.
- If considering 'Property Funds' or other 'Diversified Income Funds' in the future, the Council may look to use externally appointed fund managers.

83. However, this Council will also pursue value for money in Treasury Management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 104). Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

84. This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

- i) "watches" and "outlooks" from credit rating agencies;
- ii) CDS spreads that may give early warning of changes in credit ratings;
- iii) sovereign ratings to select counterparties from only the most creditworthy countries.

85. This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands:

| | |
|------------|--|
| Yellow | 5 years* |
| Dark pink | 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25 |
| Light pink | 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5 |
| Purple | 2 years |
| Blue | 1 year (only applies to nationalised or semi nationalised UK Banks) |
| Orange | 1 year |
| Red | 6 months |
| Green | 100 days |
| No colour | not to be used |

86. The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.
87. Typically, the minimum credit ratings criteria the council uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
88. All credit ratings will be monitored weekly as a minimum. However, the council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service as and when they occur so adjustments to the counterparty list would be made at each event.
- if a downgrade results in the counterparty / investment scheme no longer meeting the council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - in addition to the use of credit ratings the council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the council's lending list.
89. Sole reliance will not be placed on the use of this external service. In addition, this council will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

| | | | | | | | | |
|------------|------------|------------|------------|-----------|-----------|-------------|---------------|-----------|
| Y | Pi1 | Pi2 | P | B | O | R | G | N/C |
| 1 | 1.25 | 1.5 | 2 | 3 | 4 | 5 | 6 | 7 |
| Up to 5yrs | Up to 5yrs | Up to 5yrs | Up to 2yrs | Up to 1yr | Up to 1yr | Up to 6mths | Up to 100days | No Colour |

| | Colour (and long-term rating where applicable) | Institution Financial Limit | Time Limit |
|---|--|-----------------------------|--------------------|
| Banks/ Building Societies * | Yellow | £20m | 5 yrs |
| Banks/ Building Societies | Purple | £20m | 2 yrs |
| Banks/ Building Societies | Orange | £20m | 1 yr |
| Banks – part nationalised | Blue | £20m | 1 yr |
| Banks/ Building Societies | Red | £15m | 6 mths |
| Banks/ Building Societies | Green | £10m | 100 days |
| Banks/ Building Societies | No Colour | Not to be used | |
| Limit 3 category – Authority’s banker (where “No Colour”) | n/a | £5m | 1 day |
| DMADF | UK sovereign rating | unlimited | 6 months |
| Local authorities | n/a | £10m | 5 yrs |
| Housing associations | Colour bands | £5m | As per colour band |
| | Fund rating** | Institution Financial Limit | Time Limit |
| Money Market Funds CNAV | AAA | £20m | liquid |
| Money Market Funds LVNAV | AAA | £20m | liquid |
| Money Market Funds VNAV | AAA | £10m | liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.25 | Dark Pink / AAA | £10m | liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.50 | Light Pink / AAA | £10m | liquid |

* *The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.*

** *“Fund ratings” are different to individual counterparty ratings, coming under either specific “MMF” or “Band Fund” rating criteria.*

90. In addition to the above counterparty selection criteria where credit ratings have been issued, the council will also include a number of other non-rated organisations where investments may be placed for service or strategic purposes. These will be classified as Non-Specified investments and details of those counterparties are included in Annex 3 to this report.
91. Creditworthiness - Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings this Council will not set a minimum for the UK.

92. CDS prices - Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

Limits

93. Due care will be taken to consider the exposure of the council's total investment portfolio to non-specified investments, countries, groups and sectors.
- i) Non-specified Treasury Management investment limit. The council has determined that it will limit the maximum total exposure of Treasury Management investments to non-specified Treasury Management investments as being 30% of the total Treasury Management investment portfolio.
 - ii) Country limit. The council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (*or equivalent*). The list of countries that qualify using this credit criteria are shown in Annex 4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits. In addition: -

- no more than £10m will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies/institutions;
- sector limits will be monitored regularly for appropriateness.

Investment Strategy

In-house funds

94. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaking in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.
95. Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations

96. The current forecast shown in paragraph 57 includes a forecast for Bank Rate to have peaked at 5.25% in Q4 2023.

97. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

| Average earnings in each year | |
|-------------------------------|-------|
| 2023/24 (residual) | 5.30% |
| 2024/25 | 4.70% |
| 2025/26 | 3.20% |
| 2026/27 | 3.00% |
| 2027/28 | 3.25% |
| Years 6 to 10 | 3.25% |
| Years 10+ | 3.25% |

98. As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

99. For its cash flow generated balances, the council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

WM Combined Authority

100. The council will be prepared to lend to the Combined Authority. Such lending may be as part of arrangements agreed with the Combined Authority and other constituent authorities.

Investment treasury indicator and limit

101. These are the total principal funds invested for greater than 365 days. These limits are set with regard to the council’s liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

102. The council is asked to approve the treasury indicator and limit:

| Upper limit for principal sums invested for longer than 365 days | | | |
|--|---------|---------|---------|
| £m | 2023/24 | 2024/25 | 2025/26 |
| Principal sums invested for longer than 365 days | 15.000 | 15.000 | 15.000 |

103. As at 31 December 2023 no treasury investments were for periods greater than 365 days.

Investment Performance

104. This council will use an investment benchmark to assess the investment performance of its investment portfolio of the 7 day compounded SONIA.

End of year investment report

105. At the end of the financial year, the council will report on its investment activity as part of its Annual Treasury Report.

Money Market Funds

106. A large proportion of the council's funds are currently managed on a discretionary/pooled basis by the following institutions:
- Aberdeen Standard Liquidity Fund (Lux) – Sterling Fund (Class 1)
 - Aviva Investors Sterling Liquidity Fund (Class 3)
 - BlackRock Institutional Sterling Liquidity Fund (Heritage)
 - BNP Paribas Insticash Sterling (Institutional)
 - CCLA – The Public Sector Deposit Fund (Class 4)
 - Federated Short-Term Sterling Prime Fund (Class 3)
 - Fidelity Institutional Liquidity Sterling Fund (Class A)
 - Invesco Sterling Liquidity Portfolio (Institutional)
 - Goldman Sachs Sterling Liquid Reserves (Institutional)
107. The Council fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund managers. In order to aid this assessment, the council is provided with a suite of regular reporting from its managers via both the Institutional Cash Distributions (ICD) Portal and the fund managers themselves.

The Capital Prudential and Treasury Indicators 2024/25 – 2026/27

108. The council's capital expenditure plans are the key driver of Treasury Management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure

| Capital expenditure £m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Non-HRA | 65.681 | 75.289 | 144.476 | 103.553 | 67.253 |
| HRA | 55.043 | 92.837 | 58.945 | 57.857 | 55.541 |
| Total | 120.724 | 168.126 | 203.421 | 161.410 | 122.794 |

Affordability Prudential Indicators

109. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the councils overall finances. The council is asked to approve the following indicators:

Ratio of Financing Costs to Net Revenue Stream

110. This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of earnings from investment income) against the net revenue stream (council tax, business rates and HRA rent/ service charge income)

| % | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Non-HRA | 2.7% | 2.4% | 3.1% | 3.3% | 3.3% |
| HRA | 17.6% | 20.6% | 18.5% | 18.9% | 18.9% |
| Total | 7.0% | 7.5% | 7.7% | 7.9% | 8.0% |

111. The estimates of financing costs include current commitments and the proposals in this budget report.

HRA Ratios

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--------------------------|---------|---------|---------|---------|---------|
| HRA CFR £m | 517.908 | 573.601 | 591.089 | 608.465 | 623.985 |
| Number of HRA dwellings | 28,139 | 28,006 | 28,030 | 27,989 | 27,889 |
| CFR per dwelling £ | 18,405 | 20,481 | 21,088 | 21,739 | 22,374 |
| HRA debt charges £m | 20.451 | 25.695 | 26.500 | 27.400 | 28.300 |
| Number of HRA dwellings | 28,139 | 28,006 | 28,030 | 27,989 | 27,889 |
| Debt cost per dwelling £ | 727 | 917 | 945 | 979 | 1,015 |

Maturity Structure of Borrowing

112. Maturity structure of borrowing. These gross limits are set to reduce the council's exposure to large fixed rate sums falling due to refinancing and are required for upper and lower limits.
113. The council is asked to approve the following treasury indicators and limits:

| Maturity structure of fixed interest rate borrowing 2024/25 | | |
|--|--------------|--------------|
| | Lower | Upper |
| Under 12 months | 0% | 40% |
| 12 months to 2 years | 0% | 30% |
| 2 years to 5 years | 0% | 20% |
| 5 years to 10 years | 0% | 25% |
| 10 years to 20 years | 0% | 30% |
| 20 years to 30 years | 0% | 40% |
| 30 years to 40 years | 0% | 50% |
| 40 years to 50 years | 0% | 70% |
| 50 years plus | 0% | 90% |

114. The limits for under 12 months and up to 2 years have been increased from 2023/24 limits to allow for short term fixed rate debt to be taken during this current period of high interest borrowing rates. This will allow the Council to refinance for longer periods (subject to interest rates having fallen to acceptable levels) at the time of maturity.

Glossary

The following list is to assist members in the terminology and acronyms referred to within this report.

| | | |
|---|-------|---|
| Authorised Limit | - | This is the statutory borrowing limit determined under section 3 (1) of the Local Government Act 2003. Central Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised. |
| Capital Financing Requirement | CFR | Amounts of historic capital spend funded through borrowing that has yet to be charged to revenue through either a Minimum/ Voluntary Revenue Provision or by set aside of capital receipts. |
| Chartered Institute of Public Finance and Accountancy | CIPFA | Accountancy body dedicated to public financial management and is responsible for setting of accounting standards for local authorities. |
| Investment Counterparty | - | The organisations responsible for repaying the councils investment upon maturity and for making interest payments |
| Credit Default Swap | CDS | A specific kind of counterparty agreement which allows the transfer of third party credit risk from one party to the other. One party in the swap is a lender and faces credit risk from a third party, and the counterparty in the credit default swap agrees to insure this risk in exchange for regular periodic payments (essentially an insurance premium). If the third party defaults, the party providing insurance will have to purchase from the insured party the defaulted asset. In turn, the insurer pays the insured the remaining interest on the debt, as well as the principal. |
| Credit Rating | - | This is a scoring system that rating agencies issue organisations with, to determine how credit worthy they are with AAA being the highest rating. |
| Internal Borrowing | - | Amounts of Capital Financing Requirement that have not been funded by actual external borrowing (e.g. PWLB) but through temporary use of cash resources thereby reducing investment income potential offset by savings in external debt interest. |

| | | |
|----------------------------------|-------|--|
| Lenders Option Borrowers Option | LOBO | A form of loan which has a clause where the lender can invoke a change in interest rate at fixed points (lenders option). The borrower (i.e. the council) can then choose to exercise their option and repay the loan without penalty if it is determined that the change in rate is not in the council's interest (borrowers option). |
| Minimum Revenue Provision | MRP | A statutory charge to the General Fund to set funds aside for repayment of capital expenditure not yet funded from revenue or capital resources (i.e. historic expenditure funded by borrowing) |
| Monetary Policy Committee | MPC | Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be met. Their primary target (as set by the Government) is to keep inflation at or around 2%. |
| Money Market Fund | MMF | A pooled investment vehicle (typically AAA rated) for placement of liquid investments. It is managed by external fund managers and is usually instant access. |
| Operational Boundary | - | The expected level of external debt the council is expected to hold each year. |
| Other Long Term Liabilities | OLTL | Outstanding amounts of finance relating to finance leases or PFI contracts. |
| Public Works Loans Board | PWLB | Branch of HM Treasury responsible for lending to local authorities. |
| Sterling Overnight Index Average | SONIA | Interest rate based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. |
| Working Capital | | Cash and other liquid assets needed to finance the everyday running of a business such as the payment of salaries and purchases. |
| Yield | | The annual rate of return on an investment, expressed as a percentage. |

Economic Background

The first half of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
- CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
- Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).

The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.

The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3my rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.

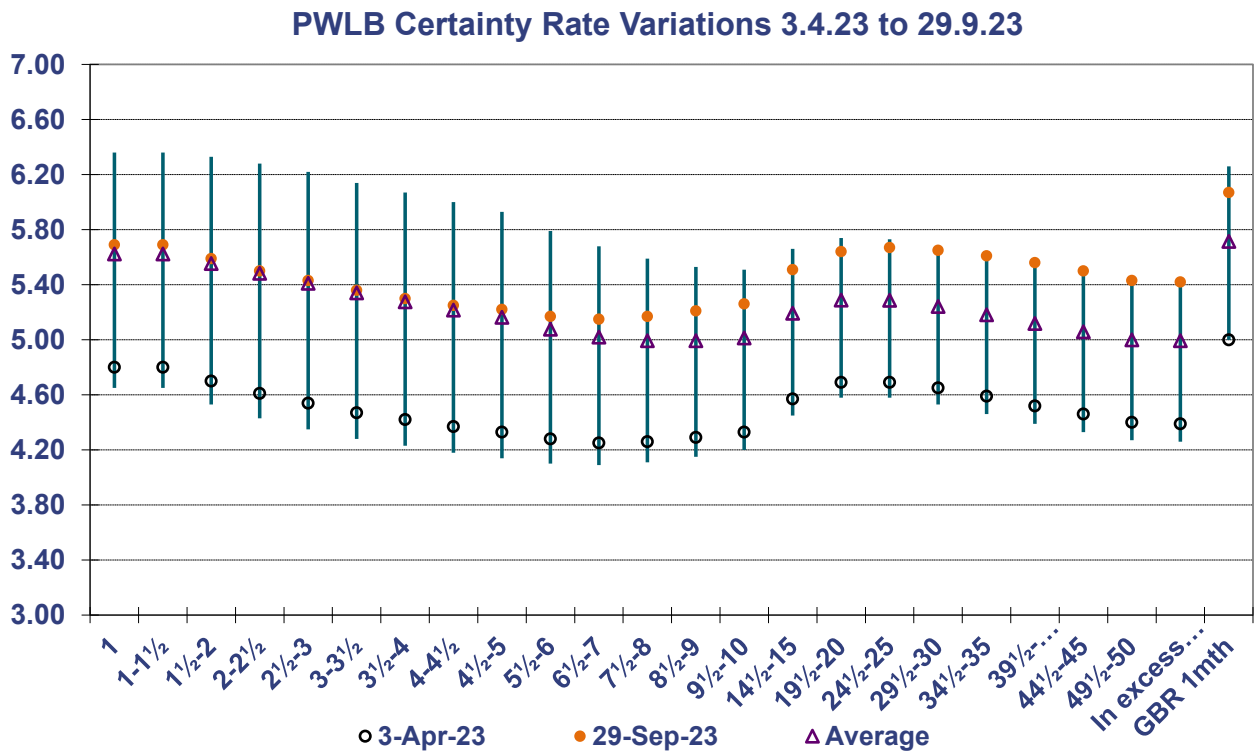
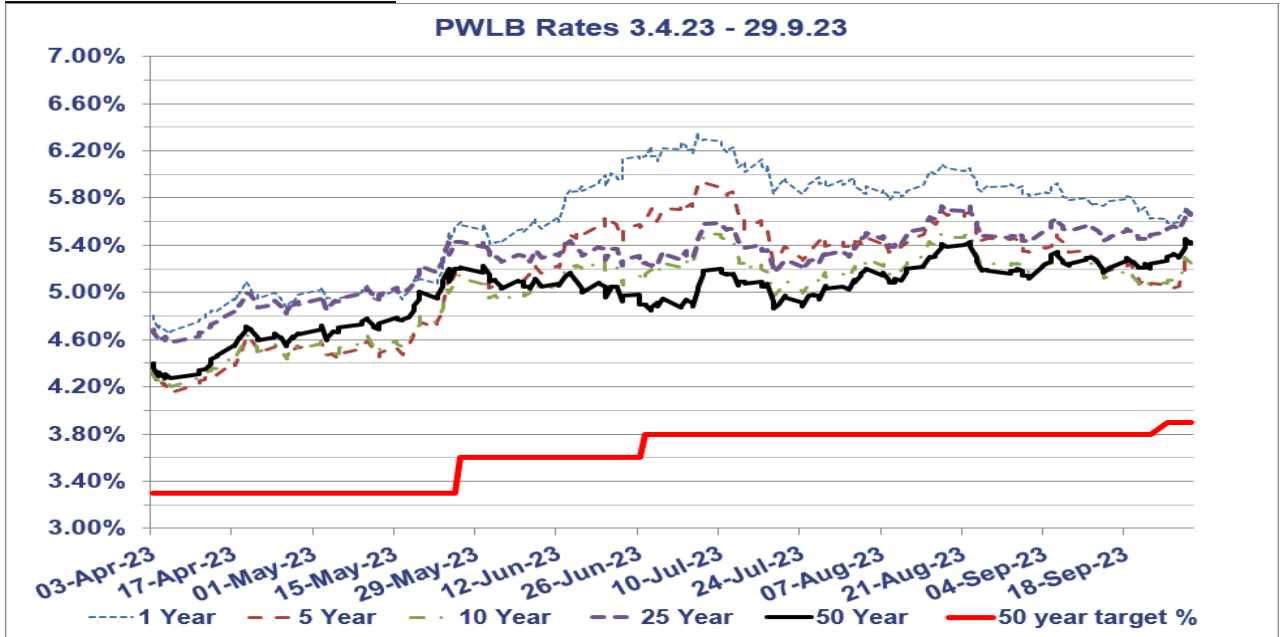
In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.

Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.

This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23



HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|----------------|------------|------------|------------|------------|------------|
| Low | 4.65% | 4.14% | 4.20% | 4.58% | 4.27% |
| Date | 06/04/2023 | 06/04/2023 | 06/04/2023 | 06/04/2023 | 05/04/2023 |
| High | 6.36% | 5.93% | 5.51% | 5.73% | 5.45% |
| Date | 06/07/2023 | 07/07/2023 | 22/08/2023 | 17/08/2023 | 28/09/2023 |
| Average | 5.62% | 5.16% | 5.01% | 5.29% | 5.00% |
| Spread | 1.71% | 1.79% | 1.31% | 1.15% | 1.18% |

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Specified Investments: All such investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

Non-Specified Investments: These are any investments which do not meet the specified investment criteria. A maximum of 30% will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to 'high' rated institutions or investment vehicles that could be classified as either Specified Investments or Non-Specified Investments (i.e. where maturities are more than 12 month) are detailed in the table below:

| | Minimum credit criteria / colour band | Max % of total investments / £ limit per institution | Max. maturity period ** |
|--|---------------------------------------|--|-------------------------------------|
| DMADF – UK Government | Yellow | 100% | 6 months (max. is set by the DMO *) |
| UK Gilts | Yellow | £10m | 5 years |
| UK Treasury Bills | Yellow | £10m | 364 days (max. is set by the DMO*) |
| Bonds issued by multilateral development banks | Yellow | 20% / £10m | 5 years |
| Money Market Funds CNAV | AAA | 100%/ £20m | Liquid |
| Money Market Funds LNAV | AAA | 100%/ £20m | Liquid |
| Money Market Funds VNAV | AAA | 50%/ £10m | Liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.25 | AAA | 50% / £10m | Liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.5 | AAA | 50% / £10m | Liquid |
| Local Authorities | Yellow | 100%/ £10m | 5 years |

| | Minimum credit criteria / colour band | Max % of total investments / £ limit per institution | Max. maturity period ** |
|--|---|--|---|
| Term Deposits with Housing Associations | Blue Orange Red Green No Colour | 75% / £10m | 12 months 12 months 6 months 100 days Not for use |
| Term Deposits with Banks and Building Societies | Blue Orange Red Green No Colour | 75% / £10m | 12 months 12 months 6 months 100 days Not for use |
| CDs or Corporate Bonds with Banks and Building Societies | Blue Orange Red Green No Colour | 75% / £10m | 12 months 12 months 6 months 100 days Not for use |
| Gilt Funds | UK sovereign rating | £10m | |

* DMO is the Debt Management Office of HM Treasury

** maturities within 12 months would be deemed Specified Investments. All other periods would be classified as Non-Specified Investments.

The table below lists counterparties and limits for non-rated institutions that would be deemed Non-Specified Investments regardless of time until maturity.

| Non-Specified Investment Category | Limit |
|---|-------|
| The council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimized as far as is possible. | £15m |
| Building Schools for the Future Local Education Partnership. Whilst this is not a usual investment counterparty, the council is likely to invest a small amount as part of the wider Building Schools for the Future project. | £1m |
| Sandwell Inspired Partnership Services. Whilst this is not a usual investment counterparty, the council is likely to invest a small amount for the organisation to be use as working capital in its infancy. | £1.5m |
| Bond funds this Authority will seek further advice on the appropriateness and associated risks with investments in these categories. | £10m |

| | |
|--|------|
| Property funds the use of these instruments can be deemed to be capital expenditure and as such will be an application (spending) of capital resources. This council will seek guidance on the status of any fund it may consider using. | £10m |
|--|------|

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this council. To ensure that the council is protected from any adverse revenue implications, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Approved Countries for Investment

This list is based on those countries which have sovereign ratings of AA- or higher as at 19 December 2023, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France
- Qatar
- U.K.

Although this list includes all countries that have a credit rating above the approved minimum rating, ethical considerations will also be taken into account before a country is included in the final approved list.

The Treasury Management role of the Section 151 Officer

The S151 officer is responsible for:

- recommending clauses, Treasury Management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular Treasury Management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the Treasury Management function;
- ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Summary of Treasury and Prudential Indicators

Prudential Indicator - Capital Expenditure and Financing:

| Capital expenditure £m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Non-HRA | 65.681 | 75.289 | 144.476 | 103.553 | 67.253 |
| HRA | 55.043 | 92.837 | 58.945 | 57.857 | 55.541 |
| Total | 120.724 | 168.126 | 203.421 | 161.410 | 122.794 |

| Financing of capital expenditure £m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| Capital receipts | 1.677 | 6.000 | 9.658 | 11.651 | 13.641 |
| Capital grants and Contributions | 45.105 | 51.355 | 131.699 | 99.743 | 61.302 |
| Major Repairs Reserve | 16.834 | 17.490 | 18.089 | 18.000 | 17.950 |
| Revenue Contributions | 6.010 | 10.222 | 3.560 | - | - |
| Net financing need for the year | 51.098 | 83.059 | 40.415 | 32.016 | 29.901 |
| <i>Non-HRA amounts</i> | <i>19.265</i> | <i>25.977</i> | <i>21.504</i> | <i>13.016</i> | <i>10.851</i> |
| <i>HRA amounts</i> | <i>31.833</i> | <i>57.082</i> | <i>18.911</i> | <i>19.000</i> | <i>19.050</i> |

Prudential Indicator - Capital Financing Requirement (CFR) Projections:

| £m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|-------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Capital Financing Requirement | | | | | |
| Non-HRA | 334.348 | 350.655 | 357.949 | 355.941 | 350.686 |
| Housing | 517.908 | 573.601 | 591.089 | 608.465 | 623.985 |
| Total CFR | 852.256 | 924.256 | 949.038 | 964.406 | 974.671 |
| Movement in CFR | 41.457 | 72.000 | 24.782 | 15.368 | 10.265 |

| Movement in CFR represented by | | | | | |
|---|---------|---------|----------|----------|----------|
| Net financing need for the year | 51.098 | 83.059 | 40.415 | 32.016 | 29.901 |
| Less MRP/VRP | (6.593) | (7.151) | (11.477) | (12.211) | (12.881) |
| Other financing movements (i.e. PFI) | (3.048) | (3.908) | (4.156) | (4.437) | (6.755) |
| Movement in CFR | 41.457 | 72.000 | 24.782 | 15.368 | 10.265 |

Prudential Indicator – Gross debt projections compared to CFR:

| £m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|
| External Debt | | | | | |
| Debt at 1 April | 475.588 | 470.808 | 553.867 | 594.282 | 626.298 |
| Expected change in Debt | (4.780) | 83.059 | 40.415 | 32.016 | 29.901 |
| Other long-term liabilities (OLTL) at 1 April - PFI | 68.525 | 65.477 | 61.569 | 57.413 | 52.976 |
| Expected change in OLTL | (3.048) | (3.908) | (4.156) | (4.437) | (6.755) |
| Actual gross debt at 31 March | 536.285 | 615.436 | 651.695 | 679.274 | 702.420 |
| The Capital Financing Requirement | 852.256 | 924.256 | 949.038 | 964.406 | 974.671 |
| Over/ (Under) Borrowing | (315.971) | (308.820) | (297.343) | (285.132) | (272.251) |

Treasury Indicators - Operational Boundary and Authorised Limit:

| Operational Boundary £m | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| Debt | 553.867 | 594.282 | 626.298 | 656.199 |
| Other long-term liabilities (PFI) | 65.477 | 61.569 | 57.413 | 52.976 |
| Total | 619.344 | 655.851 | 683.711 | 709.175 |

| Authorised Limit £m | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| Debt | 901.718 | 931.842 | 952.343 | 967.780 |
| Other long-term liabilities (PFI) | 85.477 | 81.569 | 77.413 | 72.976 |
| Total | 987.195 | 1,013.411 | 1,029.756 | 1,040.756 |

Treasury Indicator - Investment limits for periods greater than 365 days:

| Upper limit for principal sums invested for longer than 365 days | | | |
|--|---------|---------|---------|
| £m | 2023/24 | 2024/25 | 2025/26 |
| Principal sums invested for longer than 365 days | 15.000 | 15.000 | 15.000 |

Note: current treasury amounts invested for periods greater than 365 days is nil

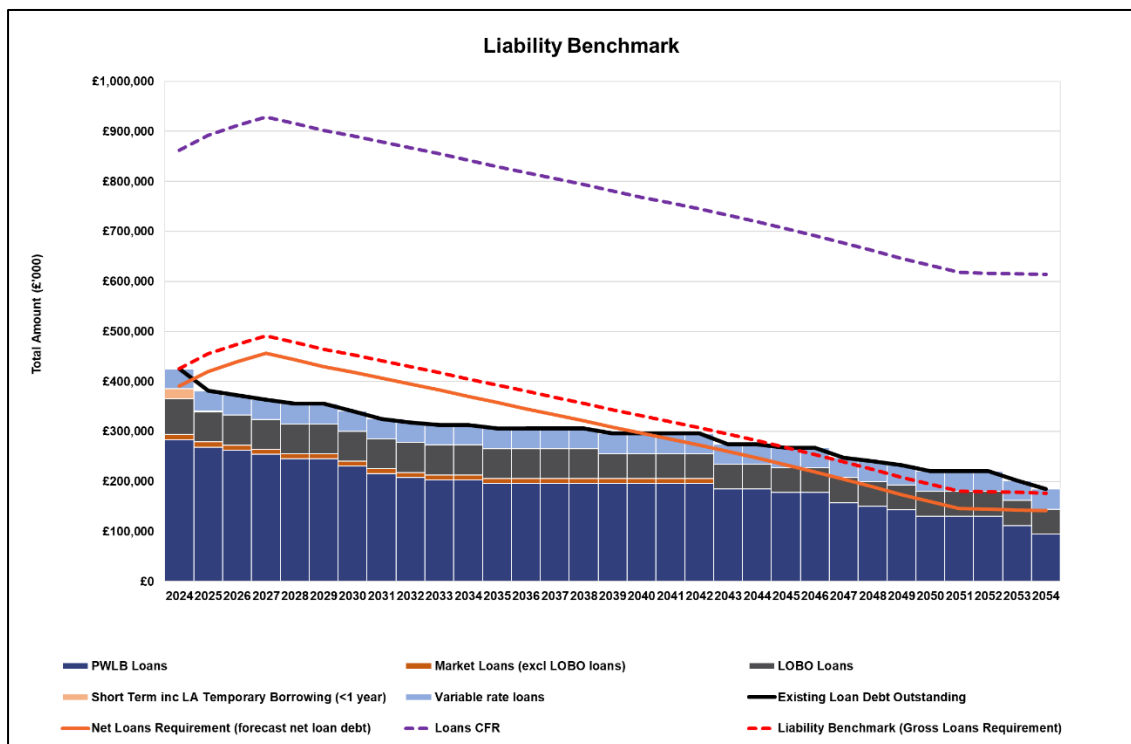
Prudential Indicator - Ratios of financing costs to net revenue stream:

| % | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Non-HRA | 2.7% | 2.4% | 3.1% | 3.3% | 3.3% |
| HRA | 17.6% | 20.6% | 18.5% | 18.9% | 18.9% |
| Total | 7.0% | 7.5% | 7.7% | 7.9% | 8.0% |

Treasury Indicator - Maturity structure for fixed rate debt:

| Maturity structure of fixed interest rate borrowing 2024/25 | | |
|---|-------|-------|
| | Lower | Upper |
| Under 12 months | 0% | 40% |
| 12 months to 2 years | 0% | 30% |
| 2 years to 5 years | 0% | 20% |
| 5 years to 10 years | 0% | 25% |
| 10 years to 20 years | 0% | 30% |
| 20 years to 30 years | 0% | 40% |
| 30 years to 40 years | 0% | 50% |
| 40 years to 50 years | 0% | 70% |
| 50 years plus | 0% | 90% |

Prudential Indicator - Liability Benchmark



Revenues and Benefits Policy Framework

2024/25

Recommendations

1. For the reasons set out in the report it is recommended that Cabinet endorse and recommend to Full Council that -
 - i) approval be given for the Revenues and Benefits Policy Framework for 2024-25 comprising the policies set out at Annexes 1 to 9 of this report;
 - ii) approval be granted for the Council Tax Award of Discount Policy (Annex 2), Council Tax Discretionary Reduction Policy (Annex 3), Non-Domestic Rates Discretionary Rate Policy (Annex 8), Non-Domestic Rates Discretionary Hardship Relief Policy (Annex 7) and War Pension Policy (Annex 9) as set out in Annex 2; and
 - iii) Authority be given to the Director of Finance – Section 151 Officer in conjunction with Cabinet Member for Finance and Resources and in consultation with the Monitoring Officer to make necessary changes to the policies during 2024-25 due to the Cost of Living Crisis.

Context and Key Issues

2. The existing Revenues and Benefits Policy Framework includes:
 - i) Corporate Debt Recovery Policy
 - ii) Council Tax Award of Discount Policy
 - iii) Council Tax Discretionary Reduction Policy
 - iv) Flood Relief Policy
 - v) Discretionary Housing Payments Policy
 - vi) Local Welfare Provision Policy
 - vii) Non-Domestic Rate Hardship Relief Policy
 - viii) Non-Domestic Rates Discretionary Rate Relief Policy
 - ix) The Local Council Tax Reduction Scheme Policy
3. The Council Tax Award of Discount Policy includes a statement covering the introduction of changes effective from 1st April 2024. This is based on regulation amendments to charge an additional 100% for Council Tax where properties have remained empty and unfurnished for a period of 1 year or more (currently this is 2 years). The Council previously used its discretion to agree to these changes at a cabinet meeting in February 2023 and the new charges will come into effect from 1st April 2024.
4. The Council Tax Award of Discount Policy also includes details of new legislation detailing the way in which second homes may be charged. These changes relate to properties which are left empty, is not deemed someone's sole or main residence when empty and the owner has multiple properties. At present these properties are charged 100% Council Tax from the day they become empty but the new legislation provides Councils with discretion to charge an additional 100%. The Levelling Up and Regeneration Bill which introduces this legislation contains a clause requiring the authority to make the determination at least one year before the start of the year to which it relates. If the decision is

taken to introduce these changes they will therefore not be effective until 1st April 2025. The table below summarises the changes:

| | Current Charge | Charge as of 01 April 2024 | Charge as of 01 April 2025 | Notes |
|---|----------------|----------------------------|----------------------------|--|
| Empty & Unfurnished | 100% | 100% | N/A | No changes to be considered |
| Empty & Furnished | 100% | 100% | N/A | No changes to be considered |
| Empty Homes Premium – between 1 & 2 years | 100% | 200% | N/A | Changes in legislation will allow us to apply the premium after 1 year and not wait until it has been empty for 2 years |
| Empty Homes Premium – between 2 & 4 years | 200% | 200% | N/A | No changes to be considered |
| Empty Homes Premium – between 5 & 9 years | 300% | 300% | N/A | No changes to be considered |
| Empty Homes Premium – between 10 years plus | 400% | 400% | N/A | No changes to be considered |
| Second Home Premium – from day 1 (empty properties where the owner has more than one property and is either furnished or unfurnished) | N/A | N/A | 200% | This premium although recently passed in Parliament cannot be adopted by Authorities until our intention to implement has been publicly advertised for a 12 month period, and therefore, can only be considered in Sandwell from 01 April 2025 at the earliest |

- The new Housing Benefit War Pension and Armed Forces Compensation Disregard Policy 2024/25 details Sandwell's decision to disregard all the war pension income when assessing entitlement to Housing Benefit assessment. Sandwell has 11 Housing Benefit claimants who receive this additional disregard.

6. For the reasons set out in the report, Cabinet is asked to recommend that Full Council re-affirm its previous decision to approve the disregard of War Pensions and War Widow(er)'s pensions in full as income above the statutory £10.00 per week disregard in the calculation of Housing Benefit entitlement and in full as income in relation to the means tested assessment of Council Tax Reduction Scheme discount through a War Pension Policy as set out in Annex 9 to this report.
7. Prior to the introduction of the Social Security Administration Act 1992, a statutory £10.00 per week disregard operated for War Disability and War Widows pensions through means tested social security benefits including Housing Benefit. Any amount above the £10.00 per week disregard of pension income was counted as income, reducing the amount of benefit received.
8. S.134(8) of the Social Security Administration Act 1992 permitted administering local authorities to disregard up to 100% of war pensions above the £10.00 per week disregard. This had to be agreed by Full Council with any cost of this disregard being borne by the relevant local authority. Sandwell Metropolitan Borough Council (MBC) through a resolution of Full Council agreed to disregard war pensions in full above the weekly disregard during the 1990's.
9. From April 2004, Government agreed to subsidise 75% of the discretionary disregard Councils made if the amount did not exceed 0.2% of the total Housing Benefit subsidy received. This means that local authorities now only pay for 25% of the discretionary disregard. From April 2005, War Pension and War Widow(er)s Pension schemes were closed to applicants who were injured or became a widow(er) after this date – these were replaced by the Armed Forces Compensation Scheme. Payments from the Armed Forces Compensation Scheme were given a full statutory disregard in means tested benefits, including Housing Benefit.
10. A number of local authorities have been asked to provide evidence that they had passed resolutions disregarding War Pensions and War Widow(er) Pensions by their external auditors. Many local authorities no longer retain original documentation confirming the disregard. Sandwell MBC has similarly been asked to provide the documentation confirming the passage of resolutions disregarding War Pensions and War Widow(er)'s Pensions. Whilst a search has been undertaken the resolution has yet to be retrieved from historic records.
11. This report therefore seeks a decision of Full Council to re-affirm the discretionary disregards for War Pensions and War Widow(er)'s Pensions in order to safeguard the finances of war pensioners and war widow(er)s.”
12. The Council Tax Discretionary Reduction Policy details changes following the introduction of new regulations relating to Houses in Multiple Occupation (HMO). These changes effective from December 2023 will result in licenced HMO's being re-assessed by the Valuation Office Agency. Where tenants are affected by these changes as rooms are individually banded, we will consider supporting with Section 13a, 1C of the Local Government Finance Act 1992 which allows the Council to reduce the amount of Council Tax payable. Legislation does not dictate the circumstances in which reductions apply and therefore the Council must use discretion in deciding whether to use these powers.
13. The Local Welfare Provision Policy for 2024-25 is subject to funding being available to provide the support

14. The Local Council Tax Reduction Scheme Policy for 2024/25 was in a separate report and has been approved by Cabinet and full Council in December 2023.

15. There have been no changes to any of the other policy intentions.

Alternative Options

16. The Council is required to set out its application of areas of the legislation which allow local application of rules. The policy framework achieves this.

Implications

| | |
|------------------------------|---|
| <p>Resources:</p> | <p>There is a direct cost to the local Council Taxpayers for Discretionary Rate Relief granted. The Council cannot refuse any applications, which comply with its Discretionary Rate Relief policy, on the grounds of unavailable resources.</p> <p>There is a direct cost to the local Council Taxpayers of any relief granted under the provisions of s.49 of the Local Government Finance Act 1988. The cost of any relief granted under s.13A (Council Tax Discretionary Reduction Policy) is borne by the local Council Taxpayers.</p> <p>The cost of Discretionary Housing Payments in excess of the Government Contribution is borne by the local Council Taxpayers, unless we are able to claim part of this from the Housing Revenue Account. The Council Tax Award of Discounts Policy generates additional income for the council through Council Tax collection.</p> |
| <p>Legal and Governance:</p> | <p>The policy on s.49 of the Local Government Finance Act 1988 Hardship Relief complies with appropriate legislation relating to the Council’s powers with regard to awarding relief.</p> <p>The Council cannot refuse any applications which comply with its policy, on the grounds of unavailable resources.</p> <p>The policy on Discretionary Rate Relief, complies with appropriate legislation relating to the Council’s powers with regard to awarding Discretionary Rate Relief to businesses. The Council cannot refuse any applications for Discretionary Rate Relief, which comply with its policy, on the grounds of unavailable resources.</p> <p>The policy on Discretionary Housing Payments complies with appropriate legislation.</p> <p>The s.13A Council Tax Discretionary Reduction Policy complies with appropriate legislation. The Council cannot refuse any applications for relief, which comply with its policy, on the grounds of unavailable resources.</p> <p>The Council Tax Award of Discount Policy complies with appropriate legislation to allow the Council to set locally prescribed levels of discounts for empty domestic properties.</p> |

| | |
|-----------------------|---|
| Risk: | Risk assessments, where required, have been previously undertaken. As these policies have been in place for several years no significant risks have been identified or have occurred. |
| Equality: | Equality impact assessments (EIA) have previously been completed on all of the policies. |
| Health and Wellbeing: | Several of the policies provide additional financial support to some of our most vulnerable residents. |
| Social Value: | Sandwell's Revenues and Benefits Policy Framework is operating well and providing crucial support to vulnerable, low income households. |
| Climate Change: | No impact. |
| Corporate Parenting: | No impact |

Annexes

| | |
|---------|--|
| Annex 1 | Corporate Debt Recovery Policy |
| Annex 2 | Council Tax Award of Discount Policy |
| Annex 3 | Council Tax Discretionary Reduction Policy |
| Annex 4 | Flood Relief Policy |
| Annex 5 | Discretionary Housing Payments Policy |
| Annex 6 | Local Welfare Provision Policy |
| Annex 7 | Non-Domestic Rate Hardship Relief Policy |
| Annex 8 | Non-Domestic Rates Discretionary Rate Relief Policy |
| Annex 9 | The Housing Benefit War Pension and Armed Forces Compensation Disregard Policy 2024/25 |

Background Papers

None

Corporate Debt Recovery Policy

Meeting Ambition 10

Introduction

1. This document details the Council's policies on the billing, collection and recovery of monies due to the Council. Sums due to the Council can be a mixture of statutory and non-statutory charges. The methods for billing and recovery of the statutory debts are tightly prescribed by statute.
2. This Policy sets out the general principles to be applied in relation to debt management across all services provided by the Council.
3. It is essential that all monies due are collected effectively by the Council and that debts owed are kept to a minimum. This is because the Council has both a legal duty and a responsibility to its citizens to ensure that income due is paid promptly.
4. The management of income is a key business area for the Council. The Council collects income from many streams; some of this activity is governed by legislation while others by sound principles of financial management. The key to economic, efficient, and effective income management is the creation and maintenance of a clear framework that sets out the approach, principles, and strategy within which all activities will be conducted.
5. This policy also recognises that collection of debt should be fair to everyone, especially those on limited incomes who struggle to pay or those who have not paid because of an oversight. It is also recognised that some people deliberately avoid their payment obligations by delaying their payments or choosing not to make payment and proportionate measures will be deployed to develop a culture of payment while encouraging those in need of help to get in touch with the Council at an early stage.
6. Where a person or organisation makes contact to discuss payment difficulties their circumstances will be considered fairly and objectively with a view to agreeing a reasonable payment arrangement, minimising recovery action, and avoiding potential additional costs. Where people or organisations fail to make contact or maintain their payment obligations, recovery action will continue in the wider public interest.
7. Underpinning this policy are effective income management processes critical to the delivery of overall Council objectives, as every pound of income that is not collected or takes extra effort to collect, ultimately leads to additional financial pressures on the Councils budget.
8. This policy applies to the collection of:
 - Council Tax & Non-Domestic Rates Policy (**Appendix 1**)
 - Housing Benefit Overpayment Recovery Policy (**Appendix 2**)
 - Sundry Debt (Council Services) Policy (**Appendix 3**)
 - Bankruptcy Policy (**Appendix 4**)
 - Write-Offs Policy (**Appendix 5**)

9. This policy intends to:

- Recover all money outstanding in respect of debts owed to the Council.
- Protect the Council's finances for the good of all residents within the Sandwell area.
- Ensure that enforcement action is taken to recover debts.
- Facilitate a coordinated approach to managing multiple debts owed to the Council.
- Ensure that the Council engages with debtors when enforcing debts to take the appropriate action considering the individual circumstances of the debtor.
- Identify, where appropriate, support which may be required to those owing money to the Council;
- Giving specific considerations to vulnerable customers where appropriate.
- Apply best practice to debt collection.
- Minimise the risk of bad debts.

General Principles

10. All directorates will work together to ensure the most appropriate arrangement for recovery of debts is achieved. In cases of multiple debts, a lead officer may be appointed. The lead officer will be responsible for liaising with relevant service areas. To assist Sandwell Council is working towards a Single View of debt across all recovery areas.
11. In all cases the Council will work with the debtor taking account of their individual circumstances in order to arrive at an arrangement that is reasonable to both them and the Council.
12. A flexible approach will be adopted to ensure regular payments. This reduces the risk of further action and unnecessary additional costs becoming payable, it also maintains collection.
13. Where necessary when working with debtors the Council will provide additional support with the aim of maximising their income by: -
- Providing welfare advice to ensure the debtor is receiving any benefits, reductions, and discounts they are entitled to.
 - Promoting and referring debtors to agencies who can offer personal budgeting support / debt advice/ affordable credit.

Principles of recovery action

14. The Council will ensure that: -

- Any recovery action taken will be proportionate

Proportionality allows for a balance to be struck between the potential loss of income due to the Council and the costs of compliance.

- The approach taken will be consistent

15. Consistency means taking a similar approach in similar circumstances to achieve similar objectives. The Council aims to achieve this in the advice given, the use of its powers and the recovery procedures used. At the same time, the Council recognises the need to treat everyone as individuals and therefore will aim to take account of many variables such as the social circumstances of the individual, the payment history, and their ability to pay.

- The actions taken will be transparent
16. Transparency is important in maintaining public confidence in the Council. It means that helping people to understand what is expected of them, to meet their payment obligations and what they should expect from the Council. It also means clearly explaining the reasons for taking any recovery action and the next steps that the Council may take if payment is not made.
 17. The Council will also work with the voluntary sector and advice agencies, where we collectively:
 - Acknowledge that there is a distinction between can't and won't pay
 18. The policy will ensure fairness in that every debtor has an obligation to repay their debt owed so that future services do not suffer. Those who pay promptly should not subsidise those who are not prepared to pay what they owe.
 - Recognise that advice and early intervention is a key element from the perspective of all partners.
 19. The policy will ensure that the Council and its partner organisations will treat all debtors fairly and, where possible they will promote free debt advice services. Where appropriate, payment agreements will be put in place to assist debtors in adverse financial circumstances. The decision to agree a repayment timetable will be influenced by the willingness of the debtor to take advantage of the debt advice at an early stage.
 - Acknowledge that financial capability and vulnerability are sometimes underlying issues around non-payment.
 20. The policy will seek to promote financial inclusion and early intervention by recognising that debtors may have underlying problems with money management or may not be receiving all the financial assistance to which they are entitled.
 21. In all cases consideration will be given to the value of the outstanding debt and the cost of recovering that debt and where the Council believes it is uneconomical to pursue recovery the debt may be recommended for write off.

Policy aims and objectives

22. The key aims are to:
 - Ensure the Council provides bills promptly and remind people quickly if they do not pay.
 - Offer efficient and flexible payment methods
 - Encourage people to make early contact to avoid the build-up of debt
 - Inform people of their entitlement to benefits, discounts and exemptions to ensure maximum take-up and that net bills/liabilities are issued
 - Inform people of the general availability of income related benefits such as Universal Credit, Pension Credits, Housing and Council Tax Reduction

- Take positive action to prevent arrears from occurring in the first place, maximising income, and entitlement at an early stage
- Take recovery action against deliberate non-payers or those who delay payment without genuine reason while always working to identify and assist those who genuinely can't pay or are finding it difficult to pay
- Where people have fallen or are likely to fall into arrears, a commitment to work with them and their representatives to set reasonable and realistic payment levels that they can maintain, ensuring that payment arrangements reflect the ability to pay as well as the level of debt owed
- Work in a co-ordinated approach with multiple debts owed to the Council. Priority will be given to debts where non-payment could lead directly to the loss of a person's home in the case of non-payment of housing rent. Other debts owed to the Council may, depending on the circumstances, be treated to as a lower priority until payment of the priority debt owed to the Council is made
- Work in partnership with recognised advice agencies to advise people who need help and guidance to repay debts where they can get independent advice from to assist with wider financial problems

Principles of enforcement action

23. Where a debt remains outstanding for a service provision and there is no statutory obligation to provide the service, consideration will be given to terminate the service until such time that the debt is brought up to date.
24. Costs incurred are the responsibility of the customer, the aim of the policy is to minimise such costs wherever possible.
25. Payment orders made by a Court will take priority over any informal payment arrangement
26. We will utilise all methods of recovery available.
27. Enforcement agents and debt collection agencies instructed by the Council will be required to work within agreed guidelines, legislation and Codes of Practice always.

Policy review

28. The policy will be reviewed annually, or sooner if appropriate, to take account of operational adjustments, feedback and or changes to legislation.

Equalities

29. This policy has been produced in line with the Council's obligation to the Public Sector Equality Duty provided by the Equality Act 2010. No adverse impact on any protected characteristic has been identified as a result of this policy.

Vulnerable customers

30. We understand that there are members of our community that may be considered vulnerable, therefore require additional support. Being vulnerable does not mean that you will not have to pay anything that you are legally obliged to pay.

Where we identify someone as being vulnerable, consideration should be given to:

- Longer period to pay
 - Holding off enforcement action for an agreed period
 - Assisting with the taxpayer to claim the right benefits, reductions, discounts or any other entitlement
 - Referring a taxpayer to our Welfare Rights team if appropriate and sources of independent advice services
 - Agreed temporary payment arrangement with lower repayments with a review date
31. We are aware that a taxpayer's vulnerability status may be temporary or permanent in nature but will vary widely. In order to aide us in identifying a vulnerable person we have a list below, identifying some characteristics of a vulnerable person. However, each case must be taken on its own merit:

- Disabled Person
- People experiencing serious illness, including mental illness
- People aged under 18
- Elderly people
- People in late stages of pregnancy

Appendices

Appendix 1 - Council Tax and Business Rates Policy

Introduction

1. This document explains the Revenues Service approach to administering the billing, collection and recovery of Council Tax as laid down by the Local Government Finance Act 1992 and Local Government Finance Act 1988 and all other supporting legislation. The document details information about the billing and recovery processes. The intention is to explain the processes clearly to show the transparent nature of the work, rather than give a detailed analysis of the legislation involved.

The Billing Process

2. The Council recognises that providing a correct bill in an efficient way maximises the likelihood of helping customers pay on time, and it strives to issue accurate bills to customers as promptly as possible, and to offer helpful advice face-to-face, in writing, by e-mail, over the phone and through advice on the website.
3. All available discounts, exemptions, valuation band changes, and Council Tax reduction will be granted in appropriate cases at the earliest possible time to ensure the amount owed is correct. Customers will be given the maximum number of instalments that are available so that payment can be spread over the longest period within the year.
4. Discounts, exemptions and reliefs will be reviewed periodically engaging external contractors and utilising third party data where appropriate and lawful, however it remains a customer responsibility to inform the Council within 21 days of any changes in their circumstances that may affect their entitlement to any reduction in their charges.
5. Clear information regarding reductions, reliefs, including benefit, is widely available through leaflets that are provided with annual bills and through the website. Officers are trained to advise customers about the range of benefits, discounts, and exemptions available and how to make claims.
6. Where there is a joint occupation or ownership, for example joint tenants or owners, or partnerships like husband and wife, both are expected to pay the charge. All bills and other correspondence will be addressed to all the liable persons for the charge. The law says that each person will be liable both for their own share of the charge and for the whole charge (called "jointly and severally liable"), so if necessary action for recovery of the debt will be taken against any or all of the liable persons.
7. If a taxpayer disputes the basis of why or what they have been charged in relation to Council Tax, the Council will advise them of their appeal rights by initially writing to the Council or alternatively by seeking redress at the Valuation Tribunal for Wales.
8. Council Tax and Business Rates is charged for financial years beginning on 1st April and ending on 31st March the following year. Taxpayers who receive an annual bill during March will normally receive ten monthly instalments payable between April and January inclusive, but the Council also welcome taxpayers to pay over 12 months. As the financial year progresses, less months are available, so the number of instalments reduces. Between 1st May and 31st December, the number of instalments allowed for the year's charge is the number of whole months less one. New bills created from January will usually be given one instalment payable within 14 days from the date of the bill.

The Recovery Process

9. The Council only must prove recovery documents are issued in time and in line with regulations; it is not necessary to prove customers have received them.
10. As Council Tax and Business Rates are statutory charges it is very important that taxpayers give it a high priority when looking at their finances. If monthly instalments are paid late, or not at all, the Council will take action to recover the overdue amounts by sending documents that explain the consequences of delaying or not making payment. Taxpayers are actively encouraged to contact the Council without delay if they experience difficulties in paying their bill.
11. The Council has a planned annual recovery and enforcement timetable that sets out the dates for the issue of all recovery documents like reminders, final notices, and summonses. It also details magistrates' court hearing dates and targets for transmitting accounts for further recovery action using Enforcement Agents. The enforcement taken will be:

Reminders and Final Notice Stage:

12. Apart from any accounts issued near the end of a financial year, all bills include a monthly instalment scheme. It is a taxpayer's responsibility to make sure that instalments are paid on time. If taxpayers do not pay, or if they make occasional or irregular payments that are not received on or by the due date, they will be considered overdue. If this happens, recovery action will be taken, initially in the form of a 1st Reminder Notice.
13. Legislation allows for reminders to be sent immediately after an instalment is due, but the Council will usually allow taxpayers 12 days after a payment has become overdue before issuing a 1st reminder.
14. If an overdue instalment is subject to a 1st Reminder Notice, a taxpayer is required to make payment in full of the overdue instalment within 7 days. If payment is made as required, future instalments can then be paid as shown on the bill.
15. If the overdue instalment is paid, but a future instalment is not paid on time a 2nd Reminder Notice will be issued. If payment is made as required, future instalments can then be paid as shown on the bill. The second reminder states clearly that no further reminder notices will be sent if future instalments are not paid on time.
16. If payment is not made within 7 days following the issue of a of a 1st or 2nd reminder notice, after a further seven days a Final Notice will be sent for the full amount outstanding for the year.
17. Additionally, a Final Notice will also be issued if part or all of an instalment is overdue for a third time. This requires the full annual charge that is outstanding, rather than just the overdue instalment, to be paid in full within seven days. If payment is not made as required a summons will be sent for the full amount outstanding for the year together with associated costs of £79 for the issue of the summons.
18. Dependent on how promptly taxpayers pay, no more than two reminders and one final notice will be issued in a financial year before a summons is issued. Where the right to pay by instalments is lost due to consistent late payment, or no payment, this will only be forfeited for the current financial year; the right to pay by instalments will be reinstated when subsequent years' charges become due
19. Reminder and Final Notices confirm the full range of payment methods available and include information to encourage taxpayers to get in touch with the Council to discuss payment difficulties. The Council will, where appropriate, re-instate a taxpayer's instalment scheme where the taxpayer has agreed to bring the account up to date and switch to payment by direct debit for payment of future payments.

20. The Council will normally only offer to re-instate instalments once in any financial year following the issue of a final reminder. The Council recognises the offer to re-instate instalment may help a taxpayers meet financial obligations, but at the same time, the taxpayers previous payment history will be considered to ensure habitual late payers are not continually given the opportunity to delay payment.

Summons Stage:

21. In the event of late or non-payment as explained above, the Council will issue a Summons at the Magistrates' Court, giving at least fourteen days' notice of the hearing date. The summons will confirm the charge outstanding together with court costs that are added to the amount payable in recognition of the extra work needed to secure payment. The additional costs charged for a summons are currently £79 for Council Tax and £112 for Business Rates.
22. The summons will confirm the date and time of the Magistrates Court hearing at which the Council's officer will need to satisfy the Magistrate that the customer is the liable person, does owe the amount outstanding, and that the Council has sent the correct documents to the customers' current or last known address.
23. Taxpayers who pay the full amount confirmed on the summons, including the additional £79 costs or £112 costs for ratepayers before the hearing date do not have to attend court, however any payment arrangement made following the issue of a summons which extends payment beyond the liability order court hearing date will be made on the basis that the application for a liability order will continue and will include the initial £79 court costs for Council Tax or £112 court costs for Business Rates and additional costs of .50p for the issue of a Liability Order (i.e. a total of £79.50 costs for Council Tax or £112.50 for Business Rates).
24. Attendance at the Magistrates Court is not compulsory, and usually the majority of customers summonsed do not attend. A taxpayer can dispute the charge or speak to the Court. The Court will give an audience to anyone who wishes to appear, however, unless the taxpayer has a valid defence then the Court is obliged to grant a Liability Order.

Liability Order stage

25. Following the issue of a Liability Order, the Council will write to the taxpayer or ratepayer to secure full payment or to make a suitable payment agreement. The notification will also provide details of potential consequences of enforcement action (and additional enforcement (Bailiff) costs) if the taxpayer does not make payment or fails to make a payment agreement. For Council Tax matters, the Council will also request to a taxpayer complete a 'statutory request for information', with details of their employment details, and if appropriate, information about any benefit that is received. Taxpayers are required to complete and return the statutory request within 14 days.
26. The Council will enter into a payment agreement with a taxpayer or ratepayer using the first principle that the outstanding balance must be paid in full prior to the end of the financial year, although in cases where there is no ongoing liability, payment agreements may be extended beyond the end of the financial year, depending on the circumstances of the case.
27. Following the issue of a Liability and in the event of the taxpayer not returning the 'statutory request for information' or failing to make a payment agreement, the recovery action to be taken will be dependent on the circumstances of each individual case and with due regard to the most effective way for the Council to collect :
28. Attachment of Earnings – Attachments require an employer of the taxpayer (for Council Tax only) to deduct a set percentage of the earnings and send them directly to the Council to pay the outstanding

Liability Order. The amount of money deducted depends on how much is earned and whether the person is paid weekly or monthly. The deductions are governed by Council Tax regulations.

29. Attachment from Income Support, Job Seekers Allowance, Universal Credit and Employment Support Allowance – Attachments require the Department of Work and Pensions to make deductions from the taxpayer's benefit. The level of deduction is fixed by the Government but does increase annually.
30. Attachment of Members Allowances – The Council may make an attachment of the allowances of an elected member.
31. Taking Control of Goods & Use of Enforcement Agents – Enforcement Agents contracted by the Council may be used where no attachment is possible or suitable. The Enforcement Agents will always be required to comply with the Taking Control of Goods Regulations 2014.
32. Initially, if a debt has been passed to an enforcement agent a fixed fee of £75 for each liability order will be incurred. This is known as the compliance stage and taxpayers are encouraged to make early contact with the Enforcement Team within 10 days to pay the amounts due in full or set up a realistic repayment plan.
33. If taxpayers fail to engage or set up a repayment plan at the compliance stage, the liability order(s) will be passed to the Enforcement Agent for a visit to be undertaken. If the Enforcement Agent is required to visit there is a fixed fee of £235 plus 7.5% for any balance due above £1,500.
34. The enforcement agent will normally ask taxpayers for payment in full, however the enforcement agent will normally also enter into a Controlled Goods Agreement which also provides taxpayers with an opportunity to pay.
35. If possessions are subject to a Controlled Goods Agreement these goods cannot be disposed or sold without the enforcement agents consent.
36. If taxpayers refuse to sign a Controlled Goods Agreement the enforcement agent can take goods to the value of the debt whilst at the property. There are additional costs of £110 plus 7.5% for any balance due above £1,500 if goods must be removed and sold.
37. If the enforcement agent decides the value of the goods is insufficient to pay the amount outstanding and there is no prospective of making payment agreement, or the taxpayer cannot be traced the enforcement agent will normally return the Liability Order to the Council which ends the enforcement agent action.
38. If enforcement agent action proves unsuccessful, the Council will then consider whether to take further recovery action, dependent on the specific personal and financial circumstances of each individual case and with due regard to the most effective way for the Council to collect:
39. Charging Order – For taxpayers owing £1,000 or more, the Council may apply to the County Court for an Order that places a charge on the taxpayer's property and the court, in certain circumstances, empowering the sale of the property if the taxpayer does not pay. The obtaining of a charging order does not prompt automatic payment of the amount outstanding; providing there is sufficient equity in the property value following the repayment of any outstanding mortgage or other existing registered charges, it secures payment of the debt when the property is sold. Before such action is taken, the Council will always send a final letter inviting the taxpayer to a pre-arranged meeting to make a payment agreement.
40. Bankruptcy – For taxpayers owing £5,000 or more, the Council may also consider taking bankruptcy action. Before such action is taken, the Council will always send a final letter inviting the taxpayer to a

pre-arranged meeting to make a payment agreement. Bankruptcy will be considered, only as a last resort, in line with the policy in Appendix 4.

Write Offs

41. The Council recognises that where a debt is deemed to be irrecoverable, especially after all recovery options have been considered and/or taken, prompt write off of such debts is appropriate and good practice in certain circumstances and in line with the policy in Appendix 5.

Appendix 2 - Housing Benefit Overpayment Recovery Policy

Introduction

42. This policy document sets out Sandwell MBC's commitment to the recovery of Housing Benefit Overpayment in accordance with the Housing Benefit Regulations 2006 and the Housing Benefit (Persons who have attained State Pension Age) Regulations 2006
43. It is essential that Sandwell MBC demonstrates that it carries out recovery of Housing Benefit Overpayments efficiently and effectively.
44. By doing so the Council:
- Reduces losses to Public Funds
 - Provides revenue for the Council
 - Helps reduce the loss from overpayments
 - Deters fraud and error
 - Demonstrates commitment to accuracy and provision of a quality service to customers.

General Principle

45. Overpayments are established through a review of benefit entitlement, where the original decision is superseded or in rare instances the correction of an accidental error. They are amounts of benefit that have been paid to which there is no entitlement.

Prevention of overpayments

46. We will endeavour to minimise the level of overpayments by:
- Paying Housing Benefit promptly;
 - Continuously reviewing and improving our systems and working practices;
 - Actively encouraging customers to promptly report changes in circumstances.

Identification

47. Accurate and prompt identification of overpayments is important to ensure we maximise the successful recovery of the overpayment and reduce the number of complaints and appeals.
48. To help identify overpayments the council will:
- Establish the cause of the overpayment and whether it is recoverable and from whom it should be recovered.
 - Calculate underlying entitlement in all cases
 - Ensure that every overpayment has been classified correctly,
 - Notify the customer of the overpayment in accordance with current legislation
 - Determine the best method of recovery.

- Not commence recovery until the individual has had the right to dispute the decision (in accordance with the timescales set out in the legislation).
- Offer help and advice to customers wishing to dispute the decision to recover the overpayment.
- In the event of being unable to recover an overpayment, promptly submit the debt for 'write-off'.

Recoverability

49. If the overpayment was caused by misrepresentation or failure to disclose information, then the overpayment must be recovered from the person who misrepresented or failed to disclose that information.
50. If the overpayment was caused by official error it must be recovered from the person who at the time of receiving the payments, could reasonably have been expected to know that they were being overpaid.
51. An overpayment can be recovered from:
- The claimant
 - The partner, if they were members of the same household at the time of the overpayment was created
 - The person to whom the overpayment was paid

52. If a deceased person has an outstanding overpayment recovery can be sought from their estate.

Recovery from on-going Benefit

53. Where the claimant is still entitled to Housing Benefit the overpayment should be recovered from their on-going entitlement.
54. The maximum deductions are provided by the government on an annual basis
55. Where the claimant's Housing Benefit includes an earnings disregard, a disregard for Charitable / Voluntary payments or a War Pension disregard, the Housing Benefit Regulations allow 50% of the statutory disregard to be added to the claw-back rate. (It does not include the additional earnings disregard)
56. However, a customer can request any alternative method of recovery and each request would be considered on its own merits.
57. Where there is no on-going Benefit entitlement
58. If there is no on-going benefit entitlement the overpayment will be recovered via an Invoice after 31 days of an overpayment being created. This allows the customer to request a revision, appeal or make a new claim for Housing Benefit.
59. The invoice will request a first payment within 14 days from the date of the invoice. If the total overpayment is less than £60.00 the invoice will request the overpayment to be paid in one instalment. If the overpayment is over £60.00 that the overpayment will be split over 12 monthly instalments.
60. If the debtor is unable to pay in full or the instalment amounts, it is possible to make alternative arrangement which will be covered in a later paragraph.

Methods of Payment

61. It is essential to provide flexible and convenient methods of payment. At present the Council can accept payment by the following means:

- Direct Debit
- Online using our online payment system
- Credit / Debit card
- Payment Line
- Standing order
- Cheque
- Cash

Non-Payment

62. If the customer fails to make a payment following an arrangement a reminder will be issued 20 days from the date of the original Invoice.

63. A final demand will be issued if still no payment is received after 40 days from the original invoice. The final demand will request a full payment of the Housing Benefit Overpayment within 7 days.

Arrangements

64. If the customer cannot pay the overpayment invoice or meet the instalment amounts in full, they are encouraged to contact the council immediately as it may be possible to make a payment arrangement.

65. Each request will be considered on its own merits evaluating the amount due, and the customers personal and financial circumstances. It may be necessary to issue an Income and Expenditure form to obtain a clear picture of the customer's financial circumstances. The aim is to agree a realistic arrangement to collect the unpaid invoice within a reasonable time.

66. Once an arrangement is agreed between Sandwell MBC and the customer, a new invoice will be issued to the customer.

Further recovery action

67. Where the customer fails to make a payment on their arrangement or no payments are received against the outstanding invoice, further recovery action will be taken.

68. The type of action that may be taken is as follows:

- *Recovery from the Department for Work and Pensions (DWP) Benefits.* Deductions from certain DWP Benefits will be considered
- *Recovery from Landlord payments.* Where the overpayment is recoverable from the landlord the overpayment can be deducted from their next Housing Benefit payment.
- *Council Rent account that are in credit.* If the customer is a Council tenant and has a outstanding overpayment and their rent account is in credit. The credit can be used to reduce or clear the outstanding overpayment.

- *Direct Earnings Attachment.* The Council can ask an employer to deduct any Housing Benefit Overpayment of an employee direct from their earnings.
- *Debt collecting Agency.* The Council will forward any outstanding overpayment of Housing Benefit to an agreed debt collecting agency where that customer has failed to engage, and all the above alternatives are not an option.

Change of Address “Gone Aways”

69. If correspondence is returned undelivered and marked “Gone away” or similar and a forwarding address is not already known every effort is made to find a new address for the customer.
70. The Council will make all legally allowable checks on different records and systems to trace the customer to continue the recovery action.

Unrecoverable Overpayment

71. In certain circumstances the Council can decide not to recover an overpayment. Examples include:

- The customer is deceased and has left no estate to recover the overpayment from
- The customer has gone away, and the Council has been unable to trace them
- Where the overpayment is uneconomical to pursue

Write Offs

72. The Council recognises that where a debt is deemed to be irrecoverable, especially after all recovery options have been considered and/or, prompt write off of such debts is appropriate and good practice in certain circumstances and in line with the policy in Appendix 5.

Appendix 3 - Sundry Debt (Council Services) Policy

Introduction

73. The Council charges and collects income from a diverse range of activities, customers and range of public bodies and private businesses. Sundry debt does not include Council Tax, Business Rates, Housing Rent or Housing Benefit Overpayments.
74. The value of invoices raised can range significantly from a few pounds to several hundred thousand of pounds and therefore, taken together, the value of all these sundry debts is considerable.
75. It is essential that the Council recovers all collectable debt owed to it and the purpose of this policy aims to:
- Maximise the collection of the Councils income
 - Ensure that, where possible, payment up front is received ensuring whenever possible that collection of the fee or charge involved takes place prior to the service being provided so that credit is only given when essential to do so
 - Ensure clear terms and conditions of payment appear within documentation
 - Ensure invoicing and recovery procedures are carried out on an accurate and timely basis, encouraging debtors to pay promptly, and making collection and recovery activity more efficient by prioritising collection of larger debts
 - Minimise the time taken to raise invoices to within 10 days of the provision of service(s)
 - Minimise the time taken to collect charges or to effect recovery
 - Minimise the time taken to resolve invoice disputes
 - End the ongoing delivery of a non-statutory service to a customer in non-payment cases, but only where it is possible to do so.
 - Minimise the level of debt owed to the Council and its provision for bad debts
 - Minimise the incidence of debt that cannot be collected
 - Raise corporate awareness and responsibility of the importance of prompt debt recovery across all services
76. The charge must, depending on legislation, always cover the cost of providing goods or service and the costs of collection, unless the Council has taken a policy decision to subsidise the service.
77. The charge must be invoiced in an efficient and cost-effective way, ensuring that the frequency of invoices is minimised for services that are delivery on a regular and planned basis.
78. The debt will remain the responsibility of the Service in which it was raised, and recovery action will be taken by the General Debt Recovery Team. It is the responsibility of the services to assist the General Debt Recovery Team in collecting debts, ensuring that information and assistance is provided to ensure debts are collected quickly.

Corporate Responsibilities

79. All officers involved in the issuing and recovery of sundry debt invoices must ensure that:
- The Corporate Debt Recovery Policy is adhered to (specifically Appendix 3 – Sundry Debts)
 - The aims of the policy are adhered to
 - The parts of this policy that apply to their Service areas are correctly followed
 - Specific attention is paid to prohibit the practise of not resolving invoice disputes within a reasonable period
 - Budget Managers are fully aware of their responsibilities

- Relevant systems and procedures are in place
 - Officers involved in the debt collection process are appropriately trained and are aware of their corporate responsibility
80. The Director of Finance (Section 151), Revenues & Benefits Service Manager with Internal Audit support will provide assurance that this Policy is adhered to and is effective.

Raising an Invoice

81. A commercial approach should be adopted where fees and charges are obtained in advance or at the time of service provision. Where goods or services provided need to be paid for after this, then the Council offers credit facilities wherever it is considered prudent to do so.
82. Prompt invoicing is essential to efficient debt collection; the longer the period, the less likely is prompt settlement. Invoices must therefore be raised within 10 days of the service being delivered or due. By raising an invoice, the originating service agrees approval to take appropriate recovery action through the General Debt Recovery Team, including court action when necessary, is granted at the time the debt is raised.
83. Invoices must not be raised for amounts of less than £40, excluding VAT, unless the invoice relates to collection of peppercorn rents, licenses or leases in connection with occupation of Council land and property. This is in line with the Council's Financial Procedure Rules.
84. For payment of amounts of £40 or less services are required to request payment up front where it is reasonable and practical to do so.
85. The service responsible for raising the invoice must ensure that the evidence of the service provided is fully validated and that the invoice is accurate and contains sufficient detail for both billing and recovery purposes. Services must ensure that all invoice information is fully completed, including:
- Customer's full name(s)
 - Customer's full address(es), including postcode(s)
 - Customer's contact telephone number(s)
 - Customer's e-mail address
 - Name of contact officer in cases of query over the service provided
 - Date of supply of service
 - Purchase order number (where applicable)
 - Full description of the service/goods supplied
 - For each type of supply – the unit price or rate, quantity or extent of goods and services
 - Amount due
 - VAT amount and rate of VAT charged
 - Total due
 - For each type of supply – the unit price or rate, quantity or extent of goods and services, VAT amount and rate of VAT charged
86. The content (narrative) on the invoice should be concise but of sufficient clarity to ensure that the customer fully understands the bill.
87. All invoices must be raised to a correctly named legal entity. In the event of non-payment, legal action cannot be taken against a non-legal entity. Legal entities are:

- Individuals - This is usually someone living at a residential address. When a request is received for a service, the person's full name (title, forename(s) and surname) must be obtained and stated. Initials are not sufficient. If the request is on behalf of more than one person then the full name of each person must be obtained and stated. The full correct postal address, including postcode, must be stated.
- Sole Traders - Where an individual is trading in his or her own name the full name of the individual as well as the business name must be obtained e.g. Mr John Smith, trading as Fast Removals. Evidence of the name of the business could be in the form of a request for services on a business letterhead. The individual's full postal address must also be requested.
- Partnerships - "LLP" must be added where applicable, otherwise the full names of one, two or more partners must be stated, followed by "trading as" (as above). If LLP is applicable the full correct business address, including postcode, must be stated, otherwise the full correct postal address(es), including postcode of the partner(s) should be stated.
- Limited companies - the name must include "Ltd" or "Plc". Invoices can be addressed to either the current registered office or to a place of business of the company. Evidence of their Limited Company Status and registered office must be obtained by requiring confirmation of the service request on their official letterhead
- Charities limited by guarantee - Companies which are charitable and also limited by guarantee can be exempted from using the term "Ltd" so, for example: "Oxfam" is a correct name. Evidence of their charitable status must be obtained by requiring confirmation of the service request on their official letterhead.
- Clubs run by a committee - the full name(s) and address(es) of the treasurer and / or the secretary, or the trustees must be stated.
- Trustees – the full name(s) and address(es) of the trustee(s) and the full name of the trust must be stated.
- Executors or Personal Representatives – must be addressed e.g. "Mr Peter Smith! Executor of James Brown Deceased or "Personal representatives of James Brown Deceased". The full postal address(es) of the executors/personal representatives must be stated.

88. An invoice should not be raised where:

- A purchase order or written agreement has not been received
- It cannot be proven that the goods and/or services have been supplied
- If the debt is already bad or doubtful

Payment Terms

89. The Council will collect monies owing to it fully and promptly in line with the Immediate payment terms as outlined on the invoice. The standard terms apply to all sundry debtor accounts raised by the Council and should not be deviated from unless with the prior approval of the Director of Finance (Section 151).
90. All requests from customers to enter into payment agreements must be referred to the Corporate Debt team regardless of the amount owed. The Corporate Debt team will set up and monitor all payment agreements.
91. Payment terms beyond the 30-day period will only be granted where a customer is not able to settle the debt in full in one payment.

92. The General Debt Recovery Team will withdraw payment terms if a debtor fails to maintain a payment agreement.

Accounting Arrangements

93. Services will receive the credit when an invoice is first raised.

94. Where debts cannot be recovered and the debt is written off, the original debt will be debited from directorate bad debt provision by way of a write off. All write offs will be considered in accordance with the Financial Procedure Rules and in accordance with the policy guidance in Appendix 5 to this policy.

95. All relevant information relating to an invoice (otherwise known as a proof of debt) should be kept until at least six years after it is first issued. If at the end of that six-year period the bill still remains unpaid but payments are being made, the supporting documentation should be retained until final settlement or write off of the debt.

96. Appropriate accounting arrangements will be put in place to ensure that the Council reclaims VAT from HMRC on a bad debt if:

- Goods/Services have been supplied and VAT has been accounted for and paid to HMRC (as output tax), but no payment (or only a part payment has been received, and
- The amount has, or is, about to be written off in the accounts, and
- Six months have elapsed from the later of the supply date and the time when payment was due, and
- The reclaim of VAT is made within three years and six months of the date the payment was due and payable or the date of supply.

97. Refunds for overpayments must be submitted by the Accounts Receivable Control Team to process and reconcile the refund request to control account and journals relating to the ledger code. Refunds will only be processed where there are no other debts outstanding and due from that customer.

98. All credit values of £1 or under will be transferred to the Councils Central Fund after the expiry of one financial year plus the current financial year. The same process will also be followed for any credit balances where General Debt/ Recovery/Accounts Receivable Control Team is unable to trace the debtor.

Dispute Resolutions

99. Where a customer disputes an invoice with the service, the service must notify the General Debt Recovery Debt team immediately to prevent the recovery process continuing. Equally, where a customer contacts the debt team rather than the service to dispute the invoice, the matter will be referred to the service responsible for raising the invoice and recovery will be held. Full notes and reasons for the dispute must be added to the customer's account.

100. To ensure the efficiency of debt collection and good customer service, all disputes must be resolved by the service responsible for raising the invoice within 20 working days of the dispute being raised. The General Debt Recovery Team must be notified of the outcome of the dispute.

101. A dispute is not resolved unless it meets one of the following conditions:

- Customer is correct and gets a full credit
- Customer is partly correct, gets a partial credit and accepts revisions
- Customer is not correct and accepts the charge

- Customer is not correct but does not accept the decision of the service and the service is prepared to support the commencement or continuation of recovery proceedings.
102. Where disputes are not resolved within 20 working days of the dispute being raised, outstanding disputes will be escalated to senior service manager within the service area initiating the invoice.
 103. Following a case referral to a senior service manager, if the service does not resolve the dispute or provide a viable reasons within a further 5 working days as to why the dispute cannot be resolved the disputed debt will be escalated to the relevant chief officer for review and resolution.
 104. For all unresolved disputes exceeding 35 working days, the General Debt Recovery team will raise a credit note to remove the debt from the system and reverse the income from the service. The service responsible for raising the invoice will be notified when this happens. It will then be the responsibility of the service for the re-raising of the invoice once the dispute is resolved, if appropriate.

Accounts subject to Recovery

105. Following the issue of invoices, unless there are payment agreement in place, reminders will be sent for all invoices unpaid or partly unpaid after 7 days past the invoice due date, i.e. day 37 after the invoice is raised.
106. If an invoice is still unpaid after a further 14 days of the invoice reminder being raised (i.e. day 51 after the invoice is raised), a further letter will be sent that explains to the customer the potential action of a referral to a debt collection agency or legal action through the County Council that may be considered by the Council
107. If, after a further 14 days, after the issue of the letter referred to in 7.2, an invoice is still unpaid (i.e. day 65 after the invoice in raised) the General Debt Recovery Ream will attempt to make telephone contact with the customer in an effort to resolve the matter. Where appropriate, payment agreements will be offered. If telephone contact cannot be made or contact is made but the customer does not wish to engage with the Council to resolve the matter, the General Debt Recovery Team will consider the most appropriate recovery route. Each case will be treated on its own merits, but the following guidance will normally be adhered to:
 108. Single or multiple debts up to £500 may be referred to the Councils contracted debt collection agents to collect the amount overdue if all previous attempts to secure payment have been unsuccessful. No additional fees will be added to the original debt.
 109. Single or multiple debts over £500 will be considered for action through the County Court if the originating service can provide the necessary supporting information to aid a successful prosecution.
 110. Consideration will be given not to take further recovery but only in cases where it is reasonable, economic and in the interests of Council Taxpayers to do so. In any case being considered for write off, the write off guidance in appendix 5 will be followed.
 111. In appropriate cases where County Court action is considered appropriate, any failure of services to provide supporting information to aid a successful prosecution will result in the General Debt Recovery Team raising a credit note to cancel the charge and the loss of income will be met by the service who raised the original invoice.
 112. For debts of £5,000 or more, the Council may also consider taking bankruptcy action through the courts if sufficient assets exist to meet the outstanding amount owing to the Council. Before such action is taken, the Council will always send a final letter inviting the customer to a pre-arranged meeting to make a payment agreement. Bankruptcy will be considered in line with the policy in Appendix 4.

113. In some instances, despite a County Court Judgement being obtained and enforcement action being taken, such action may, in some cases, fail to produce a payment towards some or all the debt due. In these circumstances, further action is limited and in these cases the invoice will be considered for write off in accordance with the write off guidance in appendix 5.

Credit Notes

114. There is a clear distinction between raising a credit note and writing off a debt.

115. A credit note to cancel or reduce a charge must only be issued to

- Correct a factual inaccuracy or administrative error in the raising of the original invoice
- Cancel an invoice where a dispute has not been resolved within 28 days
- Adjust the amount of debt due
- Cancel an invoice where the service is unable to provide sufficient documentary evidence to support the recovery of an outstanding invoice.

116. All credit notes must be supported by evidence that validates the reason for reducing or cancelling the invoice.

117. When raising credit notes, services must ensure that all information is fully completed, in the same way as invoices are raised, including:

- It must reflect an agreed reduction in value and be issued within one month of the agreement.
- Description of supply
- Rate and amount of VAT charged
- Total charge
- In addition, the invoice number and date of the original VAT invoice should be shown on the credit note.

Corporate Reporting and Monitoring

118. All Chief Officers will be issued with a monthly report to show debt levels outstanding within their portfolios. The reporting systems will show the breakdown of aged debt levels including a comprehensive breakdown of the invoices raised these within their services which remain outstanding.

119. In the interests of transparency and accountability, a half yearly report will also be presented to the chief officer's team showing debt levels across the organisation together with a full breakdown of aged debt levels within each portfolio.

Write Offs

120. The Council recognises that where a debt is deemed to be irrecoverable, especially after all recovery options have been considered and/or taken, prompt write off of such debts, including reclaiming of VAT from HMRC (where applicable) is appropriate and good practice in certain circumstances and in line with the policy in Appendix 5.

Appendix 4 - Bankruptcy Policy

Introduction

121. The Council is committed to using the most effective recovery methods available and this policy will ensure that the Council's very occasional use of bankruptcy is consistent and complies with all relevant legislation and best practice.
122. Council Tax and Business Rate regulations allow for debts over £5,000 to be considered for bankruptcy providing that Liability Orders have been obtained. For Sundry debts and Housing Benefit overpayments, bankruptcy proceedings may be taken against debtors who owe more than £5,000 where a County Court Judgement has been granted in respect of the debt.
123. The Council also recognises that serious nature of bankruptcy which may result in an insolvent person's property being vested in a trustee – someone who realises and distributes payment among the creditors in final settlement of their claims. The serious nature of this action cannot be underestimated as the consequences could result in a person losing their home and possessions, and be liable to pay a charge and statutory fees/costs associated with bankruptcy amounting to several thousand pounds
124. Given that the Council is not a preferential creditor for the purposes of bankruptcy there is no guarantee of a dividend being paid. The Council will only consider using bankruptcy as a last resort and final option and will take a cautious and diligent approach in deciding if bankruptcy is reasonable action to take.
125. Bankruptcy action takes place in the debtors local County Court with bankruptcy jurisdiction unless the debtor resides in London, in which case the action takes place in the High Court or the Central London High Court.
126. The Recovery Team will manage the administration of bankruptcy cases and proceedings in respect of Council Tax, Business Rates, Sundry Debt and Housing Benefit overpayments, with the assistance from Legal Officers in appropriate cases.

When bankruptcy Action may be taken

127. The Recovery Team may consider using bankruptcy proceedings in the following circumstances:
 - Where the debt exceeds £5,000 and the debtor appears to have sufficient assets or equity to ensure the debt is recoverable by the Official Receiver of the Insolvency Service or the Trustee in Bankruptcy.
 - Where the debtor is not prepared to make a payment agreement to clear the debt within a reasonable and acceptable timescale.
 - Where other methods of recovery are considered inappropriate or have failed and bankruptcy action, as a last resort, appears to be a fair and proportionate course of action.

Recording Information and Decisions

128. When the Council consider bankruptcy proceedings, a log of events will be maintained on the customer's account throughout the process to ensure that bankruptcy remains the most appropriate course of action.

129. Prior to commencing bankruptcy proceedings enquiries will be made of the Revenues and Benefit records to:
- Establish a debt history and whether any previous debts have been collected within a reasonable period by other means.
 - Ensure that all known benefits, discounts, and exemptions have been granted based on the information held
 - Establish whether, based on any information held, the debtor may be vulnerable or unable to deal with their day to day financial affairs or have had previous debts written off.
130. Contact will also be made with relevant portfolio to ascertain if the debtor is known to them and therefore may be vulnerable. If the debtor is currently receiving any care service further enquiries will be made with the key worker to establish if the debtor may be vulnerable by way of, for example, age, mental illness, serious learning difficulties or where it is known that the debtor is unable to deal with their own affairs. Should it be apparent the debtor has such difficulties then consideration will be given to whether the help of other agencies should be sought, and to the appropriateness of pursuing an alternative course of action, including the potential to write off in line with the policy in appendix 5.
131. If records held and enquiries with relevant Directorates do not indicate that the debtor may be vulnerable then enquiries will be made with a credit reference agency and the Land Registry to establish information about the debtor's financial standing and ownership of property and assets.
132. In the event that vulnerability is identified then details of the perceived vulnerability will be recorded. Further enquiries will then be made with the relevant support services within the Council together with possible referral to other advice agencies and to determine an alternative method of recovery.

Statutory Demand

133. Where a decision is taken to commence bankruptcy proceedings a formal 'statutory demand' for payment will be issued by the Council to the debtor and the service of the statutory demand upon the debtor is the first formal stage in bankruptcy proceedings.
134. Guidance on service requirements are set out in the Insolvency Proceedings Court Practice Direction. A letter will also be issued with the statutory demand setting out the intentions of the Council and what the debtor needs to do to comply with it.
135. The debtor will still have the opportunity to contact the Council, even at this stage and, depending on information supplied, it may still be possible to a short-term repayment arrangement. The debtor also has the right to apply to the County Court to have the Statutory Demand set aside.

Bankruptcy Petition

136. The Council may present a Creditors Bankruptcy Petition to the County Court within four months of service of the Statutory Demand Notice if the debtor has not complied with it, or if alternative payment arrangements cannot be agreed following the service of the Statutory Demand.
137. Prior to presentation of the Petition, further enquiries will be made all relevant Directorates to establish whether the debtor has become known to them during the recent process in which case the action will be reconsidered.
138. The Council is required to serve the Petition upon the debtor and guidance for service requirements are set out in the Insolvency Proceedings Court Practice Direction.

139. At this stage, the debtor is required to pay the debt in full before the hearing of the Petition at Court otherwise the Court will be asked to make a Bankruptcy Order. The Council will always support a short adjournment of the court proceedings if the debtor provides the court with evidence that they will be able to pay in full within a very short period.
140. If, between the Petition being presented to the Court and the hearing of the Petition, it becomes known that the debtor does not have the capacity to deal with the matter, then full consideration will be given to seeking an adjournment of the proceedings to enable both the debtor and the Council to obtain further advice.

Making of a Bankruptcy Order

141. If the Court awards a Bankruptcy Order, the Official Receiver of the Insolvency Service is immediately appointed Trustee in Bankruptcy.

Appendix 5 - Write Off Policy

Introduction

142. The Council recognises that where a debt is irrecoverable, prompt and regular write off of such debts is important so that the Council can budget for bad debts. An integral part of debt recovery is the effective management of bad debts to ensure that resources are applied efficiently to the collection of monies outstanding which can reasonably be expected to be collected.
143. The Council will seek to minimise the cost of write offs to the local taxpayers by taking all necessary and appropriate recovery action to recover what is due. All debts will be subject to the full collection, recovery and legal procedures and considerations as outlined in this Corporate Debt Recovery Policy.
144. Write offs will be carried out in accordance with the Councils Financial Procedure Rules, and only in cases where
- The demand or invoice has been raised correctly and is due and owing; **and**
 - There is a justified reason why the debt should no longer be pursued.
145. The Director of Finance has delegated authority to write off debts up to £24,999. All debts considered for write off in excess £25,000 will be referred to Cabinet member for Finance and Resources for approval.
146. Debts will normally only be considered for write off where the account is 'closed' and there are no reoccurring debts. Only in exceptional circumstances will amounts on 'live' and ongoing accruing debts be considered for write off. All such cases must demonstrate that further recovery will not achieve collection of the debt.
147. The Council will record all write off decisions.

Reasons for Write Off

148. Is it not possible to list every possible scenario which could make a debt suitable for write off, however the following reasons capture the main reasons why debts become irrecoverable:
149. Absconded / No Trace The debtor has left the address listed on the invoice/bill and all reasonable attempts, including using trace agents, to find the debtor have failed.
150. Deceased The debtor has passed away and there is evidence of in-sufficient or no funds in the deceased persons estate to pay the amount outstanding
151. Debt 'out of time' Debts over 6 years old and where a Liability Order has not been granted (Council Tax and Business Rates), or no contact has been made and no payments have been received (in accordance with the Limitation Act 1980 as amended).

Small Debts and debts

152. Uneconomical to pursue When all recovery processes have been tried or considered and where the cost of proceeding to recover would be cost prohibitive to the Council and to its taxpayers.
153. Debts subject to a Debt Relief Order Where debts owed to the Council are subject to and included in a Debt Relief Order and cannot be recovered.

154. Bankruptcy The debtor is declared bankrupt and sums due before the date of bankruptcy cannot be recovered.
155. Companies in Liquidation/ The Company is a Limited Company registered with Wound Up / Dissolved Companies House and no longer exists and there is Struck Off no means of recovering the debt.

Conditions for re-claiming VAT on Bad Debts

156. The Council will be entitled to a refund of VAT from HMRC on any bad debts (excluding Council Tax, Business Rates and Housing Benefit Overpayments) if the conditions prescribed below are met:
- Goods and services have been supplied and VAT has been accounted for and paid to HMRC but no payment (or only a part payment – see 3.4) has been received.
 - The debt has, or is, to be written off in the accounts and transferred to a bad debt account
 - The debt must not have been assigned
 - The debt has remained unpaid (or partly unpaid) for six months or more after the later of the date payment was due or the date of the supply of the goods or services
 - The re-claim of VAT is made within three years and six months of the later of the date payment was due or the date of the supply of the goods or services.
157. The Council is required, in accordance with HMRC guidance, to retain copies of all invoices and bad debt account details for a fixed period of six years
158. VAT on bad debts will be re-claimed on the monthly VAT return, ensuring that appropriate VAT codes are debited with the appropriate amounts to reduce the amount of the write off recorded against the appropriate bad debt provision for the relevant Directorate.
159. Where the Council is re-claiming VAT on debts where part payment is received, the entitlement to bad debt relief on VAT is based on the amount outstanding for the supplies made. For a single supply, where no payment is received, the amount of VAT accounted for can be reclaimed. If a part payment of the debt is received, a refund can only be claimed on the VAT relating to the amount still unpaid.
160. HMRC advise that payments should be allocated to the earliest supply made unless the customer specifies that a payment is for a particular supply and pays for that supply in full.
161. In bad debt cases where everything except the VAT element is paid, if the customer refuses to pay the VAT element of an invoice and this is the only element outstanding, relief is limited to the VAT element of the total debt outstanding. For example, if the charge was £100 (which was paid) and £20 VAT remains outstanding, the Council is entitled to re-claim VAT of £3.33 (i.e. 1/6 of £20).
162. Any bad debt relief claimed on sales must be at the same rate of VAT as used for those sales, that is, 20% from 4 January 2011, 17.5% from 1 January 2010 to 3 January 2011 and 15% from 1 December 2008 to 31 December 2009.
163. If VAT is re-claimed on a bad debt and a payment is later received from the customer, the VAT element included in the payment must be paid over to HMRC in the tax period in which the payment is received.
164. For any technical queries on VAT treatment of invoices please refer to the Council's Tax Advisor.

Revenues and Benefits Service
Council Tax Award of Discount Policy

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1. The Local Government Finance Act 1992 provides Local Authorities with the necessary powers to reduce Council Tax by awarding discounts where specific prescribed circumstances prevail.

Each Local Authority has the right to set the level of empty property discounts to be levied on Council Tax accounts in their area.

General principles/ regulations

2. Section 11(A) of the Local Government Act 1992, introduced by Section 75(1) of the Local Government Act 2003 gives Local Authorities the flexibility to determine what, if any, discounts should be applied to empty properties.
3. Section 11B of the Local Government Finance Act 1992, introduced by Section 12 of the Local Government Finance Act 2012, allowed for Local Authorities to charge an amount for Council Tax where properties have remained empty and unfurnished for a period of 2 years or more. The charges were further amended by the Rating (Properties in Common Occupation) and Council Tax (Empty Dwellings) Act 2018. This is known as an 'Empty Homes Premium' and the charges are shown in Section 3 below.
From 01 April 2024 based on the recent Levelling up and Regeneration Bill of 2022 a further amendment to this section of the Local Government Finance Act will allow for Local Authorities to charge an amount for Council Tax where properties have remained empty and unfurnished for a period of 1 year or more.
The Bill also recognises the impact that high levels of second home ownership can have in some areas and will introduce a new discretionary council tax premium on second homes of up to 100%.

Processes for services / providers

4. The purpose of this policy is to outline the level of discount that Sandwell has resolved to apply under the regulations highlighted in Section 2 above.
5. Discounts will be applied based on information received, Council Tax accounts will be updated, and revised bills issued accordingly.

The level of Council Tax discounts

Empty but furnished property

6. Properties which are unoccupied but furnished:
7. No discount is applied which means an empty furnished property has a full 100% Council Tax charge levied.
8. 100% Council Tax is payable from the date a property becomes empty but furnished, regardless of any change in ownership.
9. This 0% discount is known as a 'Prescribed Class B' (or 'PCLB') discount

10. From 01 April 2025 (following 12 month advanced notice)
11. Properties which are unoccupied but furnished:
12. No discount is applied which means an empty furnished property has a full 100% Council Tax charge levied.
13. A second home premium will also be applied to these properties and will therefore attract an additional 100% charge
14. 200% council tax is payable from the date a property becomes empty but furnished, regardless of any change in ownership.

Empty & unfurnished property

15. Properties which are unoccupied and unfurnished:
16. No discount is applied which means an empty & unfurnished property has a full 100% Council Tax charge levied.
17. 100% Council Tax is payable from the date a property becomes empty and unfurnished, regardless of any change in ownership.
18. This 0% discount is known as a 'Prescribed Class C' (or 'PCLC') discount
19. After two years, prior to the 1st April 2024 additional premiums for long-term empty homes will apply. (See below)
20. From the 1st April 2024 these additional premiums will now apply after one year

Uninhabitable property

21. Properties which are uninhabitable:
22. No discount is applied which means uninhabitable property has a full 100% Council Tax charge levied.
23. 100% council tax is payable from the date a property becomes empty and uninhabitable, regardless of any change in ownership.
24. This 0% discount is known as a 'Prescribed Class D' (or 'PCLD') discount
25. The maximum length of this discount is one year, after which, if it is empty and unfurnished, it will change to a 0% Prescribed Class C discount (100% charge)
26. After two years, prior to the 1st April 2024 additional premiums for long-term empty homes will apply.
27. From the 1st April 2024 these additional premiums will now apply after one year.
28. Some exceptions will apply once confirmed by the government

Long term empty property - 'Empty Homes Premium'

29. Prior to 1st April 2019, properties which had been empty and unfurnished for two years or more were charged an additional 50% 'empty premium' which generated a Council Tax charge of 150%. During the period 1st April 2019 and 31st March 2024 properties which are empty and unfurnished for two years or more are charged an additional 100% 'empty premium' which generates a Council Tax charge of 200%.
- From 1st April 2024 onwards, a 100% 'premium' will apply to homes empty over 1 year, generating a Council Tax charge of 200%.
 - From 1st April 2020 onwards, a 200% 'premium' applies to homes empty for over 5 years, generating a Council Tax charge of 300%.
 - From 1st April 2021 onwards, a 300% 'premium' applies to homes empty for over 10 years, generating a Council Tax charge of 400%.

The appropriate premium shall apply in all cases 2, 5 or 10 years from the date the premises first became empty.

Some exceptions will apply to the additional charge after 12 months and these are to be confirmed by the government.

Appeals

30. Liable parties can appeal under S16 of the Local Government Finance Act 1992) if they disagree with either:
- the decision to treat a property as empty and hence apply empty property charges on a particular account based upon facts of that *individual case*; and/or
 - the levy of an Empty Homes Premium on a particular account based upon facts of that *individual case*
31. In the case of an individual appeal under S16 of the Local Government Finance Act 1992, appeals should initially be made in writing to Sandwell MBC. If still aggrieved, appeals may be made to the Valuation Tribunal Service.
32. However the principle itself of applying 0% discount on empty property and/or the levy of Empty Homes Premium charges in Sandwell is *not* open to general appeal as it is the resolution of the Council and as such can only be appealed via Judicial Review

Policy Review

33. This policy will be reviewed on an annual basis.

Equalities

34. This policy has been produced in line with the Council's obligation to the Public Sector Equality Duty provided by the Equality Act 2010. No adverse impact on any protected characteristic has been identified as a result of this policy.

Revenues and Benefits Service
Council Tax Discretionary Reduction Policy
(Under S13a 1C of the Local Government Finance Act 1992)

Meeting Ambition 10

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1. Section 13a 1C of the Local Government Finance Act 1992 allows the Council to reduce the amount of Council Tax payable.
2. Legislation does not dictate the circumstances in which reductions apply and therefore the Council must use discretion in deciding whether or not to use these powers.
3. The Council is required to pay for any awards applied under this legislation out of its own funds and therefore awards must meet the underlying principal of offering value for money to tax payers.

General principles / regulations

4. Section 13a (1c) of the Local Government Finance Act 1992 (as amended by section 76 of the Local Government Act 2003) gives power to a Billing Authority (the Council) as below:
 - Where a person is liable to pay Council Tax in respect of any chargeable dwelling for any day, the Billing Authority for the area in which the dwelling is situated may reduce the amount which he is liable to pay as respects the dwelling and the day to such extent as it thinks fit.
 - The power under subsection (1) above includes power to reduce an amount to nil.
 - The power under subsection (1) may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination.

Process for services

4. Policy overview
5. The purpose of this policy is to outline the conditions that should be satisfied in order for Sandwell MBC to consider a reduction under section 13A (1c) of the Local Government Finance Act 1992.
6. The policy is intended to enable the Council to provide a reduction to those people in need of help due to severe financial hardship and those most vulnerable residents.
7. Each case will be treated strictly on its own merits in accordance with the criteria and process laid down by the Council.

8. The features of the Sandwell's Section 13A (1c) policy are that:
- It is a discretionary reduction - There is no statutory right for any council taxpayer to receive a discretionary reduction.
 - The operation of the reduction is for the Council to determine
 - The Council may choose to vary the way in which funds are allocated according to community needs
 - If the applicant is dissatisfied with any decision taken on a claim that they have made they can ask for a review/make an appeal in line with Section 3.4 of this Policy
9. Where the scheme relates to a Government Scheme, as referenced but not limited by Section 3.2, the features of the scheme will be as defined by Government or, where local discretion is allowed, as defined by the Council for that specific instance.
10. Requests for Council Tax Discretionary reduction in liability should be made by contacting the Council to discuss your circumstances. We will issue a 'Section 13A' application form where appropriate, which should then be completed and submitted to the Revenue and Benefits Service.

Criteria for using powers

11. Each application shall include the following information:
- The amount of reduction being requested
 - The reason for the request (i.e. why is the reduction needed)
 - The period of time the reduction is required (e.g. the full financial year, part of a financial year or some of that period of time)
 - The steps that have been taken to meet or mitigate the Council tax liability (i.e. any other discounts or reductions awarded)

Section 3.2 Circumstances where reduction will be considered

Exceptional Financial Hardship

12. In accordance with Schedule 1a of the Local Government Finance Act, the Council has a Council Tax Reduction Scheme which provides support, through a discount, to those deemed to be in need of financial help. The Scheme has been designed to take into account the financial and specific circumstances of individuals through the use of applicable amounts, premiums and income disregards.

13. Applications will be accepted under this part of the policy from people who have qualified for support under the Council Tax Reduction Scheme but who are still experiencing severe financial hardship. Other taxpayers may also apply; however the Council would normally expect the taxpayer to apply for Council Tax Reduction in any case where there is potential entitlement.

14. As part of the process of applying for additional support, the taxpayer must supply evidence to substantiate their application including but not limited to:

- Making a separate application for assistance.
- Providing full details of their income and expenditure.
- Being able to satisfy the Council that they are not able to pay their Council Tax either in part or full.
- Accepting assistance from either the Council or third parties such as the Citizen Advice (CA) or similar organisations to enable them to manage their finances more effectively including the termination of nonessential expenditure;
- Identifying potential changes in payment methods and arrangements to assist the applicant.
- Assisting the Council to minimise liability by ensuring that all discounts, exemptions and reductions are properly granted.
- Being able to demonstrate that all reasonable steps have been taken to meet their full Council Tax liability including applications for employment or additional employment, alternative lines of credit.
- Having no access to assets that could be released and used to pay their Council Tax.
- Maximising their income through the application for other welfare benefits, cancellation of non-essential contracts and outgoings and identifying the most economical tariffs for the supply of utilities and services generally.

15. The Council will be responsible for assessing applications against this policy and an officer will consider the following factors in the decision-making process:

- Current household composition and specific circumstances including disability and/or caring responsibilities.
- Current financial circumstances.
- Determine what action(s) the applicant has taken or needs to take to alleviate the situation.
- Consider alternative means of support that may be available to the applicant by:
 - Re-profiling council tax debts and/or other debts.

- Applying for a Discretionary Housing Payment for Housing Benefit (where applicable);
 - Maximising other benefits.
 - Reducing Council Tax debt by way of any applicable reductions
 - Council Tax Support (CTR)
 - Council Tax statutory exemptions
 - Council Tax discounts
 - Council Tax reductions for disabilities
 - Determining whether in the opinion of the decision maker the spending priorities of the applicant should be re-arranged.
- Requests can be made at any time, however the reduction will generally be awarded from the date the council identifies that the conditions for the discount are met or from the 1st April of the current financial year, whichever is later.
 - Where extenuating circumstances are identified, the reduction may be backdated into a previous financial year.

Crisis – subsidence, fire etc.

16. The Council will consider requests for reduction from council tax payers who, through no fault of their own, have experienced a crisis that has made their property uninhabitable, such as a fire, subsidence, flooding caused by burst pipes etc.
17. This discount no longer relates to weather related flooding, which is now covered by a specific government scheme
18. To be considered, the resident must remain liable to pay council tax at the property. They must have no recourse to compensation/ insurance payments, nor have recourse to any statutory exemptions or discounts.
19. All such requests must be made in writing detailing the exact circumstances of why the reduction is required and specifying when the situation is expected to be resolved.
20. In order to consider applications the council may need to consult with other organisations as appropriate.

Government Schemes

21. From time to time Government may introduce a specific scheme in response to an event such as a natural disaster (e.g. flood relief schemes).
22. The Council will not consider requests from taxpayers where government guidance or policy provides for a reduction in liability in specific circumstances.

Care Leavers

- The Council will consider granting a discount of up to 100% for care leavers aged from 18 to 25.
 - The relief will be granted whether the resident care leaver is jointly liable with another person.
 - The discount will also apply to qualifying care leavers living in Houses of Multiple Occupation; however the Council would expect the landlord to evidence that they have reduced the rent for the care leaver accordingly. If not, any care leaver discount awarded may be removed from the landlord's Council Tax account
 - This award will offer help to young people whose only support is from the Council by relieving some of the initial financial pressure felt when moving into independent accommodation and having to pay Council Tax for the first time.
 - This reduction would sit alongside a number of other financial arrangements available to care leavers.
 - Applications will only be considered where the following criteria is met and evidenced:
 - Sandwell Metropolitan Borough Council must have been the corporate parent of the individual until they reached the age of 18. If a young person meets the qualifying status post 18 years of age, they will also be considered for this reduction.
 - A number of care leavers will be entitled to Council Tax Reduction & this must be claimed before any discretionary reduction is applied.
 - If the care leaver moves out of Sandwell and subsequently returns, they will be entitled to a reduction for any period they are liable for Council Tax in Sandwell as long as the other conditions are satisfied.
23. The amount and period of reduction will be as follows:
- A maximum discount of up to 100% may be awarded to any care leaver between the ages of 18 and 25 living in Sandwell.

- A discount of 25% will be awarded if the care leaver lives with another person who is not a care leaver
- A discount of 100% will be awarded if the care leaver lives alone, or lives with another person who is also a care leaver
- The reduction will only be applied after any other qualifying reliefs/ discounts have been awarded. If there is still an amount owing at this point discretionary relief will be awarded to ensure that nothing is payable.
- The reduction can be backdated to the 1 April of the financial year in which either an application for a discount is received or the council identifies that the conditions for the discount are met.
- The reduction can be backdated prior to that date if deemed appropriate.
- Where the liability started after the 1 April of that financial year, then reduction will be awarded from the date the liability started

Tenants in Houses of Multiple Occupation

24. On 01 December 2023 the Government announced changes to regulations for Houses of Multiple Occupation to ensure they are valued as a single dwelling, however, it is recognised that some tenants may have suffered financial hardship as a result of Council Tax being charged on individual rooms.
25. In cases where the property has been re-banded into multiple bands, tenants may be unaware about the change in their council tax liability and may be in arrears.
26. In such circumstances, the Council may consider using the discretionary powers under section 13A(1)(c) of the Local Government Finance Act 1992 to apply a discount to tenants' liability.
27. All such requests must be made in writing detailing the exact circumstances of why the reduction is required and the Council will make the necessary investigations into the individual's financial situation.

Other Circumstances

28. The Council may consider discretionary reduction requests based on other circumstances, however the Council must be of the opinion that the circumstances relating to the request warrant further reduction in their liability for Council Tax having regard to the effect on other Council Tax payers.
29. No reduction will be granted where any statutory exemption or discount could be granted.
30. No reduction will be granted where it would conflict with any resolution, core priority or objective of the Council.

Period of Award

31. Reduction in liability will commence from the date of application or the date when the need for financial help arose. Any reduction allowed will generally only apply in the current financial year and hence the earliest start will be 1st April of the existing financial year in which the request was received, unless good cause can be shown as to why an application was not made sooner, or there are extenuating circumstances that warrant a backdate of the reduction into a previous year.
32. The reduction will end on either the last day of the current financial year or the date on which the need for the reduction was removed, whichever date is earlier.

Administration

Responsible Officers

33. The responsibility for making discretionary decisions will rest with the Director of Finance.
34. The Revenues and Benefits Service will liaise with the customer in each case to obtain sufficient evidence and information (in line with the criteria as laid out in this policy) to make a decision in their case.

Decision making process

35. The Council will decide every application for a reduction in liability where the customer has satisfied the required criteria as laid out in this policy.
36. The decision-making process will involve:
 37. Stage1: The Revenues and Benefits Service Manager making a recommendation to the Director of Finance, having considered each case on 'its merits' against the information provided by the customer.
 38. Stage 2: The Director of Finance will decide whether to apply the reduction to reduce the charge accordingly.

Changes of circumstances

39. The customer has a duty to notify the Council where a change in circumstance would affect the granting of the reduction.

Notification

40. The Council will notify a customer of any entitlement to a reduction within 14 days of receiving sufficient information to make a decision.
41. The Council will notify a customer of any changes to entitlement within 14 days of receiving sufficient information to make a decision.

The right to seek a review and appeals

42. Appeals against the Council's decision may be made in accordance with Section 16 of the Local Government Finance Act 1992.
43. The Council Taxpayer must in the first instance write to the Council outlining the reason for their appeal. Once received the Council will reconsider its decision and notify the Council Taxpayer accordingly.
44. Where the Council Taxpayer remains aggrieved, a further appeal can then be made to the Valuation Tribunal. This further appeal should be made within 2 months of the decision of the Council not to grant any reductions. Full details can be obtained from the Councils website or from the Valuation Tribunal <http://www.valuationtribunal.gov.uk>

Notification of review/re-determination of decision

45. The Council will aim to notify a customer of its decision within 14 days of receiving a request for a review/re-determination.

Payment of Award

46. All awards will be made by crediting the award value to the Council Tax account to which it applies.
47. If by crediting the award, the account moves to an overall credit balance, a refund of that balance will be considered in the normal manner.

Overpayment of reduction

48. If the council becomes aware that the information contained in an application for a reduction was incorrect, or that relevant information was not declared (either intentionally or otherwise) the Council may seek to recover the value of any award made as a result of that application.
49. The award will be removed from the relevant Council Tax account and any resulting balance will be subject to the normal methods of collection and recovery applicable to such accounts.

Fraud

50. The Council is committed to protecting public funds and ensuring funds are awarded to the people who are rightfully entitled to them.
51. An applicant who tries to fraudulently claim a reduction by falsely declaring their circumstances, providing a false statement or evidence in support of their application, may have committed an offence under The Fraud Act 2006.
52. Where the Council suspects that such a fraud may have been committed, this matter will be investigated as appropriate and may lead to criminal proceedings being instigated.

Complaints

53. The Council's 'Compliments and Complaints Procedure' (available on the Councils website) will be applied in the event of any complaint received about this policy.

Policy review

54. The policy will be reviewed annually by the Revenue and Benefits Service, or sooner if appropriate, to take account of operational adjustments and or changes to legislation.

Equalities

55. This policy has been produced in line with the Council's obligation to the Public Sector Equality Duty provided by the Equality Act 2010. No adverse impact on any protected characteristic has been identified as a result of this policy.
56. However, due to the discretionary nature of decision making the Revenues and Benefits Service will randomly sample decisions made to ensure consistency.

Revenues and Benefits
Service Flood Relief Policy

Meeting Ambition 10

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Introduction

1. In a severe weather event with significant wide area impacts, local authorities may need central support to help their communities and businesses return to normal.
2. Section 13a 1c of the Local Government Finance Act 1992 allows the Council to reduce the amount of Council Tax payable and Sandwell's existing Discretionary Policy provides for assistance where flooding occurs in a one-off situation.
3. In December 2017 the government introduced a Flood Recovery Framework which provides local authorities in England with a core package of business and community recovery support.
4. The government will decide when this support will be made available as weather incidents with localised impact will not usually trigger a recovery support package. Funding might typically be deployed when facing severe weather which impacts multiple numbers of local authorities, such as those where nationwide storms take place.
5. This policy is provided to ensure the Council is prepared should a core scheme be activated and will allow suitable preparations to be made in respect of planning for flood events.

General Principles / regulations

6. The core package introduced through the Flood Relief Framework comprises of the following schemes:
 - Community recovery grant
 - Business recovery grant
 - Council Tax discount scheme
 - Business Rates relief scheme
7. If the government instruct the Council that a core scheme is activated any upfront funding provided will be distributed based on the initial estimated numbers of eligible households and businesses reported by the authority.

Community recovery grant

8. Scheme Overview
9. A £500 grant will be paid to the Council for each eligible household badly affected by the relevant weather event. Authorities will be expected to pass these grants directly onto eligible households.
10. Funding will be paid to Council's via Section 31 grant based on the number of households estimated to be eligible.

11. Eligible Households
12. Primary residences – Households whereas a result of the relevant weather event flood water entered the habitable areas of the residence or
Flood water did not enter into the habitable areas, but the Council regards that the residence was otherwise considered unliveable for any period of time.
13. Second homes, empty homes and student accommodation are not eligible under the scheme.
14. HMO's should be considered 'one front door' except where they are separated for Council Tax purposes and blocks of flats should be treated in the same way.

Business recovery grant

15. Scheme Overview
16. A £2500 grant will be paid to the Council for each eligible business to help support recovery in the aftermath of a severe weather event. Authorities will be expected to pass these grants directly onto eligible businesses.
17. Funding will be paid to Council's via Section 31 grant based on the number of businesses estimated to be eligible.
18. The scheme covers small and medium sized businesses within flooded areas. Where larger businesses have been seriously affected this should be discussed as early as possible with the Council's MHCLG Recovery Liaison Officer and DLUHC. Councils should consider any other ways in which it can help larger businesses.
19. Eligible Businesses
20. Small and medium sized businesses:
 - Directly impacted by the weather event, for instance where there was flood damage to the property, equipment, and/or stock, or;
 - Indirectly impacted by the weather event and as a result of flooding have directly suffered a loss of trade. This might apply where for instance there was flood damage to the property, equipment and or stock or the business has no/restricted access to premises, equipment or stock, restricted access to customers, suppliers and/or staff.
21. Funding should not be used to reward poor business practice or for routine expenses or costs that are recoverable elsewhere.

Council Tax discount scheme

22. Scheme Overview
23. Local authorities have discretion to reduce Council Tax liability under S13A 1C where the Flood Relief Scheme is activated following severe weather. The following discounts can be applied and will be refunded back to the Council by DLUHC:

24. 100% discount for a minimum of 3 months or while anyone is unable to return home if longer for primary residences whereas a result of the relevant weather event:
- Flood water entered into the habitable areas or;
 - Flood water did not enter the habitable areas but the local authority regards that the residence was otherwise considered unliveable for any period of time
25. And
- 100% Council Tax reduction on temporary accommodation for anyone unable to return to their home, in parallel with the discount on their primary residence where applicable.
26. Funding will be paid to Council's via Section 31 grant and will typically be paid retrospectively considering actual spend at the end of the financial year.
27. Eligible Households
28. Primary residences – Households whereas a result of the relevant weather event flood water entered the habitable areas of the residence
29. Unliveable households may be determined based on the guidelines below:
- Where access to the property is severely restricted (e.g. upper floor flats with no access);
 - Key services such as sewage, drainage and electricity are severely affected;
 - The adverse weather has resulted in other significant damage to the property such that it would be, or would have been, advisable for residents to vacate the premises for any period of time, regardless of whether or not they actually vacate;
 - Flooded gardens or garages will not usually render a household eligible but there may be exceptions where it could be demonstrated that such instances mean effectively that the property is unliveable
30. Residences impacted in multiple flood events can receive repeat support where it is made available by the government in respect of separate weather events.
31. Where the scheme is activated concurrently for two separate instances of flooding within 3 months of each other, the two discount periods would run concurrently.

Business rate relief scheme

32. Scheme Overview
33. Where the Business Rates Relief Scheme is activated following severe weather the government will provide funding up to State Aid de minimus levels for eligible authorities to grant 100% rate relief of three months, or until the business is able to resume trading from the property if longer.
34. Funding will be paid to Council's via Section 31 grant and will typically be paid retrospectively in light of actual spend at the end of the financial year.
35. Eligible Businesses

- The hereditament was directly impacted by the relevant weather event, for instance flood damage to the property, equipment, and/or stock; or the business could not function due to lack of access to premises, equipment and/or stock as a result of the relevant weather event, and no alternatives were available

36. And

- Business activity undertaken at the hereditament is adversely affected as a result; and
- The rateable value of the hereditament is less than £10 million

37. Hereditaments occupied by the Billing Authority are not eligible.

38. In considering whether the business activity has been adversely affected the Council should consider the impact of the flooding in the full context of all business activities undertaken at the hereditament. Very small or insignificant impacts should not be considered for this scheme.

39. The Council could decide to offer further discretionary discounts outside of this scheme.

40. The relief should be calculated ignoring any prior year adjustments in liabilities which fall liable on the day.

41. Ratepayers that occupy more than one property may be granted relief within the scheme for each of their eligible properties.

42. Businesses impacted in multiple flood events can receive repeat support where it is made available by the government in respect of separate weather events.

43. Where a new hereditament is created as a result of a splits or merger from a hereditament which for the day immediately prior to the split or merger met the criteria for the scheme, funding will be provided to allow relief to be given for the remaining balance of the three months.

44. If the ratepayer in a hereditament changes the relief will continue to be given.

45. Hereditaments empty at the time it was flooded will not qualify for a payment via this scheme. If it becomes empty after the flood, then it will receive the normal 3 or 6 months empty property rate free period or will continue to receive the balance of the flooding relief.

46. Where a seriously damaged property is taken out of the rating list it is not liable for business rates. Once the property returns to the rating list it may be eligible for any remaining period of flood relief.

Scheme Administration

47. Responsible Officers

48. The Revenues and Benefits Service will primarily oversee the award of grant payments applicable to any of the schemes and reductions in Council Tax and Business Rates as detailed in this policy.
49. Decision making process
50. The government will determine when a severe weather event has taken place and in turn when the Flood Recovery Framework applies.
51. Where an extended recovery period is anticipated, DLUHC Recovery Liaison Officers will take over from DLUHC Government Liaison Officers to act as a single point of contact between local authorities and central government for the duration of the recovery period.
52. The Council's designated Liaison Officer should be informed of any property, infrastructure or wider impacts that may be cause for concern to aid cross-government discussions around the need for particular recovery support.
53. Decision making process
54. The Council will notify a customer of any entitlement to a grant or relief within 14 days of receiving sufficient information to make a decision.
55. The Council will notify a customer of any changes to entitlement within 14 days of receiving sufficient information to make a decision.
56. Reviews and re-determination of a decision
57. The Council will investigate any challenges against decisions made in respect of the scheme and will aim to notify a customer of its decision within 14 days of receiving a request for a review/redetermination.
58. Payment of Awards
59. Awards payable through Community Recovery Grant or Business Recovery Grant Schemes will be made payable through the Councils electronic finance systems into customer bank accounts.
60. Awards payable through the Council Tax Discount and Business Rate Relief Schemes will be made by crediting the award value to the Council Tax or Business Rates account to which it applies.
61. Overpayment of Awards
62. If the council becomes aware that the basis of information received to pay a grant or relief was inaccurate or incorrect or that relevant information was not declared (either intentionally or otherwise) the Council may seek to recover the value of any award.
63. Awards will be removed from the relevant Council Tax or Business Rates account and any resulting balance will be subject to the normal methods of collection and recovery applicable to such accounts.

64. Fraud
65. The Council is committed to protecting public funds and ensuring funds are awarded to the people who are rightfully entitled to them.
66. An applicant who tries to fraudulently claim a relief by falsely declaring their circumstances, providing a false statement or evidence in support of their application, may have committed an offence under The Fraud Act 2006.
67. Where the Council suspects that such a fraud may have been committed, this matter will be investigated as appropriate and may lead to criminal proceedings being instigated.
68. Complaints
69. The Council's 'Compliments and Complaints Procedure' (available on the Council's website) will be applied in the event of any complaint received about this policy.

Policy review

70. This policy will be reviewed annually by the Revenue and Benefits Service, or sooner if appropriate, to take account of operational adjustments and or changes to legislation.

Equalities

71. This policy has been produced in line with the Council's obligation to the Public Sector Equality Duty provided by the Equality Act 2010. No adverse impact on any protected characteristic has been identified as a result of this policy.
72. However, due to the discretionary nature of decision making the Revenues and Benefits Service will randomly sample decisions made to ensure consistency.

Revenues and Benefits Service
Discretionary Housing Payment Policy (DHP)

Meeting Ambition 10

Policy Statement

1. Sandwell MBC's objective is to treat every application for a Discretionary Housing Payment (DHP) on its individual merits.

Introduction

2. Discretionary Housing Payments were introduced in July 2001 and the Local Authority is responsible for administration of the DHP scheme.
3. A DHP may be awarded where the Local Authority determines that a Housing Benefit or Universal Credit claimant requires further financial help towards their housing costs.
4. A DHP can be awarded to help cover:
 - Shortfalls between the rental liability and payment of Housing Benefit or payment of Universal Credit (Housing element)
 - One off DHP award to help towards removal costs
 - One off DHP award to help with rent deposits
 - One off DHP award for rent in advance.
5. Effective operation of the DHP scheme contributes to Sandwell Councils 2030 vision.

General principles/ regulations

6. The Discretionary Financial Assistance Regulations 2001 (SI 2001/1167) ensures the DHP scheme covers the introduction of Universal Credit.

Process for services

7. The purpose of this policy is to specify how Sandwell Revenues and Benefits Service will operate the scheme and to indicate some of the factors that will be considered when deciding if a DHP can be awarded. Each case will be treated strictly on its own merits and all claimants will be treated equally and fairly when the scheme is administered.
8. The Revenues and Benefits Service is committed to working with the local voluntary sector, social landlords and other interested parties in the Borough to maximise entitlement to all available state benefits and this will be reflected in the administration of the DHP scheme. The Revenues and Benefits Service operates within the Council's anti-poverty strategy and is committed to the equitable operation of a DHP scheme.

Statement of objectives

9. The Revenues and Benefits Service will consider making a DHP to all claimants who meet the qualifying criteria as specified in this policy. In administering the scheme, the Revenues and Benefits Service will give consideration to the guidance produced by the Department for Work and Pensions. The Revenues and Benefits Service will treat all applications on their individual merits and will seek through the operation of this policy to:
- Alleviate poverty
 - Support vulnerable young people in the transition to adult life
 - Help and encourage residents to sustain and maintain housing
 - Prevent and reduce homelessness
 - Keep families together
 - Support the vulnerable in the local community to maintain their health and wellbeing
 - Support disabled people living in significantly adapted accommodation – including any adaptations made for disabled children; and foster carers, whose housing benefit is reduced because of a bedroom being used by, or kept free for, foster children
 - Help claimants through personal crisis and difficult events
 - Assist persons within the area who qualify for Housing Benefit or Universal Credit Housing Element to move or obtain premises more suitable to their requirements
 - Support people affected by welfare reform changes.
10. The Revenue and Benefit Service considers that the DHP scheme should be short-term financial assistance. It is not and should not be considered as a long-term solution for any current or future entitlement restrictions set out within the Housing Benefit or Universal Credit Legislation.

Main Features of the DHP scheme:

- The scheme is discretionary. A claimant may be entitled if Housing Benefit or Universal Credit (Housing Element) is in payment.
- The amount that can be paid out by the Local Authority in any financial year is cash-limited by the Secretary of State.
- DHP's are not a payment of Housing Benefit / Universal Credit. However, the claimant must have an entitlement to Housing Benefit / Universal Credit (Housing Element) for the weeks that a DHP is being considered for
- There is a need for financial assistance.
- The claimant must reside in Sandwell.

DHP scheme cannot cover:

11. The following elements of a claimant's rental charge or shortfall in Housing Benefit / Universal Credit (Housing Costs) that cannot be met by a DHP are:

- Ineligible charges: service charges that are not eligible for Housing Benefit/Housing Costs cannot be covered by a DHP.
- Sanctions and reductions in benefit.
- Suspended payments of Housing Benefit / Universal Credit Housing Costs element
- Shortfalls caused by Housing Benefit / Universal Credit Housing Costs overpayment recovery.
- Universal Credit reclaims of payments on account
- Council Tax Reduction.

What is a shortfall

12. A shortfall between the rental liability and payment of Housing Benefit or payment of Universal Credit (Housing element) can occur due to:

- The rent determined by the Rent Officer / Local Housing Allowance being lower than the claimant's eligible rental liability
- Under occupation charge being applied due to the size of the claimant's household
- Reduction in Local Housing Allowance rates for under 35's
- The 65 per cent taper being applied to a claimant Housing Benefit entitlement
- A non-dependant deduction being made to the claimant's eligible rent
- The Benefit Cap has been applied
- The Family Premium being removed (From April 2016)
- The limitation of dependant's addition being applied (from April 2017)
- Where the claimant can demonstrate that they are unable to meet the housing costs from their available income

How to Claim a DHP

13. A claim for a DHP must be made via the online claim form on www.sandwell.gov.uk. Verification of information will normally be required.

Commencement of a DHP Award

14. The start date of an award is determined by the Revenues and Benefits Service and can be either:

- The date that the claim for a DHP is received by the Revenues and Benefits Service.
- The date on which the need arose upon request from the customer.

Period of a DHP Award

15. In all cases, the Revenues and Benefits Service will decide the length of time for which a DHP will be awarded based on the evidence supplied and the circumstances of the claim.
- The minimum period for which the Revenues and Benefits Service will award a DHP is one week.
 - The Revenues and Benefits Service will usually award a DHP for not less than 3 months or 13 weeks where it is to meet a shortfall.
 - The Revenues and Benefits Service will not normally award a DHP for a period exceeding 12 months.
 - Where a claimant is disabled, living in specially adapted accommodation the Revenues and Benefits Services recognise that it may be appropriate to make long-term DHP awards, exceeding 12 months

Award a DHP

16. Decisions regarding an award of DHP will be reported to the Director of Finance.
17. In deciding whether to award a DHP, the Revenues and Benefits Service will consider the following:
- The shortfall between Housing Benefit/Universal Credit housing costs element and the rent liability
 - Any steps taken by the claimant to reduce their rental liability
 - The financial and medical circumstances (including ill health and disabilities) of the claimant, their partner and any dependants and any other occupants of the claimant's home
 - The income and the essential expenditure of the claimant, their partner and any dependants or any other occupants of the claimant's home
 - Any savings or capital that might be held by the claimant and/or partner
 - The level of indebtedness of the claimant and/or partner
 - The nature of the claimant's and/or partner's circumstances
 - The amount allocated up to the cash limit set by the Secretary of State at the time of the application
 - Any other special circumstances brought to the attention of the Revenues and Benefits Service.
18. When calculating the claimant's and partner's income Disability Living Allowance (both care and mobility components), Attendance Allowance, Personal Independent Payments and Carers Allowance will be fully disregarded.

19. The Revenues and Benefits Service will decide how much to award based on the individual circumstances. This may be an amount below the difference between the rent liability and the Housing Benefit/Universal credit housing costs element.
20. An award of a DHP does not guarantee that a further award will be made at a later date even if the claimant's circumstances have not changed.

Change in Circumstance

21. The claimant has a duty to notify the Revenues and Benefits Service of any change in their circumstances. They must report the change as soon as possible and not later than one month from the change occurring.
22. The Revenues and Benefits Service can revise a DHP award to take account of a change in circumstances at any time whether to the advantage or disadvantage of the claimant.

Payment of DHP

23. The Revenues and Benefits Service will decide the most appropriate person to pay based upon the circumstances of each case. This could include paying:
 - The claimant
 - Their partner (if resident in the household)
 - An appointee
 - Their landlord (or an agent of the landlord)
 - Any third party to whom it might be most appropriate to make payment.
24. The Revenues and Benefits Service will pay an award of DHP by the most appropriate means available in each case. This could include payment by but is not restricted to:
 - Electronic transfer (e.g. BACS)
 - Crediting the claimant's rent account.
25. Where the DHP award is made on an ongoing basis the payment frequency will normally be aligned to the Housing Benefit/Universal Credit payment cycle.

Notification of the DHP award

26. The Revenues and Benefits Service will inform the claimant in writing of the outcome of their application upon receipt of all information. Where the application is unsuccessful, the Revenues and Benefits Service

will set out the reasons why this decision was made and explain the right of review. Where the application is successful, the Revenues and Benefits Service will notify the claimant of:

- The weekly / Monthly amount of DHP that has been awarded
- The period of the award
- The requirement to report any change in circumstances

The Right to seek a review

27. DHP decisions are not Housing Benefit/Universal Credit decisions and are therefore not subject to the statutory dispute mechanism.
28. A claimant (or their appointee or agent) who disagrees with a DHP decision in relation to:
 - The refusal of a DHP award
 - The Amount of the DHP award
 - Backdate decision
 - Recovery of DHP overpayment
29. may request a review of the decision. A review must be made in writing to the Revenues and Benefits Service within one calendar month of the written DHP decision being issued.
30. Upon receipt of a review, the DHP request will be re-considered by an independent officer considering any further information provided.
31. When the review has been completed notification of the decision will be made in writing. The decision will be final with no other right of appeal.
32. Where the claimant is still not satisfied, the decision may only be challenged via the judicial review process or by complaint to the Local Government Ombudsman.

DHP overpayment recovery

33. The Revenues and Benefits Service will seek to recover DHP's found to be overpaid. A decision letter will be issued detailing an explanation of how and the amount of the overpayment has occurred which will be included how to request a review.
34. The recovery will usually involve issuing an invoice to the claimant (or their appointee or agent).
35. The Revenues and Benefits Service will consider offsetting overpaid DHP against any future awards and will endeavour to recover all DHP overpayments to maximise the funds that are available.

36. Under no circumstances will recovery be made from any amounts of Housing Benefit/Universal Credit. It is most unlikely that recovery of any overpayment caused by a Sandwell official error will be sought

Publicity

37. The Revenues and Benefits Service will publicise the scheme and will work with all interested parties to achieve this. A copy of this policy statement will be made available for inspection and will be posted on the Sandwell Council website. Information about the amount spent will not normally be made available except at the end of the financial year.

Fraud

38. The Revenues and Benefits Service is committed to identifying and subsequently investigating suspected fraudulent claims to benefit and DHP. Individuals who falsely declare their circumstances in order to claim DHP will have committed a criminal offence, which may lead to criminal proceedings being instigated.

Reporting

39. On a monthly basis a report detailing all DHP applications received, decisions made and DHP fund available is forwarded to the Director of Finance for approval.

Policy review

40. The policy will be reviewed annually, or sooner if appropriate, to take account of operational adjustments and or changes to legislation.

Equalities

41. An equality assessment has been carried out on this policy in line with the Council's obligation to the Public Sector Equality Duty provided by the Equality Act 2010. No adverse impact on any protected characteristic has been identified as a result of this policy.
42. However, due to the discretionary nature of decision making the Revenues and Benefits Service will randomly sample decisions made to ensure consistency.

Sandwell Metropolitan Borough Council
Local Welfare Provision (LWP) Policy

Meeting Ambition 10

Introduction

1. The Local Welfare Provision (LWP) scheme is to assist and support vulnerable residents of Sandwell in meeting their day to day needs for subsistence or financial support or where they require assistance to maintain their independence within the community. This will be aligned to the Council's key principles of tackling inequality and reducing poverty.

Policy statement

Local Welfare Provision

2. LWP will enable the Local Authority to provide assistance / support to vulnerable people in hardship situations. The overall intention is to use LWP to complement the existing support that the Council and its partners give to residents.
3. When making a decision consideration will be given to the following priorities:
 - To support vulnerable young people in the transition to adult life
 - Safeguard Sandwell residents in their homes
 - Help those who are trying to help themselves
 - Keep families together
 - Help provide stability to children
 - Support the vulnerable in the local community
 - Prevent homelessness for those at risk of losing their home
 - Help customers through personal crisis and difficult events
 - Support people affected by domestic violence

General Principles

Considerations for an award

- The scheme is purely discretionary; a resident does not have a statutory right to an award
- The process will be based on application being made and will be dependent upon a need and eligibility-based assessment.
- Awards will be made by way of vouchers or goods.

The LWP will consist of 2 key aspects of support:

Planned Support

4. Intended to help vulnerable people over the age of 18 (young adults aged between 16 and 18 may also be considered where they are unable to receive assistance through Section 17), live as independent a life as possible in the community. This form of support can be considered where the applicant is in receipt of benefit and is moving into independent living.
5. Planned support is also available to people if they are leaving accommodation in which they received significant and substantial care and supervision and they expect to be discharged within 6 weeks. Examples of such accommodation:
 - hospital or another medical establishment
 - care home
 - hostel
 - staff intensive sheltered housing
 - local authority care
 - Prison or detention centre
6. *Unless there are exceptional circumstances such as someone who lives at home and receives support from their family or family members are unable to assist due to the demands of their own financial, health or general circumstances, applications from single people living with other family members will not be awarded as they are likely to have access to assistance from other family members.*

Responsive / Emergency Support

7. To meet a need that has arisen as a consequence of an emergency, disaster, exceptional circumstances or a pressing need that is strikingly different from the pressures generally associated with managing a low income and is the only way of preventing or mitigating serious risk to health or safety to the claimant or a member of their immediate family, which cannot be met by another source.

Forms of Support

- *Planned / Responsive support* will be the direct provision of furniture subject to meeting the eligibility criteria and the need assessment. The following items may be provided:
 - Second-hand furniture
 - White goods
- Emergency Support will be the direct provision of:
 - Food Bank Vouchers
 - Pre-payment Vouchers for fuel and travel

Process for services

Eligibility

8. Consideration will be given when the person or family has a reasonable need for an item or items to support or sustain independent living, subject to the availability of the items and the budget has sufficient resources to meet the need.
9. In cases where DWP or other Government departments have a primary responsibility to residents, The Local Authority will first advocate for residents to secure entitlements.
10. Individuals may receive support if they are age 18 and over and in receipt of:
 - Income Support
 - Income based Jobseekers Allowance; or
 - Income related Employment and Support Allowance
 - Pension Credit Guaranteed
 - Contribution based Job Seekers Allowance*
 - Contribution based Employment and Support Allowance*
 - Universal Credit (means tested maximum award rate/where the award does not include an earnings disregard)
 - Reside in Sandwell
11. *Claims will only be considered under these circumstances where the claimant and/or their partner has no dependants or any other income / capital.

Exclusions

12. Local Welfare Provision will not be awarded for any items that a government department or Council service has a statutory responsibility to provide.
13. The following people are excluded for support in all circumstances:
 - Prisoners and people lawfully detained, including those released on temporary licence (but not those released on parole or on bail pending a court hearing)
 - Members of a religious order who are fully maintained by the order
14. The following people are excluded from support except in very limited circumstances:
 - Full-time students can only receive support for expenses arising out of a disaster
 - Someone who is a 'person from abroad' (i.e. who fails or would fail the habitual residence test for the purpose of Income Support, Pension Credit, Income-based Job Seekers Allowance or Income Related Employment Support Allowance, Universal Credit) they can only receive support for expenses arising out of a disaster
 - Customers who are subject to the Benefit Cap. As it deemed that they have an income in excess of more than £20,000
 - A customer who has savings of more than £1K

Benefit Sanctions

15. People subject to certain disallowances or sanctions to their Job Seekers Allowance, Employment Support Allowance, Income Support, Pension Credit or Universal Credit or equivalent welfare benefits will not normally be eligible for support.
16. However because of the nature of benefit sanctions each case will be considered on its own merits and where it is clear that failing to provide support would present significant risk to the claimant or, their immediate family or dependant which cannot be met by another source then support may be provided.

Universal Credit – Waiting period

17. People who have made a claim for Universal Credit (UC) and are waiting for their first payment will not normally be eligible for support through LWP.
18. However, because of the actual time taken for the first payment of UC to be made there may be circumstances where support through LWP is required. Each request will be considered on its own merits and where it is clear that support cannot be obtained from any other source (such as payments in advance from the Department for Work and Pensions, savings or lieu of notice pay) and failing to provide support would present significant risk to the claimant or their immediate family, support through LWP will be considered.

How to request Support

19. Applications can be made via the online claim form on www.sandwell.gov.uk. sufficient information will need to be submitted with the application to enable an assessment of eligibility and need.

Decision making process

20. Decision making for any request for support will be processed by the LWP Team in the Revenues and Benefits service area.

- Once all relevant data / information has been collected and the eligibility has been satisfied. An officer from the team will contact both successful and unsuccessful residents. If successful, the awards will be provided in line with the resident's needs.
- If unsuccessful the resident will be given the reasons for the decision and details of the appeals process. Also, what other options are available to them i.e. advice and information on other services.
- If the information is incomplete or further supporting evidence is required, an officer will contact the resident for the necessary information. Once all relevant data has been collected a decision will be made.
- Local Authority may request any reasonable evidence in support of an application. Such requests may be requested by phone or in writing.
- Local Authority reserves the right to verify any information or evidence provided by the resident in appropriate circumstances.
- If the resident is unable to or does not provide the required evidence, the local authority will still consider the request and will take into account any other available information.

Value of Awards

21. Each case will be assessed on individual circumstances. The value of the items provided will be at the discretion of the Local Authority but will be based on standard prices for items including the cost of delivery and installation where appropriate.

22. Awards will be limited to 3 awards within any 12-month period.

Outcome

23. Once all information to support a request has been received, the referral will be processed within 14 working days.

24. The LWP Team will provide written notification of an award of support to the Resident or the officer representing the individual and the supplier of goods.

25. Written notification will include details of:

- The support to be provided
- How, when and where the award can be accessed

26. To avoid unnecessary delay, residents may be asked for alternative contacts methods such as email or telephone to speed up the outcome confirmation.

Out of Hours Arrangements

27. Local Welfare Provision will not operate outside of normal office working hours.

Review / Reconsideration

28. A resident can ask for reconsideration if they can demonstrate there has been a factual error based on the decision made, an oversight on a significant piece of evidence or where new evidence has come to light, that was not provided with the original request form. In either circumstance, the resident must provide the relevant details.

29. Such requests must be made in writing to the Revenues and Benefit Service.

30. The review will be carried out by the Revenues and Benefits Service by an independent officer. Their decision will be final with no other right of appeal.

Monitoring Arrangements

31. The central coordinating function sitting with the Revenue and Benefits service area will monitor the number and amount of awards / refusals in relation to planned and emergency support on a monthly basis to ensure decisions are being made fairly and consistently and in line with the Council's equality duties.

Policy review

32. The policy will be reviewed annually, or sooner if appropriate, to take account of operational adjustments and or changes to legislation.

Equalities

33. This policy has been produced in line with the Council's obligation to the Public Sector Equality Duty provided by the Equality Act 2010. No adverse impact on any protected characteristic has been identified as a result of this policy.

Revenues and Benefits Service
Non-Domestic Rates Hardship Relief Policy

NDR Hardship Relief Policy – Contents

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Policy statement

1. The objective of Sandwell MBC is to treat each and every application for Section 49 Hardship Relief on its individual merits.

Introduction

Legislation

2. The Council is aware of its duties and powers in accordance with section 49 of the Local Government Finance Act 1988. This Policy sets out how the Council will use its powers and the criteria that must be satisfied.
3. Section 49 of the Local Government Finance Act 1988 gives a Billing Authority the ability, if it so wishes, to reduce amounts due for Non-Domestic Rates.
4. An Authority may reduce or remit the amount payable, to do so it must be satisfied that:
 - (a) the ratepayer would sustain hardship if the authority did not do so.

and

- (b) it would be reasonable to do so having regard to the interests of other persons subject to its Council Tax charges.

General principles / regulations

Purpose

5. The purpose of this policy is to specify how Sandwell MBC will administer requests for relief from payment of Non-Domestic Rate and to indicate some of the factors that will be considered when deciding if relief may be granted.
6. Each case will be treated strictly on its merits and all applicants will be treated equally and fairly.

Statement of objectives

7. Sandwell MBC will consider applications for relief from payment of Non-Domestic Rate under the provisions of Section 49 of the Local Government Finance Act 1988.
8. In administering applications, Sandwell MBC will ensure that each application will be given due regard on its merits in accordance to the criteria and process laid down by the Council.
9. It should be noted that the test of hardship need not be confined to financial matters; all relevant factors should be considered, including the impact on the local community.

Process for services

Applications

10. Applications will need to be made in writing by any ratepayer wishing to apply for assistance.
11. In all cases, evidence will be required from the ratepayer. Where this is requested, the authority would expect the required evidence to be provided within 14 days of the request unless otherwise stated by the authority.
12. Where no or insufficient information is provided by the ratepayer, no relief shall be granted.

Criteria for using powers

13. The Council will consider using its powers to reduce or remit Non-Domestic Rate liability for any Non-Domestic Rate payer.
14. There is a cost implication of any relief awarded which is borne locally and met from the authority's general fund. A reduction or remission of rates on the grounds of hardship should therefore be the exception rather than the rule.
15. The test of hardship will not be confined strictly to financial hardship. All relevant factors affecting the ability of a business to meet its liability for rates should be considered.
16. Each case will be considered on its own merits - however the following points should be considered for each application:
 - The interests of council taxpayers in an area may go wider than direct financial interests. For example, where the employment prospects in the area would be worsened by a company going out of business, or the amenities of an area might be reduced by, for instance, the loss of the only shop in the vicinity.
 - Where the granting of relief would have an adverse effect on the financial interests of council taxpayers, the case for a reduction or remission of rates payable may still, on balance, outweigh the costs to council tax payers.
 - The financial position of the business ratepayer. This will need to be established by the provision of audited accounts for the three years preceding the date of the application for remission / reduction (except in the case of a new business where the previous twelve months accounts should be produced).
 - The fact that a ratepayer suffers a trading loss in one year should **not** be construed as evidence that the ratepayer would suffer hardship if the rates were not remitted or reduced.
 - Any other factors put forward by the ratepayer would be considered on their specific merits.

- Consideration must be given to the amount of relief that can be granted and the effect this will have on the ability of a business to continue to trade.
 - Whether the business claiming the relief at the very least pays any employees the National Minimum Wage
 - No more than 50% of the total number of employees must be on zero-hour contracts.
 - At least 50% of employees should be living in Sandwell
17. Where a business is making a repeat application, this will only be considered if it can be shown that the circumstances surrounding the application have changed, the details of the application differ and the business has taken reasonable steps to improve its situation.
18. Where there is a national crisis/pandemic affecting a significant number of businesses and there is government funding available to assist no award will be made.

Period of relief

19. Relief will only be granted (as a maximum) to the end of a tax period in which the reduction or remission is requested.

Responsible Officers

20. Delegation of authority to reduce or remit non-domestic rates under the provisions of Section 49 has been granted to the Director of Finance for amounts up to and including £20,000. The responsibility for making decisions regarding amounts above £20,000 lies with the Cabinet Member for Finance and Resources.
21. The Revenues and Benefits Service Manager will liaise with the customer in each case to obtain sufficient detail (in line with the criteria as laid out in this policy) to make a decision in their case.

Decision making process

22. The Council will decide every application for relief where the customer has satisfied the required criteria as laid out in this policy.
23. The decision-making process will involve:
24. Stage1: The Revenues and Benefits Service Manager makes a recommendation to the Director of Finance after considering each case on 'its merits' against the information provided by the customer.
25. Stage 2: The Director of Finance will decide whether to award a reduction or remission.

26. Stage 3: Where the reduction or remission is greater than £20,000, the Director of Finance will make a recommendation to the Cabinet Member for Finance and Resources.

Requirement to Make Payments

27. Ratepayers must continue to pay any amount of Non-Domestic Rates that falls due pending the outcome of the application.
28. The Council may apply its normal recovery procedures in cases where payments are not received.

Changes of Circumstances

29. The customer has a duty to notify the Council where a change in circumstance would affect the granting of relief.
30. The change in circumstances must be notified to the authority within 14 days of its occurrence.
31. The Council can revise relief to take account of a change in circumstance.

Notification

32. The Council will notify a customer of its decision by letter or email within 14 days of receiving sufficient information to make a decision.

Payments

33. All awards of relief or discount will be credited against the applicant's business rates account to reduce the amount payable.

The right to seek a review

34. Under the Local Government Finance Act 1988, there is no right of appeal against the Council's use of discretionary powers. However, the Council will accept a customer's request for a re-determination of its decision.
35. A request for a review / re-determination must be made within four weeks of receipt of notification of the decision and must set out the reasons for the request and any supporting information.
36. The review process will involve re-consideration of the request on its merits by the Director of Finance. The Council will consider whether the customer has provided any additional information against the required criteria that will justify a change to its decision.

Notification of review / re-determination decision

37. The Council will notify a customer of its decision within **28** days of receiving a request for a review or re-determination.

State Aid/Subsidy Control Regulations

38. State Aid guidance was withdrawn on 1 January 2021. The Brexit transition period has ended and new rules on Subsidy Control now apply. For current information and to see how this may affect your business please go to <https://www.gov.uk/guidance/state-aid>
39. If you believe your business will exceed the new subsidy control limits you must contact the Business Rates team using our online contact us form located at <https://www.sandwell.gov.uk/contactusbusinessrates> to ask for any relief already awarded to be removed from your account

Policy review

40. The policy will be reviewed annually, or sooner if appropriate, to take account of operational adjustments and / or changes to legislation.

Equalities

41. This policy has been produced in line with the Council's obligation to the Public Sector Equality Duty provided by the Equality Act 2010.
42. No adverse impact on any protected characteristic has been identified as a result of this policy.

Revenues and Benefits Service
Non-Domestic Rates Discretionary Rate Relief Policy

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Introduction

1. Discretionary Rate Relief (DRR) allows a reduction in Non-Domestic Rates of up to 100% where certain provisions are satisfied. The decision to grant or not grant relief is a matter purely for the authority. The Revenues and Benefits Service work closely with the Voluntary Sector Funding Team to administer this policy.
The Council recognises the important role played by the Voluntary Sector in Sandwell, not only in the area of service delivery, but also as an indicator of civic engagement and the health of the social fabric of the borough.
The regulations relating to DRR can be found in Section 47 of the Local Government Finance Act 1988 (as amended).
Registered charities registered friendly societies and community amateur sports clubs automatically qualify for a mandatory reduction to their rates bill of 80%. The Council can consider granting DRR to these organisation's on the remaining 20%.
DRR enables the Council to support a wide range of voluntary and community groups in Sandwell, providing a significant reduction to an organisation's running expenses.

General principles/ regulations

Policy overview

2. The purpose of this policy is to outline the conditions that should be satisfied for Sandwell MBC to consider relief under the Local Government Finance Act 1988 and associated legislation.

Processes for services – reliefs available

3. The following reliefs are available in Sandwell under the banner of 'Discretionary Relief' for Business Rates:
 - Charity and Non-Profit Making Organisations 'Top Up'
 - Reliefs made available under the Localism Act 2011:
 - (i) 'Section 69' Localism Relief
 - Part Occupied/Part Void Section 44A Relief
 - Discretionary Relief Introduced April 2023:
 - (i) Supporting Small Business Relief
 - Discretionary Reliefs introduced during 2023/24 and 2024/25
4. The criteria for each of these reliefs is listed below, together with details on how to apply and any restrictions, where applicable

Charity and non- profit organisations

5. Some charities and non-profit organisation's are entitled to 80% mandatory 'Charity' rate relief. However, Local Authorities have the option to 'top up' that relief to 100%. Organisation's that meet the requirements of this policy and the relevant criteria who are eligible for the 80% mandatory rate relief, may receive a top up of 20%.

Sandwell needs a healthy Voluntary Sector, particularly local voluntary and community organisations. This supports citizens of the borough by providing:

- Local community-based services – many voluntary and community sector organisations are community based and may therefore be better able to work with harder to reach groups. This complements the Council's town and neighbourhood-based approach to service delivery
- Choice – by supporting voluntary and community sector organisations the Council hopes to provide a greater choice for local people in terms of the services they can access
- Independence – voluntary and community sector organisations are independent bodies and are often well placed to take on a campaigning or advocacy role on behalf of local people, providing an important challenge role for the Council
- Opportunities for people to participate – as volunteers as well as service users
- Specialist services – many voluntary and community sector organisations develop specialism's around the particular needs of a client group

Definition of terms

6. Voluntary organisation:

A formal organisation run by a management body made up of volunteers who are engaged in that activity for environmental, economic, or social good.

7. Community group:

A community organisation is a less formally organised body run by a management body made up of volunteers who are engaged in that activity for environmental, economic, or social good.

Who Can Apply?

8. The following organisations could apply for DRR 'Top Up':

- Charities (including charity shops that are ratepayers occupying premises used for charitable purposes).
- Non-profit organisations (that are not charities but the objectives of which are 'charitable', 'philanthropic' or religious, or concerned with education, social welfare, science, literature or the fine arts' or who use the premises mainly for recreation).

9. Examples of these organisations include:

- Voluntary organisations
- Community groups
- Tenants and residents' groups
- Faith groups
- Housing Associations
- Co-operatives and social enterprises (that are set up to benefit of the public at large rather than its members)
- Sports organisations
- Mutules
- Grant making trusts.

Eligibility Criteria

10. To be eligible for DRR, organisations must occupy the property for which they are seeking DRR and must:
- be used for the purposes of delivering the organisations' objectives to benefit citizens of Sandwell
 - be based in or delivering services in Sandwell
 - be non-governmental
 - be value driven, for the social good
 - be non party political
 - not use profit that is normally reinvested into the organisation, to pay management a salary
 - reinvest at least 50% of their financial surpluses for community benefit in Sandwell. Regional and national organisations will need to reinvest at least 50% of their financial surpluses that arise from their work in Sandwell for community benefit in the borough
 - not be funded directly from taxation by any government department or agency in the provision of any function under any statutory duty

Levels of DRR

11. Organisation's that meet the requirements of this policy and criteria, in receipt of 80% mandatory rate relief, will receive a top up of 20%. All other successful applicants will receive 100% discretionary rate relief.

Effective Date of DRR Award

12. Prior to 1st April 2024 an application for the **previous** financial year had to be received and assessed by 30th September.
13. *For example:* An application for backdated relief for 2022/23 (covering the period 1 April 2022 – 31 March 2023), is received by the Council in time for it to be assessed and approved before 30 September 2023, then DRR would be backdated to 1 April 2022, or the date of occupation if later). From the 1st April 2024 the local authority is able to operate relief without restriction in respect of the financial year 2023/24 onwards.

How to apply

14. If you are advised that an application for DRR is required by the Council, it must be made using the authority's application form which is available on the Council's website <https://www.sandwell.gov.uk/business-rates/charitable-relief>
15. Details of the criteria and guidance notes are also available on the Council's website <https://www.sandwell.gov.uk/downloads/download/33/charitable-and-discretionary-relief>
16. All applications under this policy will be considered by the Director of Finance

Unsuccessful DRR Applications

17. There is no legal right of appeal against the Council's use of discretionary powers. However, the Council will accept a customer's request for a re-determination of its decision. Any further appeal must take place via judicial review.

18. If an application for DRR has been refused, applicants have the opportunity to request a re-determination. All requests must be made in writing, within one month of the Council's decision. Requests will be considered by a panel of 2 officers who were not involved in the original decision.
19. If an unsuccessful applicant decides to make a request for re-determination, they will still need to continue to pay their business rates. If the request is successful, an amended bill will be issued.

RELIEF INTRODUCED BY THE LOCALISM ACT 2011

20. This involves the following relief:

- i. Section 69 'Localism' Relief

Section 69 'Localism Act Relief'

21. Section 69 of the Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988. The changes came into effect from 1st April 2012 and extended the existing provision relating to the granting of DRR.
22. From 01 April 2012 any ratepayer may apply for this relief. The costs of such relief are borne solely by council taxpayers of the borough, therefore it is essential that relief is only given to those ratepayers who will bring significant benefit to the area.
23. The amount of relief granted is not fixed and will be dependent on the individual circumstances of each application.
24. To be considered the ratepayer must meet all of the following criteria:
 - The ratepayer must occupy the premises
 - The ratepayer must be relocating from outside Sandwell, or where already existing within Sandwell must operate within one of Sandwell's priority sectors, namely: -
 - Diversified manufacturing: including high value-added engineering, food production, offsite construction and health products
 - Business, financial and customer services
 - Green industries; including environmental technologies, waste recycling and resource management and research investment
 - The ratepayer must provide significant investment in premises and/or capital equipment.
 - The ratepayer must provide significant new job creation and/or safeguarding of existing jobs.
 - The premises and organisation must be of significant benefit to Sandwell's residents
 - The premises and organisation must relieve the Borough of providing similar facilities.
 - The ratepayer must provide facilities to certain priority groups such as the elderly, disabled, minority groups, disadvantaged groups, or provide the residents of the borough with such services, opportunities or facilities that cannot be obtained locally or are not provided locally by another organisation
 - The ratepayer must be paying its employees at least the national minimum wage
 - Not more than 50% of the ratepayer's employees must be on zero-hour contracts
 - At least 50% of the ratepayer's employees must be living in Sandwell

and

- The ratepayer must demonstrate that Discretionary Relief will only be required short-term and that the business /operation is financially viable in the medium/long term; and
- The ratepayer must show that the organisation will comply with all legislative requirements and operate in an ethical, sustainable, and environmentally friendly manner at all times.

25. Enquiries relating to this relief should be directed to the Business Rates team via our online contact us form

<https://www.sandwell.gov.uk/contactusbusinessrates>

Community Benefit Clause

26. Any businesses benefitting from this relief must engage with the Council's Think Local Recruitment team to assist with the recruitment of any new staff.

27. Businesses benefitting from this relief must also consider apprenticeships or develop existing employees to gain recognised qualifications e.g. NVQ's,

28. The business should use www.thinksandwell.co.uk to advertise any supply opportunities resulting from the building of new premises etc.

PART OCCUPIED/PART VOID SECTION 44A RELIEF ('s44A')

General Explanation

29. If a property is only partly occupied, the Council has discretion to request that the Valuation Office Agency (VOA) apportion the property's rateable value between its occupied and unoccupied parts, provided it '...will remain so for a short time only'

30. Partially occupied rate relief (often referred to as 'Section 44A' or 's44A' Relief) is not intended to be used merely where part of a property is temporarily not used. The intention is aimed at situations where there are practical, financial or economic difficulties in occupying or vacating all of the property, or exceptional circumstances may have arisen meaning the area is incapable of occupation at that time unique to the business

31. The effect of the reduction under s44A would be to reduce the rates on the premises to the same level as would be payable if the unoccupied part formed a separate hereditament

32. If a visit to the property is required to assist in making a decision on an application, the ratepayer must allow a Council Officer accompanied access to the property by appointment during normal working hours at a time and date mutually agreed. The Council Officer may take measurements and photographs as evidence during the inspection. Full rates remain payable until the visit is concluded and a decision has been made whether or not to award the s44A Relief

33. Every application will be considered on its own merits, but the Council will have particular regard to the effect on its Collection Fund and the interests of local Council Taxpayers when considering whether it is reasonable to award the relief or not. Confirmation is required that the business claiming the relief, at the very least, pays its employees the National Minimum Wage and/or the National Living Wage, as appropriate to their age and circumstances

34. Following any inspection of the premises but before being referred to the VOA, applications will need to be approved by the Council's Section 151 Officer.
35. If awarded, relief in the Sandwell area will only normally start from the date stated on the application and will only be awarded for up to a maximum of three months (or six months for an industrial hereditament) in a financial year. In exceptional circumstances, consideration will be given to awarding relief across financial year, for example application made late in the year.
36. Consideration will also be given in exceptional circumstances to awarding relief for a retrospective period where the ratepayer can demonstrate good cause for not submitting the application earlier
37. For any application approved, details with regards to the unoccupied area will be forwarded to the VOA. The VOA must then issue a certificate confirming the rateable value of the unoccupied area in order for the s44A relief to be awarded. Once the VOA has issued a certificate, relief must be awarded in accordance with it.
38. This is a discretionary relief and full rates will remain payable on a partially occupied property if the Council chooses not to exercise its power in this respect

Decisions by the Council

39. Every application will be considered on its own merits however, in addition to the effect on the Collection Fund and local Council Taxpayer, when considering an application for Section 44A Relief, the following factors will be taken into account:
 - The circumstances leading to the partial occupation
 - Previous awards of Section 44A Relief to the same business/ organisation and the net effect on Council Taxpayers
 - The intention of the business in relation to unoccupied area(s)
 - The reasonableness of the ratepayer requesting an alteration of the rating assessment from the VOA
 - The availability of evidence that the unoccupied area(s) will be empty for a short period only
 - Full occupation being phased in over a period of time or full vacation occurring in stages over a period of time, if applicable
40. Relief will *not* normally be considered where:
 - Access is refused and/or it has not been possible to verify the application
 - Part occupation is likely to exceed a short time
 - The area is not clearly defined
 - Part occupation is seasonal or due to the nature of the business
 - The premises are partially empty due to essential maintenance or upgrading
 - The company is moving out of Sandwell
 - There have been repeated requests on an annual basis, as this is not deemed 'temporary' relief
 - There is a national crisis/pandemic affecting a significant number of businesses.
 - Government funding is available to assist

Applications for Relief under this scheme

41. Applications must be in writing. An MS Word application form is available via the following link <http://www.sandwell.gov.uk/info/200308/business-rates/2954/partly-occupied-property-relief-section-4-4a>

42. As much information as possible must be provided to the Council as detailed on the application form in order for the request to be considered. This must include a plan(s) of the premises clearly showing the unoccupied area(s) and should include measurements where possible
43. Once an application has been received, if a visit is required an officer from the Council will contact the ratepayer to arrange a suitable date to allow accompanied access for an inspection of the premises

Amount of relief

44. Where Sandwell MBC agrees to the award of a Section 44A relief, notification will be sent to the VOA to seek a reduction in the rateable value
45. The amount of relief is calculated on a statutory basis, based on the rateable value of the empty area(s) of the property. The appropriate rateable value is provided to Sandwell MBC by the VOA England

Variation and amendment of relief under the scheme

46. The period of relief will end on the day on which any of the following occurs:
 - There is a change to the extent of the partial occupation
 - The end of the three months/ six-month relief period, or the end of the financial year, whichever is first
 - A new period of relief under a new application starts
 - The premises become fully occupied or completely unoccupied
 - The ratepayer ceases to be the person or organisation liable to pay rates in respect of the premises
 - The Council is unable to verify, following reasonable notice, that the area remains unoccupied
47. If there is a change in the rateable value, relief will be apportioned or removed as appropriate

Notification of Decision

48. The Council will notify the ratepayer of their entitlement to relief by the issue of an amended demand notice. Where an application is refused, businesses will be informed by the council of this decision in writing.

Decision Review Process

49. There is no statutory right of appeal against a decision made by the Council regarding discretionary rate relief, including Section 44A applications. However, the Council recognises that ratepayers should be entitled to have a decision reviewed if they are dissatisfied with the outcome
50. The Council will accept a written request for a review of its decision. The request should include the reasons for requesting a review and any supporting evidence
51. A request for review must be made within one calendar month of the date of refusal
52. The ratepayer will be notified of the outcome of the review in writing.
53. This review process does not affect a ratepayer's legal right to seek to challenge a decision by way of Judicial Review

Supporting Small Businesses Scheme ('SSBR')

Supporting Small Businesses Scheme ('SSBR')

Eligibility and Level of Relief

54. The Government announced at the 2022 Autumn Statement that for 2023/24 to 2025/26, SSBR is to provide support to businesses losing eligibility for some or all Small Business Rate Relief or Rural Rate Relief as a result of their rateable value increasing through the 2023 revaluation.
55. The relief ensures small businesses do not have to pay more than £600 increase per year effective from 01 April 2023.
56. Charities and Community Amateur Sports clubs, who are already entitled to mandatory 80% relief, are not eligible for 2023 SSBR.
57. A change of ratepayers will not affect eligibility for the SSBR Scheme, but eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club.
58. There is no second property test for eligibility for the 2023 SSBR scheme. However, those ratepayers who during 2022/23 lost entitlement to Small Business Rate Relief (because they failed the second property test) but have, under the rules for Small Business Rate Relief, been given a 12 month period of grace before their relief ended - can continue on the 2023 SSBR scheme for the remainder of their 12 month period of grace.
59. Period of Entitlement to 2023 SSBR
60. The 2017 SSBR scheme was provided to support small and medium ratepayers who had seen large increases in their bills at the 2017 revaluation, and those ratepayers have had 6 years of support to allow them to adjust to their full 2017 bills. Therefore, for those ratepayers receiving 2017 SSB relief in 2022/23, any eligibility for 2023 SSBR will end on 31 March 2024. Relief for these ratepayers is awarded for one year only.
61. All other eligible ratepayers receiving 2023 SSBR will receive relief for either 3 years or until they reach the bill they would have paid without the scheme.

Sequence of Reliefs

62. SSBR is to be awarded after any eligibility to Transitional Relief and Small Business Rate Relief.
63. All other discretionary reliefs, including those funded by section 31 grants will be considered after the application of 2023 SSBR.

Subsidy Control

64. The 2023 SSBR is likely to amount to a subsidy. Therefore, any relief provided by local Authorities under this scheme will need to comply with the UK's domestic and international subsidy control obligations.

65. The local authority is seeking to provide relief that falls below the Minimal Financial Assistance (MFA) thresholds, the Subsidy Control Act allows an economic actor (e.g. a holding company and its subsidiaries) to receive up to £315,000 in a three-year period (consisting of the 2023/24 year and the two previous financial years). MFA subsidies cumulate with each other and with other subsidies that fall within the category of 'Minimal or SPEI financial assistance'. BEIS COVID-19 business grants and any other subsidies claimed under the Small Amounts of Financial Assistance limit of the Trade and Co-operation Agreement should be counted under the £315,000 allowance.
66. In those cases where it is clear to the local authority that the ratepayer is likely to breach the MFA limit then the authority will automatically withhold the relief.

Applying the relief

67. Sandwell MBC has identified the businesses that are eligible for the 2023 SSBR scheme. Ratepayers eligible for the scheme starting in the 2023/24 financial year have been automatically awarded a reduction in line with the new scheme to help off-set the increase in their business rates.
68. The amount of relief awarded under Supporting Small Business Relief scheme will be recalculated in the event of a change of circumstances, including changes such as a backdated change to the rateable value or the property or the award of another relief.

DISCRETIONARY RELIEFS INTRODUCED DURING 2023/24 and 2024/25

Retail, Hospitality and Leisure Relief 2023/24

69. The Government announced in the Budget on 17 November 2022 that it will provide a Relief of 75% up to a cash cap limit of £110,000 per business for retail, hospitality and leisure properties.
70. As these measures are 2023/24 only, the Government is not changing legislation, however it will reimburse local authorities that use its discretionary powers, introduced by the Localism Act (under Section 47 of the Local government Finance Act 1988, as amended) to grant relief in line with eligible criteria. Central Government will reimburse local authorities for their share of the discretionary relief under the rates retention scheme.
71. Prior to 1st April 2024 an application for the previous financial year had to be received and assessed by 30th September.
72. *For example:* An application for backdated relief for 2022/23 (covering the period 1 April 2022 – 31 March 2023), is received by the Council in time for it to be assessed and approved before 30 September 2023, then DRR would be backdated to 1 April 2022, or the date of occupation if later).

From the 1st April 2024 the local authority is able to operate relief without restriction in respect of the financial year 2023/24 onwards.

Retail, Hospitality and Leisure Relief 2024/25

73. The Government announced in the Autumn Statement on 22 November 2023 that it would extend the Relief of 75% up to a cash cap limit of £110,000 per business for retail, hospitality and leisure properties. As these measures are 2024/25 only, the Government is not changing legislation, however it will reimburse local authorities that use its discretionary powers, introduced by the Localism Act (under Section 47 of the Local government Finance Act 1988, as amended) to grant relief in line with eligible criteria. Central Government will reimburse local authorities for their share of the discretionary relief under the rates retention scheme. From the 1st April 2024 the local authority is able to operate relief without restriction in respect of the financial year 2023/24 onwards.

Key Criteria for Retail, Hospitality and Leisure relief Financial Year 2023/24 and 2024/25

- i) 75% relief for the period 1 April 2023 to 31 March 2024 or 75% relief for the period 1 April 2024 to 31 March 2025
- A cash cap of £110,000 per business subject to:
 - The Property must be occupied
 - There is no rateable value limit
 - The Property must be used wholly or mainly as:
 - a) a shop, restaurant, café, drinking establishment, cinemas or live music venue.
 - b) for assembly and leisure; or
 - c) a hotel, guest or boarding premises, or self-catering accommodation
 - The eligible ratepayer has not refused the relief. (The eligible ratepayer cannot withdraw their refusal for either all or part of the financial year).

Who can apply?

74. The Department for Levelling Up Housing and Communities has issued guidance outlining what they consider eligible property uses to mean, including:

- a) Shops, restaurants, cafes, drinking establishments, cinemas, and live music venues:
- Hereditaments that are being used for the sale of goods to visiting members of the public:
 - Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
 - Charity shops
 - Opticians
 - Post offices
 - Furnishing shops/display rooms (such as: carpet shops, double glazing, garage doors)
 - Car/caravan show rooms
 - Second-hand car lots
 - Markets
 - Petrol stations
 - Garden centres
 - Art galleries (where art is for sale/hire)
 - Hereditaments that are being used for the provision of the following services to visiting members of the public:
 - Hair and beauty services (such as: hairdressers, nail bars, beauty salons, tanning shops, etc)
 - Shoe repairs/key cutting
 - Travel agents
 - Ticket offices e.g.: for theatre
 - Dry cleaners
 - Launderettes
 - PC/TV/domestic appliance repair

- Funeral directors
 - Photo processing
 - Tool hire
 - Care hire
- Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:
 - Restaurants
 - Takeaways
 - Sandwich shops
 - Coffee shops
 - Pubs
 - Bars
- Hereditaments which are being used as cinemas
- Hereditaments that are being used as live music venues:
 - Live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Hereditaments cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly used as a nightclub or a theatre, for the purposes of the Town and Country planning (Use Classes) Order 1987 (as amended).
 - Hereditaments can be a live music venue even if used for other activities, but only if those other activities (i) are merely ancillary or incidental to the performance of live music (e.g. the sale/supply of alcohol to audience members) or (ii) do not affect the fact that the primary activity for the premises is the performance of live music (e.g. because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event)
 - There may be circumstances in which it is difficult to tell whether an activity is a performance of live music or, instead, the playing of recorded music. Although we would expect this to be clear in most circumstances, guidance on this may be found in Chapter 16 of the statutory guidance issued in April 2018 under Section 182 of the Licensing Act 2003.

b) For assembly and leisure:

- Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities):
 - Sports grounds and clubs
 - Museums and art galleries
 - Nightclubs
 - Sport and leisure facilities
 - Stately homes and historic houses
 - Theatres
 - Tourist attractions
 - Gyms
 - Wellness centres, spas, massage parlours

- Casinos, gambling clubs and bingo halls

- Hereditaments that are being used for the assembly of visiting members of the public:

- Public halls

- Clubhouses, clubs and institutions

c) Hotels, guest & boarding premises and self-catering accommodation:

- Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business:

- Hotels, Guest and Boarding Houses

- Holiday Homes

- Caravan parks and sites

75. This guidance is not exhaustive, and it is for Authorities to determine whether properties not listed in the guidance notes are broadly similar in nature and if so, to consider them for relief. Conversely, properties that are not broadly similar in nature to those listed should not be eligible for the discount. Ratepayers that occupy more than one property will be entitled to a discount for each of their eligible properties, subject to any cash cap applicable in year 2024/25.

Retail Discount Exclusions

76. The Government does not consider the following types of use to be retail use for the purposes of this discount:

- Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g.: banks, building societies, cash points, bureaux de change, short term loan providers, betting shops)

- Medical services (e.g.: vets, dentists, doctors, osteopaths, chiropractors)

- Professional services (e.g.: solicitors, accountants, insurance agents/financial advisors, employment agencies, estate agents, letting agents)

- Post office sorting offices

- Hereditaments that are not reasonably accessible to visiting members of the public

Claiming Retail Discount

77. New applicants are required to complete an online application form available at through the link at: https://www.sandwell.gov.uk/info/200308/business_rates/4268/retail_relief

78. Further information regarding the application process can be found on the same web page

Maximum Award

79. The total amount of Government funded discount available for each property under the 2023/24 and the 2024/25 scheme is 75%, of the bill after all mandatory and discretionary reliefs have been applied but after discretionary reliefs granted under Section 47 of the Local Government Finance Act, for example: Hardship Relief and Discretionary Rate Relief for charity and not for profit organisations. The maximum discount awarded will not exceed the net liability.

Notification

80. Where the application is successful, a revised bill will be issued.
81. Where the application is not successful, the applicant will be notified accordingly
82. Requirement to make payment of amounts falling due
83. Ratepayers' must continue to pay any amount of business rate that fall due pending the outcome of an application. The Council may apply its normal recovery procedures in cases where payments are not received.

Heat Network Relief

84. In its Final Report of the business Rates Review published in October 2021, the government announced a 100% relief for eligible low-carbon heat networks that have their own rates bill.
85. The relief is targeted at hereditaments being used wholly or mainly as a heat network which have their own rating assessment. The relief will be for those networks generating from a low carbon source.
86. Heat networks take heat or cooling from a central source(s) and deliver it to a variety of different customers such as public buildings, shops, offices, hospitals, universities and homes. By supplying multiple buildings, they avoid the need for individual boilers or electric heaters in every building. Heat networks have the potential to reduce bills, support local regeneration and be a cost-effective way of reducing carbon emissions from heating.
87. At the Spring Statement 2022, the Chancellor announced that the heat network relief will apply from 1 April 2022 and will be delivered by Local Authorities using their discretionary relief powers. This approach has also been confirmed for the relief to be continued to be provided in the financial year 2023/24.

Eligibility

88. In order to be eligible for Heat Network Relief the hereditament must be:
 - a) wholly or mainly used for the purposes of a heat network.
 - b) The heat is over the next 12 months (based on a forecast) expected to be generated from a low carbon source (irrespective of whether that source is located on the hereditament or on a different hereditament).
89. Wholly or Mainly used for the purpose of a heat network
90. For these purposes, a heat network is a facility, such as a district heating scheme, which supplies thermal energy from a central source to consumers via a network of pipes for the purposes of space heating, space cooling or domestic hot water. Hereditaments wholly or mainly providing heat for a different purpose (such as an industrial process) are not eligible
91. The test will be applied to the hereditament as a whole and heat network relief is not available on part of a hereditament. Many small and medium scale heat networks, such as common heating systems in multi-occupied buildings or estates, do not give rise to a separate business rates bill. In these cases, the heat network forms part of the services of the properties which have a wider purpose (e.g. offices) and therefore would not be eligible for Heat Network Relief.

92. The test is on thermal energy. This means that the purposes of generating electricity does not count towards meeting the wholly or mainly test and, as a result, the government does not anticipate hereditaments comprising power stations and a heat recovery and network system to qualify.
93. The Heat is generated from a low carbon source
94. A low carbon source is a source of which at least
- a) 50% is renewable
(A renewable source is any of the sources listed in Class 1(e) of the Schedule to the Valuation for Rating (Plant and Machinery) (England) Regulations 2000 (SI 2000 No. 540))
 - b) 50% is waste heat.
(Waste heat includes heat or coolth unavoidably generated as a by-product of another process, which would be wasted if not used for the purposes of a district heating network)
 - c) 75% is cogeneration heat (where cogeneration' means the simultaneous generation in one process of thermal energy and electrical or mechanical energy), or
 - d) 75% is a combination of the sources above

Reliefs Awarded

95. Relief is available at 100% of the chargeable amount for the hereditament for any day on which the eligibility criteria are met. Therefore, for eligible hereditaments the rates liability will fall to nil from 1 April 2023.
96. The heat network relief will be applied after mandatory reliefs but before any other discretionary reliefs.
97. The amount of heat network relief will be recalculated in the event of a change in circumstances. This could include, for example, a backdated change to the rateable value or to the hereditament. This change of circumstances could arise during the year in question or during a later year.

Subsidy control

98. The Heat Network relief is subject to the UK's domestic and international subsidy control obligations. Businesses eligible for relief will need to fulfil any requirements in place to ensure compliance with those obligations in advance of, during, and after claiming relief.

Claiming Heat Network Relief

99. There is no application form for this relief. To apply please use our online contact us form <https://www.sandwell.gov.uk/contactusbusinessrates> giving full details of why you think your business should be considered for this relief and provide all information you think is relevant to support your application.

Local Newspaper Relief

100. From 1 April 2017 the Government provided funding to local authorities so that they can provide a discount worth £1,500 in year 2017/18 and 2018/19 for office space occupied by local newspapers. The Autumn budget 2018 extended this relief to financial year 2019/20.
101. In a Written Ministerial Statement 27 January 2020, the Government further extended this relief to apply in the financial years 2020/21 to 2024/25.
102. Please note that this relief will cease at the end of the 2024/25 financial year

Eligibility Criteria

103. This relief is administered under the local powers discount contained in Section 47 of the Local Government Finance Act 1988.
- The relief is available to local newspapers only
 - The property must be occupied by a local newspaper and used wholly or mainly as offices for journalists and reporters
 - Only one discount is available per newspaper title and per property
 - Subject to subsidy limits

Exclusions

104. Exclusions to this relief are local council newspapers, online publications and local magazines

Applications

105. There is no application form for this relief. To apply please use our online contact us form <https://www.sandwell.gov.uk/contactusbusinessrates> giving full details of why you think your business should be considered for this relief and provide all information you think is relevant to support your application.
106. For the relief to be granted, the council must make a decision within 6 months of the end of the financial year

The Maximum Award

107. The total amount of government funded relief available is £1,500 for each financial year 2017/18 to 2024/25 for one local newspaper title and property
108. The relief will be applied against the net bill after all other reliefs

Notification

109. Where the application is successful, a revised bill will be issued.
110. Where the application is not successful, the applicant will be notified accordingly.

Requirement to make a payment of amounts falling due

111. Ratepayers' must continue to pay any amount of business rate that fall due pending the outcome of an application. The Council may apply its normal recovery procedures in cases where payments are not received.

Future Reliefs in 2024/25

112. Should the government introduce further Business Rates Reliefs during 2024/25 we will implement these in accordance with any legislation and/or Government guidance issued, and we will update the guidance contained in the Discretionary Relief Policy document accordingly

Discretionary rate reliefs and state aid/subsidy control

State Aid/Subsidy Control Regulations

113. State Aid guidance was withdrawn on 1 January 2021. The Brexit transition period has ended and new rules on Subsidy Control now apply. For current information and to see how this may affect your business please go to <https://www.gov.uk/government/publications/complying-with-the-uks-international-obligations-on-subsidy-control-guidance-for-public-authorities>
114. If you believe your business will exceed the new subsidy control limits you must contact the Business Rates team via our online contact us form at <https://www.sandwell.gov.uk/contactusbusinessrates> to ask for any relief already awarded to be removed from your account

Policy review

115. The policy will be reviewed annually, or sooner if appropriate, to take account of operational adjustments, feedback and or changes to legislation.

Equalities

116. This policy has been produced in line with the Council's obligation to the Public Sector Equality Duty provided by the Equality Act 2010. No adverse impact on any protected characteristic has been identified because of this policy.

Housing Benefit
War Pension and Armed Forces Compensation Disregard Policy

Meeting Ambition 10

Introduction

1. War Pension and Armed Forces Compensation will be paid to those persons eligible to receive it and Sandwell have decided to disregard this income when assessing entitlement to Housing Benefit. This will be aligned to the Council's Council Tax Reduction Policy with key principles of tackling inequality and reducing poverty.

Policy statement

2. The Housing Benefit Regulations 2006 make provision for the first £10.00 of income from War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Scheme to be disregarded in any benefit assessment. The cost of this disregard is fully reimbursed to the Council.
3. The Social Security Administration Act 1992 gives the Council discretion to disregard any amount it chooses in addition to the statutory provision. The Council has taken advantage of this provision and fully disregarded income claimants receive from the War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Schemes.

General Principles

4. The Council will fully disregard income from War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Scheme when assessing entitlement to Housing Benefit.
5. The 100% disregard of funds received as War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Scheme awards aims to:
 - Ensure that members of the armed forces who have been disabled during service or the widows or surviving civil partner of those who died in the service of their country, should not be penalised by having their pensions or payments made in relation to their service, taken into account in the calculation of their Housing Benefit entitlement
 - Ensure income from the schemes is treated consistently when assessing entitlement to Housing Benefit
 - Ensure continued alignment between treatment of these incomes under the Housing Benefit scheme set by the Department for Works and Pensions and Sandwell Council's own Council Tax Support Scheme
 - Ensure that everyone gets fair treatment and equal opportunity
 - Promote a transparent and simple assessment methodology that is easily understood
 - Provide staff with guidance for making reasonable, fair and consistent decisions

Process for services

Administration of the scheme

6. A statutory disregard of £10 is required from current payments of War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Scheme in accordance with the Housing Benefit Regulations 2006. These payments include:
 - War disablement pension
 - War Widows/widowers pension
 - Guaranteed Income Payments (GIP's) under the Armed Forces and Reserve Forces Compensation Scheme (AFRFCS) payments
 - Service Attributable Pension (SAP) injury or illness attributable to service on or before April 1975
 - Any comparable payment paid by Government of a country outside Great Britain
 - A pension paid under the law of the Federal Republic of Germany or Austria to victims of National Socialist Persecution
7. But not pre-1973 War Widow's Special Payments which are already disregarded in full.

Legislation

8. The Regulations providing for this are:
 - The Housing Benefit Regulations 2006 paragraph 40(2) and schedule 5
 - Housing Benefit (Persons who have attained the age qualifying for the State Pension Credit) Regulations 2006 paragraph 33(9) and schedule 5
 - Sections 134 and 139 of the Social Security Administration Act 1992 provide the Council with the discretion to modify the Housing Benefit Scheme by disregarding a further amount, or all, of specified war disablement pensions and payments. The Housing Benefit and Council Tax Benefit (War Pension Disregards) Regulations 2007 (as amended) which prescribe which pensions and payments these are.

Policy review

9. The policy will be reviewed annually, or sooner if appropriate, to take account of operational adjustments and or changes to legislation.

Equalities

10. This policy has been produced in line with the Council's obligation to the Public Sector Equality Duty provided by the Equality Act 2010. No adverse impact on any protected characteristic has been identified as a result of this policy.

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20 February 2024

The following summary report relates to those minutes of the Cabinet which contain a recommendation to the Council. The reports are attached.

| Meeting Date | Subject |
|---------------------|---------------------------------|
| 17 January 2024 | Social Value in Sandwell Policy |

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Report to Cabinet

17 January 2023

| | |
|-------------------------|---|
| Subject: | Social Value in Sandwell Policy |
| Cabinet Member: | Cabinet Member for Regeneration and WMCA Councillor Peter Hughes |
| Director: | Regeneration and Growth, Tony McGovern |
| Key Decision: | Yes - Significant in terms of its effect on communities living or working in an area comprising two or more wards of the Borough. |
| Contact Officer: | Business Manager Regeneration, Jenna Langford jenna_langford@sandwell.gov.uk |

1 Recommendations

- 1.1 That Cabinet approve the Social Value in Sandwell Policy that will apply to all Sandwell Metropolitan Borough Council commissioners, all expenditure made on behalf of the council, for all services, goods, and works contracts, and planning officers determining planning applications that are over 10 residential units or exceed 10,000 sqm.
- 1.2 That Cabinet give approval for a tendering evaluation quality weighting of 10-30% on Social Value for all services, goods and works contracts and Full Council be recommended to approve an update to the existing Contract Procedure Rules to reflect this change, which is currently 5-30%.
- 1.3 That Cabinet delegate authority to the Head of Procurement to determine if and how the Social Value in Sandwell Policy is applied to contracts to ensure proportionality against Social Value weightings and contract value thresholds.



2 Reasons for Recommendations

- 2.1 The existing Social Value Policy (2010-2013) for Sandwell is not fit for purpose in that it does not reflect contemporary best practice and does not align with the Social Value in Sandwell priority as set out in the Sandwell Business Growth Plan, approved by Cabinet on the 15 November 2023. The policy currently only applies to services and goods contracts; however, the Social Value in Sandwell Policy proposes to go further and include works contracts.
- 2.2 The current tendering evaluation weighting of 5-30% on Social Value for services and goods contracts is not ambitious enough, considering the contact values of services, goods, and works the council as an anchor organisation commissions, the planning applications it determines, and the investment it levers into the borough. Increasing the minimum weighting to 10% with a maximum of 30% demonstrates the council's commitment to maximising Social Value outcomes that can be derived due to the council's influence as an anchor organisation.
- 2.3 To apply proportionately and prioritise resources to achieve greater social value, a contract type and value matrix has been developed (see Table 1), comprising works, goods, and services, contract types with values ranging from <£200k to £2m> with three levels detailing the extent to which the Social Value in Sandwell Policy would apply. Level 1 is for lower value contracts and requires commissioners to consider, seek, and record social value benefits where practical. Level 2 is for mid value contracts and requires Social Value metrics to be included in the tender evaluation process and a Social Value action plan to be produced covering the contract term. Level 3 is for high value contracts and requires Social Value metrics to be included in the tender evaluation process and a Social Value Delivery Plan to be produced. Recommendation 1.3 of this report requests that Cabinet-delegate authority to the Head of Procurement to determine if and how the Social Value in Sandwell Policy is applied to contracts to ensure proportionality against Social Value weightings and contract value thresholds, to mitigate any potential negative impacts on other quality




evaluation considerations required on particular contract types i.e. Adult Social Care.

| | Level 1 | Level 2 | Level 3 |
|--|---------|--------------|---------|
| Services Contracts | <£200k | £200k to £1m | £1m> |
| Goods Contracts | <£1m | £1m to £2m | £2m> |
| Works Contracts | <£1m | £1m to £2m | £2m> |
| Level 1 – consider, seek, and record social value benefits where practical Level 2 – metrics included in tender evaluation process and action plan for the contract term Level 3 - metrics included in tender evaluation process and Social Value Delivery Plan required | | | |

Table 1 Contract Type and Value Matrix

2.4 The emphasis of the Social Value in Sandwell Policy is to encourage the retainment of wealth within the local economy to ensure economic growth that is inclusive and benefits Sandwell communities. The Social Value in Sandwell Policy defines “Local Employment” and “Buying Locally” as being within Sandwell or the West Midlands Combined Authority Area (WMCAA).

3 How does this deliver objectives of the Corporate Plan?

| | |
|---|--|
|  | <p>A Strong and Inclusive Economy Encouraging Social Value within a local area is a powerful catalyst for local economic growth. It serves as an engine that propels numerous benefits throughout the community and has a ripple effect that contributes to the overall well-being and prosperity of the area.</p> |
|---|--|

4 Context and Key Issues

4.1 In November 2023, Sandwell Council approved the Sandwell Business Growth Plan and the economic priority of ‘Social Value in Sandwell’ making a commitment to develop a Social Value Policy along with a



framework of support for commissioners, Sandwell's anchor organisations, and contractors to employ and buy locally through embedding good social value practice within all contracts. Anchor organisations have an important presence in a locality due to being largescale employers and purchasers of goods and services, controlling large areas of land and/or having relatively fixed assets. Such organisations include Councils, NHS Trusts, Universities and Colleges, Housing Groups, and large strategic companies. With this presence Anchor Organisations have a significant influence in-terms of their potential to build community wealth through an inclusive economy through the jobs they create, employment practices, the physical spaces they occupy, the commissions they manage and the supply chains they use.

- 4.2 In addition on the 12 December 2023 the council signed the Anchor Network Partnership charter, where Sandwell Metropolitan Borough Council, as an anchor organisation declared to make a long-term commitment to use their influence, resources, and assets to build a strong and inclusive economy for Sandwell. The council agreed to use its influence to build an Inclusive Economy in Sandwell; to understand barriers to local spend and find ways to increase spend of the council within the Sandwell and West Midlands economies, to help build capacity for local suppliers to bid for opportunities through consideration of procurement practices, to understand barriers to Sandwell's workforce accessing employment & skills opportunities and consider accessible pathways to increase local workforce recruitment, and finally to use its influence to support the Borough of Sandwell becoming carbon net zero by 2041.
- 4.3 If approved, the Social Value in Sandwell Policy is the first step in enshrining the council's commitment into the council's procurement practices and applies to all commissioners and planning officers within Sandwell Metropolitan Borough Council.
- 4.4 Statutory requirements of the Social Value Act 2012 only apply to service contracts (and goods or works contracts where there is a service element) above the appropriate threshold in the Public Contracts Regulations. Through this policy, the council can take this further by embedding Social



Value requirements within all commissioning and procurement activity to include goods, services, and works. The Social Value in Sandwell Policy requires commissioners to think about how they achieve outcomes in a more integrated way at the pre-procurement stage. Rather than thinking about services in isolation or in the short term, this approach requires commissioners to consider long term costs, sustainability and how inclusion of additional social value outcomes can potentially reduce pressures in other areas and provide capacity and funding for improved community benefits.

4.4 The main objectives are for commissioners to consider the additional benefits to the community from a commissioning / procurement process over and above the direct purchasing of goods, services, and works. They are to consider more than just the financial transaction, and factor in the benefits of health, happiness, wealth, safe, resilient communities and enables sustainable change and improvement for all. Types of Social Value benefits often accrue value to different people, communities or organisations in different ways and are not always easy to define and measure. The policy provides four pillars of Social Value through which outcomes and benefits can be defined, unlocked, and delivered:

- Employment & Skills
- Local Spend
- Community Benefits
- Environment

4.5 To apply proportionately and prioritise resources to achieve greater social value, a contract type and value matrix has been developed as part of the policy, which indicates the extent to which Social Value in Sandwell Policy would apply (see 2.3). The matrix is informed by the National Social Value Taskforce and is comparable with other Social Value policies within the Black Country. In addition to the matrix, Sandwell Council in its role as Local Planning Authority would continue to embed a Social Value Delivery Plan in all Planning Applications that are over 10 Housing Units, or over a capacity of 10,000 sqm. in commercial developments, schools, hospital builds etc.



- 4.6 The Social Value in Sandwell Policy proposes to increase the weighting within the tender evaluation process to between 10%-30%. The application of weighting would depend on the type and value of the contract. For example, it is expected that Levels 1 & 2 contracts would include a weighting between 10-15%, with Level 3 contracts including a weighting between 15-30%. Where elements of Social Value are essential to the delivery of the project they can be included in the specification and in some instances, a PASS/FAIL weighting could be applied.
- 4.7 The current weighting for Social Value within the tender evaluation process is between 5-30%. The policy proposes to increase the weighting to reflect the value and influence the council has in the local economy, as an anchor organisation. Sandwell's Anchor Network organisations have a combined budget of over £1.5bn, with Sandwell Council alone spending more than £500m on goods, services and works. In addition, Sandwell's Regeneration Pipeline forecasts £2.9b of investment into the borough by 2027. By tapping into this investment and spend power there is opportunity to secure and deliver Social Value outcomes and increasing the weighting of Social Value in the tender evaluation process is considered proportionate to the value of opportunity.
- 4.8 In consultation with Procurement Services, it has been agreed that should the Social Value in Sandwell Policy be approved, the forthcoming revised Procurement Strategy will align to and reference the Social Value in Sandwell Policy.
- 4.9 The policy does however recognise that a framework of support will be required for commissioners, to enable them to strive for and achieve more Social Value in Sandwell. Should the Social Value in Sandwell Policy be approved, a suite of support will be developed, delivered, and published by the Sandwell Business Growth Team and will accompany the launch of the policy. The framework of support will include additional guidance and templates tailored to specified audiences, workshops and webinars for commissioners and prospective tenderers, case studies and examples of best practice.



4.10 To measure the impact of social value outcomes in a reportable way, the Council align their Social Value measures to meet the National Themes, Outcomes and Measures (TOMS). The framework of support will include examples of TOMS to aid commissioners.

4.11 It is proposed that the Social Value in Sandwell Policy would be reviewed periodically in consultation with stakeholders to consider any changes in priorities, or should adjustments be required to the thresholds or weightings. This would also include the periodic review of the comprehensive framework of guidance and tools accompanying the policy.

5 Alternative Options

5.1 The Council does not adopt the Social Value in Sandwell Policy.

5.2 The Council retains the existing weightings and thresholds.

5.3 The Council considers alternative weightings and thresholds within a Social Value in Sandwell Policy.

6 Implications

| | |
|------------------------------|---|
| Resources: | The implementation of the Social Value will be undertaken through existing resources within council. |
| Legal and Governance: | The Social Value in Sandwell Policy accords with the Social Value Act 2012 and the Council's Contract Procedure Rules and will be incorporated within the revised Procurement Strategy. |
| Risk: | The Social Value in Sandwell Policy has been developed in line with guidance from the National Social Value Taskforce, the Social Value Act 2012, and the Council's procurement team. In addition, the Policy will be periodically reviewed to address any issues that arise from the policy implementation or the increase in weightings from 5%-30% to 10%-30%. |



| | |
|------------------------------|--|
| Equality: | Not applicable. |
| Health and Wellbeing: | Not applicable. |
| Social Value: | Encouraging Social Value within a local area is a powerful catalyst for local economic growth. It serves as an engine that propels numerous benefits throughout the community and has a ripple effect that contributes to the overall well-being and prosperity of the area. |
| Climate Change: | Not applicable. |
| Corporate Parenting: | Not applicable. |

7. Appendices

Appendix One - Social Value in Sandwell Policy.

8. Background Papers

Sandwell Business Growth Plan.





Sandwell
Metropolitan Borough Council

CONTRACT PROCEDURE RULES

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1. Introduction

1.1. These Contract Procedure Rules (made in accordance with section 135 of the Local Government Act 1972) are intended to promote probity in commissioning and purchasing practice; public accountability; reflect the Council's priorities and deter corruption.

1.2 Purchasing decisions and processes are important because the money involved is public money. The purpose of these Contract Procedure Rules is to provide a structure within which commissioning and purchasing decisions are made and implemented and which ensure that the Council:

- Achieves best value for money, including social value
- Supports all relevant council priorities and policies to include the Corporate Plan and Vision 2030
- Purchases quality goods, services, and works
- Safeguards its reputation from any suggestion of dishonesty or corruption
- incorporates principles of sustainability, efficiency, quality, social value, best value for money and whole life-cycle costing
- complies with the Public Contract Regulations 2015 (PCR) and any future amendments

1.3 Basic Principles

1.3.1 All procurement, contracting, contract management and disposal procedures must:

- comply with these rules and Financial Regulations;
- achieve Best Value;
- be consistent with the highest standards of integrity;
- comply with the relevant Legislation (including the Council's statutory duties and powers);
- comply with any relevant Council policies;
- support the Council's corporate and departmental aims; and
- ensure that non-commercial considerations do not influence the award decision.
- must ensure that all procurement activity is transparent and proportionate and that all bidders are treated equally and without discrimination throughout its processes.

1.4 General Principles – Application and Compliance

1.4.1 No contract may be awarded unless there is a budget allocated and the appropriate delegated authority has been granted.

1.4.2 These Contract Procurement Rules apply to the purchase by or on behalf of the Council of works, supplies (goods) and services.

1.4.3 These Contract Procurement Rules apply to all contracts including all purchase orders, concessions and contractual arrangements entered into by or on behalf of the Council, except for the specific types of contracts and purchasing methods which are listed in 2.3.

1.4.4 In the event of conflict between the above, UK legislation will take precedence, then the Council's Constitution, policies, and procedures

1.4.5 Non-compliance with these rules could result in a legal challenge to the Council. Therefore, any incidence of non-compliance with these rules could constitute a disciplinary offence.

1.5. These rules should be read in conjunction with the following:

- Financial Regulations
- Scheme of Delegations
- Member Code of Conduct
- Officer Code of Conduct
- Grant Procedure Rules
- The Public Services (Social Value) Act 2012 Policy and Guidance

1.6. All procurement activity and sales of Council assets, excluding land and buildings, shall comply with these rules unless an exemption is approved under Rule 15. This includes where a partner or consultant has been instructed to invite tenders on behalf of the Council.

1.7. Advice on any matter within these rules can be obtained from the Procurement Services or Legal Services. Where these rules are applicable and engaged any advice, guidance, protocols (or the equivalent) relating to them issued by the council Procurement Team must be adhered to by any officer, member or third party acting on behalf of the council.

1.8 The threshold values at which public procurement opportunities are subject to the full suite of regulations governing public contracts are revised every two years to take account of currency fluctuations, and to ensure the UK complies with its obligations under the World Trade Organisation's Agreement on Government Procurement (GPA). Appendix C sets out the threshold values for public contracts, utilities contracts, concession contracts and defence and security contracts from 1 January 2022. When calculating the estimated value of the contract to determine whether the regulations apply, the contract value estimation should be inclusive of VAT (where applicable) from 1 January 2022.

1.9. Appendix A of these Contract Procedure Rules contains a list of defined words and expressions

2. Scope

2.1. These Rules apply to all contracts with outside organisations or people, including agreements with or on behalf of other public sector organisations and partner agencies, where there is an agreement to supply materials, goods, services or works, in return for money or payments in kind, whether that agreement is formal or informal. This includes:

- a) purchasing of all materials, goods, services or works; and
- b) instruction of outside experts or consultants under contracts for services.

2.2. Where the Council enters into a contract as an agent for another authority the agency agreement should specify which rules apply. Where other public bodies are acting as the lead or contracting body for a procurement that the Council will be participating in, then their own Contract Procedure Rules or Contract Standing Orders will apply.

2.3. However, these rules do not apply to the following areas:

- a) Expenditure funded by EU grants – European Procurement Rules must be complied with. Where use of the Council's centrally arranged contracts is made then compliance with the European Procurement Rules will be achieved.
- b) Grants that are made by the Council to external organisations that do not constitute a contract for services – this expenditure is covered by the Third Sector Grant Funding Guidance and Procedures.
- c) Locally maintained school expenditure operating under the scheme of the delegated budget.
- d) Treasury management transactions, including leasing, exercising borrowing consents, cash management, investments, and other transactions in accordance with the Treasury Management Policy.
- e) Contracts of employment which make an individual a direct employee of the Council.
- f) Disposal, including sale, of Council owned land and buildings – this is dealt with under the Sale of Land and Buildings Appendix to the Financial Regulations.

2.4. It should be noted that depending upon the terms and conditions, a Development Agreement entered in to by the Council may need to follow the Public Procurement Regulations. Prior advice must be sought from the Monitoring Officer/Chief Legal Officer before steps are taken to negotiate any Development Agreement.

2.5. Advice should be sought from Procurement Services or Legal Services as to whether proposed activity is covered by the scope of these rules.

3. Roles and Responsibilities

3.1. All officers of the Council must adhere to these Rules. The Rules also apply where consultants or third parties are employed to act on behalf of the Council.

3.2. Before commencing any procurement activity, officers must ensure that they have appropriate authority and delegated approval to act. It is the responsibility of individual officers leading on a contract/procurement exercise to ensure appropriate authority to act has been obtained, which might include obtaining the approval of the relevant Cabinet Member or Cabinet and that the budget is available. The officer should consult with Legal Services at the earliest opportunity regarding the proposed form of authority to ensure it is sufficient, but the ultimate responsibility for obtaining appropriate authority rests with the officer. Failure to obtain appropriate authority will cause delay to procurement activity and/or the award of a contract.

3.3. Roles and responsibilities of members and officers across the Council are set out below. Definitions of officers are as in the Scheme of Delegation.

Members

- a) Set the strategic direction of services, which informs the requirements from the market.
- b) Are not involved in the evaluation of quotations or tenders.
- c) Cabinet authorises the commencement of procurement above the Key Decision Threshold (£1million+) and delegates the award of all contracts with total value above the Key Decision Threshold (£1million+) to the relevant Chief Officer/Cabinet Member unless otherwise agreed by Cabinet.
- d) Cabinet approves exemptions from any part of these rules for contracts with a total value above the Key Decision Threshold (£1million+director).
- e) Individual Cabinet Members authorise the commencement of procurement as it relates to their portfolio for procurement between £500,001 and £1million and may delegate the award of all contracts to the relevant Chief Officer.
- f) Individual Cabinet Members approves exemption from any part of these rules for contracts with a total value between £500,001 and £1million as it relates to their portfolio.
- g) Cabinet approves and maintains the Council's Procurement Policy Framework

Chief Executive

- a) Approves any exemption to these rules for contracts up to a total value of £500,000 which relate to service areas that are the responsibility of the Chief Finance Officer.
- b) Endorses any exemption to these rules for contracts with a total value above £500,000 which relate to service areas that are the responsibility of the Chief Finance Officer.

Chief Finance Officer

- a) Act as a compulsory consultee on procurement activity above £250,000 in value to ensure appropriate resources are in place and compliant processes have been followed.
- b) Review all monetary limits shown in these Rules annually and report any resulting amendments to the relevant Cabinet Member.
- c) Act as escalation point for any appeals or reviews made by bidders with regard to these Rules.
- d) Approve any exemptions to these Rules for contracts up to a total value of £500,000 relating to services outside of their area of responsibility
- e) Endorse any exemption to these Rules for contracts above a total value of £500,000 relating to services outside of their area of responsibility.

Chief Officer

- a) Ensure compliance with these Rules across their service areas.
- b) Ensure all strategic procurement projects are properly resourced, and have financial, procurement, legal and (where necessary) HR input from the start.
- c) Ensure delegated authority is obtained as required.
- d) Ensure appropriate cabinet members are briefed on appropriate levels of procurement activity within their portfolios.
- e) Ensure officers are sufficiently trained, experienced, and knowledgeable about these Rules and commissioning/procurement activity.
- f) Ensure resources are available to allow compliance with these Rules.
- g) Ensure that the Head of Procurement is notified of all planned procurement activities to include in the Corporate Procurement Plan
- h) Approve the award of contracts relating to their service areas up to a total value of £500,000.
- i) Endorses any exemption to these Rules for contracts relating to their service areas

Director of Law & Governance/ Monitoring Officer

- a) Authorise the commissioning/procurement of legal services for all aspects of Council business.
- b) Act as a compulsory consultee on procurement activity above £250,000 in value to protect the Council's interests and ensure onerous terms and conditions are not entered into.
- c) Act as a compulsory consultee on any Development Agreement.
- d) Enter into contracts on behalf of the authority with delegated authority.
- e) Endorses any exemptions to these rules for expenditure above £250,000 in value

Director of Regeneration & Growth

a) Authorise the commissioning/procurement of advice relating to the valuation, sale or acquisition of land or property.

Head of Procurement

a) Review these rules annually to ensure they are fit for purpose and meet all relevant legislative and policy requirements.

b) Provide advice and guidance on all procurement activity across the Council

c) Endorses any exemptions to these rules prior to Chief Finance Officer/Monitoring Office, other than those for Minimal Quotes/Tenders.

d) Ensures that all procurement activity above £100,000 is compliant with these Rules.

e) Ensure the Procurement Team adhere to The Procurement Processes & Guidance Documents on The Sandwell Intranet Procurement Site.

Service Manager – ICT

a) Authorise the commissioning/procurement of ICT systems and support across the Council.

All Officers of the Council

a) Comply with these rules, The Procurement Processes & Guidance Documents on The Sandwell Intranet Procurement Site, Financial Regulations, Employee Code of Conduct and with all relevant UK legislation.

b) Make use of existing Council contracts and internal suppliers where available.

c) Ensure they and any team members they are responsible for are suitably trained to carry out procurement activities.

d) Ensure that appropriate budget and authorities are in place before commencing procurement activity.

e) Undertake procurement activity for all requirements below £100,000.

f) Consult with Legal Services in relation to obtaining authority to award a contract at the earliest opportunity, including obtaining advice from the lawyer who is assigned to the matter on the form and content of the authority (i.e. either in the form of a Cabinet report or delegated authority).

g) Ensure procurement procedures are commenced as early as possible to ensure compliance with these rules and sufficient pre-market engagement to develop requirements and attract suitable suppliers.

h) Ensure any agents, consultants and contractual partners acting on their behalf comply with these rules. Legal advice must be obtained by officers where any conflict of interest has potential to impact on a contractual relationship.

- i) Maintain an audit trail of all authorities given and decisions made to show how these rules have been complied with.
- j) Involve Procurement, Finance, Legal Services and (where necessary) HR at the earliest opportunity, and at all stages of a project.
- k) Store all documents electronically and in compliance with any corporate or service specific document management and retention policies.
- l) Ensure that all opportunities are advertised as per procedures set out in this document to achieve value for money.
- m) Monitor contracts for which they are responsible, and manage issues arising to ensure optimum contract performance.

Third Parties commissioned to act on behalf of the Council

- a) Must comply with these rules
- b) Must not carry out any procurement activity without prior consultation with Head of Procurement
- c) Ensure any conflict of interest is avoided in the first instance or declared to the appropriate Chief Officer/Service Manager as soon as possible. Legal advice must be obtained by officers where any conflict has potential to impact on a contractual relationship.

4. Conduct of Officers, Members and Suppliers

4.1. The Council will adopt the necessary processes and procedures to be able to demonstrate a fair and transparent procurement process, providing auditable justification for all decisions made.

4.2. Where bidders attempt to influence the outcome of a procurement process other than through proper participation (e.g. by canvassing members), they will be excluded from the procurement process to which such canvassing or approaches relate.

4.3. Every Member and officer of the Council shall declare any personal or prejudicial interest in any contract in accordance with the Council's Code of Conduct for Councillors and Code of Conduct for Officers. Such interests should be recorded in the Members' or Employee's Registers of Interest.

4.4. Any potential conflict of interest in relation to a procurement e.g. a relationship with a bidder or a company operating in the market, or a personal interest in the matter, must be identified and recorded at the earliest opportunity to ensure equal treatment of bidders and a fair and transparent procurement process. Advice should be sought from the Head of Procurement and such action should be taken to remove the conflict e.g. employee not taking part in the evaluation of the bid.

4.5. No Member or officer of the Council shall in a personal capacity enter into any contract on behalf of the Council.

5. Use of Internal Providers and Council-Wide Contracts

5.1. Where an internal service can provide the goods or service, this must be used in the first instance.

5.2. Where the Council has corporately procured a contract or framework agreement, these contracts should be used as the Council will be obtaining value for money by procuring corporately. The requirements of these rules will have been addressed, value for money ensured, and standard terms and conditions used.

5.3. A list of all corporately procured contracts is maintained by the Corporate Procurement Service and made available on the Council's intranet.

5.4. As required by the Financial Regulations, purchase orders must be raised via the Oracle Financials system (SBS). Where possible, Council-wide contracts should be available through catalogues via the Oracle Financials system (SBS).

5.5. Subject to any pre-existing exclusivity arrangements which oblige the Council to use a pre-existing contract, where the appropriate Chief Officer (in consultation with the Head of Procurement) considers that there are specific advantages to be obtained by negotiating a separate contract for corporately procured goods or services, then written approval must be sought from the Head of Procurement and retained on the appropriate contract file.

5.6. Failure to use existing corporately procured contracts where available can be viewed as a disciplinary offence unless approval is given as per paragraph 5.5 above.

5.7. Where there are no internal suppliers or existing contracts in place, officers must follow the procedures set out in this document to identify external suppliers.

6. Contracts Relating to Assets

6.1. These Rules do not apply to the sale or disposal of Council owned land or buildings. Transactions of this nature must adhere to the Sale of Land and Buildings Protocol within the Financial Regulations.

6.2. Where the sale of land also specifies works or services to be carried out by the developer then advice should be sought from Legal Services as the land sale could constitute a public works contract or public services contract which would be subject to these Rules as well as the Sale of Land and Buildings Protocol.

6.3. These Rules do apply to the acquisitions, leases, licenses, agreements, and other matters relating to land or property, except where they have been expressly varied. Any arrangements must adhere to the Financial Regulations.

7. Procurement Cards

7.1. Procurement cards should be used in the following circumstances:

a) For all requirements where there is no written contract in place with a maximum transaction value of £500

and no greater than £1,000 per month; Any spend with a single supplier anticipated to be over £10,000 per annum should follow the procurement process and be contracted.

- b) Where purchase orders cannot be used;
- c) Where there is a requirement to respond to service users' requirements in an emergency or out of normal working hours;
- d) In place of petty cash as far as possible; or
- e) Where online procurement routes offer the only or the most value for money option.

7.2. Procurement cards will be issued subject to the Procurement Card Policy. Before a procurement card will be granted to a card holder, Internal Audit must confirm that there are no significant issues that would identify a high risk of inappropriate use by that individual or that service area.

7.3. Procurement cards will not be used where an internal provider or a corporately procured contract exists unless this is in the form of an embedded/virtual procurement card.

7.4. Use of procurement cards must be in accordance with the Procurement Card Policy and these Rules, including the use of internal suppliers and corporate contracts (Rule 5) and advertising thresholds (Rule 8). Procurement cards can be used for higher value purchases in emergency situations only.

7.5. Failure to adhere to these procedures will constitute a disciplinary offence.

7.6. Where a procurement card is used, it is the responsibility of the card holder and their budget manager to ensure that value for money is obtained at all times and spend is in line with business need.

8. Values and Advertising Thresholds

8.1. Values (or genuine pre-estimated values) used in the operation of these Rules will normally be the total value of the contract over the whole of the contract term including any extension. The value will be inclusive of VAT.

8.2. Where a series of purchases is made for the same or similar purposes, then the value will be the aggregated value of purchases made within any single contract or period of 12 consecutive months. Where a contract is required over a multiple year period, then the total value of that contract must be considered.

8.3. Orders or requirements should not be artificially divided to make two or more orders of a lower value to avoid the requirement to obtain quotations or tenders.

8.4. Advice should be sought from Procurement Services on calculating the estimated value. It may be appropriate to obtain an independently verified estimated before commencing the procurement activity. If an external expert is required, the appointment of that expert must be in line with these rules.

8.5. The value (or genuine pre-estimated value) will determine the procurement method used, as set out in Table 1 below. The value of the contract will depend upon the specification of the goods, services, or works required. Details of how estimated figures have been calculated must be kept on the relevant contract file.

8.6. Should the lowest quotation/bid received be above the estimated cost and the value dictates that an alternative procurement method should have been used, Chief Officer approval is required to accept the bids and award the contract after evaluation. Should the lowest tender received be above £1million in total value then Cabinet approval will be required to award the contract after evaluation.

8.7 All Contracts and spend with a Supplier in excess of £10,000 needs to be captured on the Councils agreed procurement portal

8.8. Table 1 below sets out the procurement thresholds, minimum number of bids required and the responsibility for obtaining those bids:

Table 1: Advertising Procurement Thresholds

| Estimated value of goods, services, or works (Including Aggregation) | Minimum number of bid/s required | Method of obtaining bids | Responsibility for obtaining bids | Written Records required |
|---|---|---|---|---|
| £0-£500 | No bids required All non-contractual purchases to be made via procurement card | n/a | n/a Council officers; Purchaser must ensure value for money is being obtained | Online updated record in Natwest SDOL system in line with Purchasing Card policy. |
| £500-£10,000 To be treated as a one-off non-recurring requirement | At least One quotation. Using a Sandwell supplier or if not available a supplier from the West Midlands Combined Authority Area wherever possible. | All spend over £500 must be procured using the In-Tend portal. The Purchasing Card may be used in line with the Purchasing Card policy. | Council officers; purchaser must ensure value for money is being obtained | In-Tend online record. Invitation to Quote, specification documents, quotations, and communications from suppliers |

| | | | | |
|--------------------|---|--|--|---|
| £10,000-£100,000 | Three quotations to be obtained with at least one supplier from Sandwell or if not available a supplier from the West Midlands Combined Authority Area | All spend over £500 must be procured using the In-Tend portal. Spend over £25,000 (exclusive of VAT) to be published on Contracts Finder Specification and selection/award criteria to be included in the invitation to quote (Rule 11) | Council officers; purchaser must ensure value for money is being obtained (excluding Social Care and Public Health Requirements) | In-Tend online record. Invitation to Quote, specification documents, quotations, and communications from suppliers |
| £100,001 and above | Three tenders to be obtained In all instances at least one bid should be from a Sandwell Supplier or if not available the West Midlands Combined Authority Area | All spend over £500 must be procured using the In-Tend portal. Spend over £25,000 (exclusive of VAT) to be published on Contracts Finder and FTS when applicable Specification and selection/award criteria to be included in the invitation to quote (Rule 11) | Procurement | In-Tend online record. Invitation to Tender, tender schedules, bids and communications from suppliers Estimated value of goods, services, or works (Including Aggregation) Minimum number of bid/s required Method of obtaining bids Responsibility for obtaining bids Written Records required |

8.8. The thresholds set out in Table 1 apply to the procurement of all goods, services, or works by the Council

8.9. Where the value determines that a tender is required, advice must be sought from Procurement Services or Legal Services on the most appropriate tendering procedure. Where requirements relate to social care or public health services, then advice must be sought from the delegated teams in those areas.

8.10. If the minimum number of bids required as set out in Table 1 has not been obtained, but at least two bids have been received, approval of the Chief Officer will be required to enable the procurement to proceed. Cabinet approval will be required for all contracts above £1million because this is a Key Decision. Approval must include details on why the bids received represent value for money and any information on process carried out to attract sufficient bids. Details of correspondence must be kept on the relevant contract file to evidence that value for money has still been obtained.

8.11. If only one bid or quotation is received for requirements over £10,000, an exemption will be required to award the contract as per Rule 15. The report must set out how the received bid represents value for money.

8.12. If a Framework is used, then the requirements of the mini competition clauses within that agreement must be met.

9. Advertising Requirements and Timescales

9.1. Unless making a call-off from a properly procured Framework Agreement to a single supplier or a direct award, all requirements above £25,000 (exclusive of VAT) in total value must be advertised on the Council's agreed portal or other appropriate approved portal. This ensures compliance with the government's Transparency Agenda.

9.2. All adverts for Council requirements will be placed on the Council's e-Tendering portal, which will ensure that the advert is also placed on Contracts Finder. Responsibility for placing the advert will depend on the value and nature of the requirement:

- a) £25,000-£100,000 (exclusive of VAT) – adverts to be placed by the Council officer responsible for procurement;
- b) £100,000 and above – adverts to be placed by Procurement Services;
- c) Social care and public health – adverts to be placed by designated procurement teams.

9.3. As a minimum, adverts must include the following:

- a) Specification
- b) Selection and award criteria
- c) Closing date and time for responses
- d) Total contract period, including any optional extension period
- e) Whether variant bids will be accepted as part of tender submissions
- f) If the requirements have been divided into lots and if it is the intention to appoint a single supplier or multiple suppliers (Rule10.3).

9.4. Time limits for the return of quotations/tenders will vary dependent upon the value and complexity of the requirements and the process in question. It is the

responsibility of the procuring officer, following advice from Procurement Services, to decide the most appropriate timescale for the return of quotations/tenders. However, this must be set to attract the minimum number of quotations/tenders to ensure that suppliers have a sufficient but not disproportionate period to respond and that value for money has been achieved.

9.5. In all cases, opportunities must be advertised for a minimum of five working days via the Council's e-Tendering Portal. In order to demonstrate value for money, a longer advertising period should be considered. Where the Public Contracts Regulations 2015 procedure is to be followed, there are prescribed timescales that must be adhered to.

9.6. No quotation/tender/bid received after the closing date/time shall be accepted or considered under any circumstances. Details of the closing date/time must be clearly stated within all invitation to quote/tender documentation.

10. Provisions Applicable to All Procurement Activity and Contracts

10.1. Pre-Market Research, Engagement and Consultation

a) Officers should ensure that the Borough of Sandwell geographical area receives the maximum benefit possible from the expenditure made by the Council.

b) Therefore, an options appraisal should be undertaken by the relevant Service Manager to ascertain what is the most appropriate route to achieving the desired outcomes of the service or project. The appraisal must be approved by the Chief Officer responsible for the service in consultation with the Chief Finance Officer and Monitoring Officer (Cabinet approval is required for procurement above £1million+, Individual Cabinet Member approval is required for procurement between £500,001 and £1million).

c) When carrying out this options appraisal full consideration should be given to:

- Vision 2030;
- Public Services (Social Value) Act 2012;
- Working with partners and/or service users through co-design or coproduction.

d) To achieve this, market consultations may be conducted while producing the options appraisal and prior to commencing any procurement exercise, in order to ensure that the best possible outcomes are achieved and benefits to the local community are maximised. Findings from this consultation may be used in the planning and conduct of a procurement procedure, provided that this adheres to the Council's procurement principles of transparency, equal treatment, and non-discrimination of all bidders.

e) Independent external organisations may be appointed to assist with market consultations. However, it remains the Council's responsibility to ensure that this does not result in distorted competition (e.g. through the sharing of all relevant information or the setting of adequate timescales for submission of bids).

10.2. Allocation of Resources and Authority to Act

- a) Prior to commencing procurement activity, officers must ensure that sufficient resources are in place to cover the life of the contract/requirement. Should additional resources be required, these must be sought in line with Financial Regulations.
- b) Prior to commencing procurement activity, officers must ensure that they have sufficient authority to act. This will be dependent upon the value of the requirement, and whether it has been included in the Corporate Procurement Plan. Advice should be sought from Procurement Services and Legal Services on the necessary authority required.

10.3. Specification

- a) Officers within the service area must develop a specification for the goods, services or works required prior to commencement of a procurement activity. The level of detail will depend upon the (estimated) value of goods, services, or works required commensurate with risk.
- b) Specification must include as a minimum:
 - i. Details of the goods, services or works required, including outcomes to be achieved;
 - ii. Timescale for delivery/completion;
 - iii. Expected levels of performance or quality, including links to Social Value that are a requirement; and
 - iv. Additional desired outcomes to be achieved through Social Value on top of the requirements.

10.4. Division into Lots

- a) To make procurement opportunities more accessible to small and medium sized enterprises or to voluntary/community sector organisations, consideration should be made to dividing contracts into separate lots where appropriate.
- b) Advice must be sought from the Head of Procurement where consideration is made to dividing contracts into separate lots.
- c) Records of all discussions and decisions must be kept on the relevant contract file.
- d) The intention to award lots or to award to a single contractor must be specified in the advertisement and all procurement documentation.

10.5. Period of Contract

- a) No contract for the supply of goods, services or works shall exceed four years, including any extension, without prior written approval from Cabinet or from the Head of Procurement. This also applies to a framework agreement unless in exceptional circumstances.

b) Details of the total contract period, including any potential extensions, must be included in the initial advertisement and quotation/tender documentation. Allowance for extension of times to projects with defined Completion Dates must be included in the documentation.

c) Prior to the extension of any contract, officers must ensure that the requirements of Rule 13 have been met.

d) If an additional extension is required, advice must be sought from the Head of Procurement and Legal Services Manager, prior to the submission of an exemption request as per Rule 15.

10.6. Electronic Quotation, Tendering, Communications and Opening of Tenders

a) Unless a requirement of using a Framework stipulates the use of a specific e-procurement tool, all quotations and tendering activity must be via the Council's e-Tendering portal to ensure a fully compliant and auditable quotation and tendering process. This includes the opening of quotations and tenders submitted through the e-Tendering portal, which ensures sufficient reporting mechanisms and audit trails are in place.

b) Any communication relating to procurement will be via the Council's e-Tendering portal. All documentation relating to contracts procured through a Framework not using the Council's e-Tendering portal are to be uploaded to the Council's e-Tendering portal.

c) This process will be managed by Corporate Procurement Services, with the exception of:

i. Requirements up to a value of £100,000 which will be managed by officers within services; and

ii. social care or public health requirements, which will be managed by those dedicated procurement teams.

d) Where the Council's e-Tendering portal is not used (i.e. for sale of land, assets, or property), then tenders for contracts above £100,000 must be opened in the presence of a minimum of two officers, including a nominated officer of the

Democratic Services Unit and an officer of the service area requesting the tender opening delegated this task by the relevant Chief Officer.

e) A record shall be completed at the time of opening tenders detailing:

i. Nature of the goods/materials/services to be supplied or work to be executed, or the title of the land/asset to be disposed of;

ii. Name of each person by on whose behalf the tender was submitted

iii. Date and time of receipt of tender recorded on the envelope/electronic tender system;

iv. Date and time of opening the tenders;

v. Names of all persons present at the opening of the tenders; and

vi. Tender or offer figure (if practicable).

10.7. Risk Assessment

a) Where a contract is awarded with a value in excess of £100,000 or relates to a business critical activity, a risk register should be drawn up for the letting, award and management of the contract in accordance with the [Corporate Risk Management Strategy](#).

b) Further advice should be sought from the Head of Procurement, Risk & Insurance Manager and Legal Services.

10.8. Business Continuity:

a) Evidence of compliant business continuity plans are required for:

i. Any contract in excess of £100,000; or

ii. For any contract identified by the relevant service manager as relating to a business-critical activity.

b) Specifications and contracts must include clauses requiring evidence of the contractor's business continuity plans and the Council's right of an independent audit on any or all business continuity.

10.9. Freedom of Information Act 2000:

a) All tender documents shall set out the Council's statement, in a form approved by the Monitoring Officer, concerning the supplier's participating in the tender process and the Council's intention to comply with the Freedom of Information Act 2000.

10.10. Public Services (Social Value) Act 2012:

a) All procurement activity carried out under these rules must consider the inclusion of appropriate social value award criteria, taking into account where social value is incorporated into the requirements of the specification

b) The Act requires these criteria to be relevant to the subject matter of the contract and proportionate to the value and potential impact that could be achieved.

c) Further guidance: [Public Services \(Social Value\) Act Guidance Document](#).

d) Any procurement activity undertaken on behalf of the Combined Authority should follow the approved Policy.

10.11 UK General Data Protection Regulation:

a) All tender documents shall set out the requirements, in a form approved by the Monitoring Officer, concerning the expectations relating to the UK General Data Protection Regulation (UK GDPR).

11 Selection, Contract Award Criteria and Evaluation

11. 1 Use of Selection Questionnaires / Selection Criteria

- a) Selection Questionnaires must not be used for procurements below the applicable Public Contracts Regulations 2015 Threshold for supplies and services, other than where deemed appropriate for construction related procurements.
- b) Reasonable and proportionate questions should be asked as part of the tender process to assess the requirements or minimum standards of suitability, capability, legal status, or financial standing. of a potential supplier
- c) Where a Selection Questionnaire is required, this must use the Cabinet Office standard documentation,
- d) Selection criteria must be considered prior to publication of quotation/tender and included in the documentation.

11.2 Contract Award Criteria

- a) Where a framework is used, any further competition procedures must adhere to the selection and award criteria set by the framework.
- b) All invitations for quotations or tenders must be in writing and specify whether a contract or offer is to be awarded on the basis of an offer which either:
 - i. Offers the lower price when purchasing goods/services/works, or the highest price when disposing of Council assets/land/property; or
 - ii. Is the most advantageous by reference to price and quality criteria. The criteria could include price, running costs, profitability, period for completion or delivery, technical merit, aesthetic, and functional characteristics, after sales service, technical assistance, outcomes for service users, social value impact, etc.
- c) Where bids are evaluated on price and quality, the quality element of the Award Criteria must not exceed 40%.
- d) Social Value weighting for all services, goods, and works contracts should account for a minimum of 10% up to a maximum of 30% as per Public Services (Social Value) Act Guidance Document (unless the requirement has been included within the specification).
- e) The Head of Procurement to determine if and how the Award Criteria (to include Social Value) in Sandwell is applied to tenders. When the Social Value weighting is higher or lower than 10%, the HOP will ensure proportionality against Social Value weightings and contract value thresholds.
- f) Where the quality element of the Award Criteria needs to be higher, agreement must be sought from the Head of Procurement and records kept on the relevant contract file.
- g) Details justifying all elements of the Award Criteria must be kept on the relevant contract file.
- h) Award Criteria must be set out in the quotation/tender documentation in descending order and must be adhered to without alteration throughout the process.

11.3 Evaluation of Quotations and Tenders

a) All quotations or tenders submitted in response to an advertisement under Rule 9 must be evaluated in accordance with the principles of transparency equal treatment and non-discrimination, as well as the selection and award criteria disclosed in the invitation as per Rule 11 (Selection Criteria and Award Criteria).

Advice must be sought from Procurement Services on the evaluation and moderation process.

b) Officers must ensure that all evaluations are undertaken in compliance with the Public Contracts Regulations and EU Procurement Directives.

c) Variable bids will not be accepted unless stated within the advertisement and invitation to tender documents.

d) Where examination of quotations/tender submissions reveals an error or omission, the bidder shall be notified only that the submission contains an error or omission. The bidder shall be given the opportunity of either confirming or withdrawing the submission.

12 Construction and Engineering Contracts

12.1 Construction and engineering works valued below the applicable Public Contracts Regulations 2015 Threshold for Works must make use of Constructionline and contractors approved for health and safety by organisations list by Safety Schemes in Procurement (SSIP).

12.2 Instructions on how to access details of the lists of contractors contained within these databases can be obtained from Corporate Procurement Services.

12.3 Advertisements for these contracts must include:

a) Scope of contract;

b) Registration requirements with Constructionline and SSIP; and

c) How shortlisting will take place

12.4 If the successful company does not meet the required standard, then a suitable time period should be given to ensure compliance during the contract period.

13 Contract Extensions

13.1 Following compliance with instructions on permitted contracting periods for goods, services and works specified in Rule 10, negotiations may only be undertaken to extend contracts provided that the following requirements are met:

a) provision was made in the original advertisement and documentation that it may be subject to an extension – this includes where more than one extension of the contract has been included in the original advertisement;

b) benchmarking with similar organizations has been undertaken to prove that the contract continues to provide value for money;

c) the contract has been monitored and no concerns have been raised with regard to the level of service/quality of goods supplied or sufficient mechanisms, such as a robust improvement plan, are in place that ensure that any identified issues will be resolved;

d) any price increases are in accordance with the relevant contractual provision (e.g. in line with an appropriate published index) and as permitted under relevant Procurement Regulations;

e) The appropriate Chief Officer and the Head of Procurement are satisfied that no better terms could be obtained by competitive tendering or that the nature or urgency of the work makes it desirable that the same Contractor is employed. Comments of the Chief Officer and the Head of Procurement are to be kept on the contract file;

f) The Legal Services Manager has been consulted to ensure that the extension does not result in a material change to the Contract; and

g) No variations are being made.

h) Evidence of these requirements being met must be recorded

13.2 The approval to extend any contract should be confirmed in writing by the appropriate Chief Officer and Head of Procurement. If provision to extend the contract was not included in the original advertisement and documentation, and the extension to the contract means that the total contract value is over £1million, then Cabinet authority is required to extend the contract and individual cabinet members at or above £500,001.

14 Contract Variations

14.1 Any changes to an existing contract that materially affects the original requirements (whether financial and/or services, goods etc.) may effectively amount to the award of a new contract and so should be subject to a fresh procurement exercise.

14.2 There are six permitted circumstances where variations are permitted to existing contracts and frameworks. Advice should be sought from Legal Services on whether these circumstances apply:

a) Amendments that are clearly provided for in the original procurement and contract documents.

b) Necessary amendments where a change of contractor cannot be made.

c) Unforeseen circumstances have arisen which the authority acting “diligently” could not have foreseen.

d) Amendments to deal with a new contractor replacing the original contractor and this is permitted in the contract or procurement documents.

e) The amendments are “not substantial”.

f) Low value amendments:

- i. Falls below the procurement threshold for works and services; and
- ii. Is less than 10% of the original contract value for supplies or services and 15% for a works contract;

And

- iii. The amendment does not alter the overall nature of the contract.

14.3 The advice of the Legal Services Manager should be sought at an early stage and in any event prior to the submission of any report for an exemption to these rules when any changes to an existing contract are being considered.

14.4 For construction related contracts, paragraph 12 applies unless the terms and conditions of the contract entered into allows for Contract Variations.

14.5 Records of all decisions and supporting evidence must be kept on the contract file.

14.6 Where a variation to a contract increases the total value to £1million+, Cabinet approval is required and between £500,001 and £1million individual Cabinet Member approval is required.

15 Exemptions to the Procurement and Contract Procedure Rules

15.1 An exemption to these rules are not an exemption from the legislative requirements and cannot be granted where a breach of any UK legislation would be incurred.

15.2 Table 2 sets out the authority to grant exemptions to the Contract Procedure Rules and the records required.

Table 2: Authority to Grant Exemptions

| Value of Exemption | Authority to Grant Exemption | Records Required |
|----------------------|--|--|
| Up to £100,000 | Chief Officer following endorsement from Head of Procurement | The request for an exemption must be made in writing setting out the special circumstances justifying the exemption, demonstrate how the action achieves best value for money and indicate any action that may be required to manage risk Approval via email acceptable |
| £100,000 to £500,000 | Chief Officer and Chief Finance Officer following endorsement from | The request for an exemption must be made and approved in report format, signed by the Chief Officer and Chief Finance Officer |

| | | |
|---------------------------------|---|---|
| | <p>Head of Procurement.</p> <p>Where an exemption is for a contract above £100,000, the endorsement of Legal Services is required</p> | <p>The request must specify the special circumstances justifying the exemption, demonstrate how the action achieves best value for money, and indicate any action that may be required to manage risk</p> <p>Advice must be sought from Procurement and Legal Services at the earliest opportunity. The comments of the Head of Procurement and Legal Services must be included in the report</p> |
| £500,001 to £1million | Cabinet Member | Report to Cabinet Member including content above |
| Above £1million+ (Key Decision) | Cabinet | Report to Cabinet including content above |

Notice must be included in the Forward Plan within sufficient time to ensure necessary public notice of the decision.

15.3 Any exemption relating to ICT requirements must include comments from the ICT Service Manager.

15.4 An exemption request can only be endorsed / approved by the Chief Finance Officer (S151) where they are independent from the original decision-making process. Where the exemption applies to a service that is the responsibility of the Chief Finance Officer (S151), the exemption must be approved by the Chief Executive.

15.5 Any exemption must be sought within a timescale to allow for the possibility that the request may not be approved. The Head of Procurement will arrange for the exemption request to be presented to the Chief Finance Officer for approval.

15.6 A record of all exemptions approved by the Chief Financial Officer shall be provided to the Cabinet Member for Core Council Services on a quarterly basis for their information.

15.7 Any exceptions to this rule are included in Appendix B, which lists the type of contract/activity where an automatic exemption is given. This list will be updated and approved by the Chief Finance Officer and Monitoring Officer on a quarterly basis and reported to the Cabinet Member for Core Council Services. In general terms, the list includes:

- a) 'genuine sole suppliers' for certain goods, service or works where it can be evidenced that there is no benefit in undertaking a procurement exercise,
- b) Certain social care contracts;

c) Public health contracts linked to care pathways or patient choice.

Inclusion within this list does not remove the need to ensure that a suitable contract is in place with these suppliers and value for money evidenced (Benchmarking can be undertaken).

d) The use of properly procured Framework Agreements meeting the conditions listed in 8.12 and 11.2(a).

16 Contract Award and Contracting Procedures

16.1 Contract Award

a) It is imperative that the appropriate Council authority exists to enter into a contract. This may be a direct authority in the form of a Cabinet decision, or a delegated authority given to a Chief Officer as set out in the Scheme of Delegation.

b) Table 3 sets out the authority to award contracts and the records required:

Table 3: Contract Award Thresholders

| Contract Value | Authority to Award Contract | Records Required |
|-----------------------|---|--|
| Under £100,000 | Chief Officer or delegated budget holder in accordance with Financial Regulations (especially 4.12 and 4.13). | Award of contract in email or report format. Under Raising of Purchase Order via SBS will constitute approval to award contract. A record of all contracts awarded must be sent to Head of Procurement for inclusion in the Contracts Register. |
| £100,000 - £500,000 | Chief Officer, in consultation with the Chief Finance Officer | Awarding of a contract must be in report format, setting out the procurement process followed, details of quotations/tenders received, the evaluation methodology and naming the supplier(s) who have made the most economic advantageous offer. Report must be signed by both the Chief Officer(s) set out in this table. Report will also be required in the event that prior authority has been given by Cabinet to a Chief Officer to award a contract above a total value of £250,000. |

| | | |
|-----------------------|--|---|
| £500,001 to £1million | Cabinet Member | Report to Cabinet Member including content above, including where any exemptions to these rules are required |
| £1million+ | The relevant Chief Officer/Cabinet Member. | Report to Cabinet including content above, including where any exemptions to these rules are required. Notice must be included in the Forward Plan within sufficient time to ensure necessary public notice of the decision |

16.2 Signing of Contracts

- a) The signing of contracts will be carried out as per the Article 14 of the Council's Constitution (Finance, Contracts and Legal Matters).
- b) Contracts up to the value of £250,000 can be signed by the appropriate Chief Officer. Legal advice must be taken as to whether the contract needs to be sealed with the common seal of the Council.
- c) Contracts of £250,001 or above must be in writing and be signed by the Monitoring Officer or by the Chief Executive and a Legal Services Manager or sealed with the common seal of the Council.

16.3 Notification to Tenders

- a) Notifications to successful and unsuccessful tendered, including debriefing, must be in writing and adhere to the Public Contracts Regulations. Advice should be sought from Head of Procurement.
- b) Notification of acceptance of a tender which requires a formal contract must be given in writing clearly marked 'subject to contract' and should advise that contract documents are to follow.
- c) All unsuccessful tenderers are to be notified in writing that they have been unsuccessful.

16.4 Standstill Period

- a) For above the applicable Public Contracts Regulations 2015 Threshold procurements, no formal contract or framework agreement shall be entered into before the end of the standstill period of a minimum of 10 days from the date of notification.

17 Contents of Contracts

17.1 Standard terms and conditions of contracts are available; however, each contract should be considered on its own merit. Advice from Legal Services should be sought as to the terms and conditions that should be used.

17.2 The Council shall avoid entering into contracts under a tenderer's/contractor's terms and conditions. However, contractor's own terms may be included in contracts where they are acceptable to the Council

17.3 Contracts must include the following as a minimum:

- a) Specification of goods/services to be supplied or works to be executed or land/asset being disposed of, and the conditions that will apply.
- b) Price to be paid or the rates on which price is calculated, milestones for payments and a statement of discounts or other deductions. If the contract term exceeds 12 months, future pricing structure must be included. If a price fluctuation clause is to be included, then it must make reference to a published index.
- c) Contract period, delivery date or times within which outputs of the contract must be completed.
- d) Details of any extension period and basis upon which this will be agreed.
- e) Required performance levels and details of monitoring/governance arrangements, including those relating to Social Value outcomes.
- f) Details of any indemnities required and how any claims arising will be dealt with and by whom
- g) Provision for audit inspection
- h) Clauses requiring evidence of the contractor's business continuity plans and the Council's right of an independent audit on any or all business continuity
- i) Compliance with the Data Protection Act 2018, Freedom of Information Act 2000, Modern Slavery Act 2015, and UK General Data Protection Regulation.
- j) Contractor to comply with Council's Confidential Reporting Code
- k) Termination of contract, other than through the expiration of the contract term.
- l) Insurance cover requirements

18 Reporting

18.1 Records of all activity and decisions must be retained by the client officer.

18.2 Details of all planned tendering activity must be forwarded to Head of Procurement for inclusion in the Corporate Procurement Plan.

18.3 Details of all contracts awarded over £10,000 in value must be stored on In-Tend and added to the contracts register.

18.4 All contracts over £10,000 in value procured via In-Tend or a framework must be stored on In-Tend. All contracts over £10,000, and all spend via procurement cards, must be published on the Council's internet. Publishing this information will be the responsibility of the Corporate Procurement Service.

19 Employment of Agency Staff, Consultants and Interim Managers and Use of Personal Service Companies

19.1 All temporary or agency workers must be engaged through the [HR Resourcing](#) team.

19.2 Any agency workers engaged with must be from agencies included on the approved framework used by the Council; failure to comply with this requirement, without approval from the Chief Executive, will be treated as a disciplinary matter.

19.3 All temporary or agency worker engagements, or extensions / redeployments of existing workers, must be approved by the appropriate Service Manager or above before being submitted to HR.

19.4 The likelihood of temporary or agency worker engagements being approved will be greatly increased where the following business case is provided, covering:

- a rational explanation as to why the engagement is required;
- an explanation in regard of why a permanent appointment has not been made; and
- what steps will be taken to ensure that the temporary or agency worker engagement is kept to a limited time period.

19.5 Prior to seeking approval to engage temporary or agency workers, managers should liaise with HR Business Partners in regard of identifying/investigating alternative approaches that may be taken to address any resourcing gaps, thus negating the need to engage temporary or agency workers.

19.6 Where the approved framework (as referred to in 19.2) is exhausted, as advised by the HR Resourcing team, the procurement method used for the engagement of agency staff, consultants, interim managers and personal service companies shall comply with the procurement rules as detailed in this document.

19.7 All individual temporary or agency worker engagements will be limited to a period of three months at a time. Periods of longer than three months are only allowed in exceptional circumstances that must be included in the business case provided to HR.

19.8 Any agency staff, consultants, interim managers, and personal service companies engaged by the Council shall comply with these rules as though he/she were an officer of the Council.

20 Social Care and Public Health Contracts

20.1 Officers procuring care and public health contracts should follow these rules. The nature of the adult and children's social care and public health services market and commissioning arrangements may require exceptions, as per Appendix A. However, in all instances the procuring/commissioning officer should always ensure that value for money is obtained for both the Council and clients.

20.2 Any Social Services and Public Health related contract, with the total value above the EU threshold for these contracts for must be procured using a procedure that is at least sufficient to ensure compliance with the principles of transparency, equal treatment, and non-discrimination. A Notice must be published on *Find a Tender*.

20.3 Residential and nursing care

- a) Where there is no standard fee then the service needs to ensure that value for money is provided.
- b) Where clients select accommodation costing in excess of the standard fee, placements can be made provided a third party is willing to pay the difference where the service is one where a third-party contribution applies. Suitable records must be maintained demonstrating that the client was given a choice and that it was the client or their authorised representative who exercised that right.
- c) Where a placement is to be made where it is not subject to a standard fee, it will not be necessary to obtain competitive quotations provided that the client or his/her representative has chosen the home and/or the social work budget holder (or panel where it exists) has approved the placement. To ensure that value for money is obtained, the Council's approved fee calculating mechanism will be used to determine the cost of the placement. If the fee is more than the fee calculated using the approved mechanism, then this must be justified and approved by an Operations Manager (or equivalent) independent from the original decision-making process. Records must be kept of the circumstances justifying the placement.
- d) Where residential placements are made for Public Health services, placement selection must be based on client needs and risk factors. Consideration of market rates for similar provision must also be made to ensure value for money.

20.4 Domiciliary Care

- a) It will be necessary to obtain competitive quotations for domiciliary care or non-residential services where there is no standard rate set by the Council. Three quotations should be sought, and the cheapest provider should be used. Where the cheapest provider is not used, the package request must be approved by an Operations Manager (or equivalent) independent from the original decision-making process confirming the package is justified by special circumstances. A record should be kept of the circumstances justifying the package of care.
- b) Where the client does not wish to receive a service from the provider deemed the cheapest through the competitive exercise, a direct payment should be offered to the client who will be able to procure the service directly his/herself subject to all of the identified needs being met.

20.5 Specialist Services

- a) In some cases, the specialist nature of the assessed service or temporary limitations in the availability of providers will limit the range of alternative suppliers.

Where there are no alternative providers such services will be treated as an exception to these rules (Appendix A).

b) It will be the responsibility of the appropriate Chief Officer and Commissioning Manager (or equivalent) to maintain suitable records to demonstrate the appropriateness of this approach and the involvement of more than one officer in the process.

c) Where it is possible to obtain the service from more than one provider, quotations/tenders must be obtained in accordance with Rule 11 and the service commissioned in accordance with Rule 16.

20.6 Public Health Contracts

a) Where the public health service is subject to patient choice from NHS providers and the selection of provider is determined by where patients elect to receive treatment records must be kept to evidence that patients have chosen their healthcare provider. If the expectation is that the provider will deliver services over £100,000 the Council will aim to enter into a contract. Suitable evidence will be kept to substantiate this expectation. Where the Council enters into a contract Rule 16.2 shall apply.

b) Officers should ensure that, where national tariffs are not utilised, that negotiation has been undertaken with healthcare providers to ensure that value for money is achieved. As a minimum, officers should benchmark to give assurances that best value is obtained.

20.7 Sole Provider, Emergency Placements or Emergency Care

a) Where an Exception (Appendix A) has been identified It shall, be the responsibility of the appropriate Chief Officer and Commissioning Manager to regularly review the situation and, should any of the circumstances change, communicate any changes of placement or policy to all appropriate parties.

b) In such cases it shall not be necessary to obtain tenders, but the appropriate authorization shall be obtained in accordance with Rule 15.

c) The decision process concerning where the adult or child is to be placed should involve more than one person and this process together with the names of the officers concerned should be evidenced in relevant directorate records.

d) Specifications and agreements should include for exit clauses when it is assessed that the care requirements are no longer required.

e) Agreements should be reviewed on a regular basis and reports placed on the contract file detailing the findings and required action.

21 Procurement Considerations, Social Value and Localism

21.1 The Council is committed to supporting the local economy by ensuring all tendering opportunities are accessible and tenderer friendly.

21.2 Where practical and relevant, tenders should also address the following local social benefits, (as part of the supply chain) through the use of tender quality assessments and method statements.

- employment;
- supply chain;
- apprenticeships;
- community benefit schemes;
- any other benefit that supports the local economy and well-being of Sandwell and the West Midlands Combined Authority Area residents and businesses.

21.4 The Council commits to work with local enterprises through supplier events to offer support and guidance around bidding and working for the Council.

Appendix A – Definitions

- Award a contract - to accept an offer by a supplier;
- Budget - means revenue budgets, capital budgets and other spending programmes approved by the Council;
- Cabinet - the Leader of the Council and the other members of the Council's Cabinet;
- Chief Finance Officer - the officer designated under section 151 of the Local Government Act 1972; • Council - means the Sandwell Metropolitan Borough Council, the Cabinet, a Standing Body or person(s) acting in accordance with authority delegated by the Council;
- Contract - means any agreement (Including Framework Agreements) between the Council and a third party for the provision of any goods, materials, services or works for whatever value. All contract documentation shall be worded and, in such form, so as to protect the Council's interests, in accordance with advice from the Chief Legal Officer and standard contract documentation;
- Contracts Finder – the web-based portal provided by or on behalf of the Cabinet Office for the publication of information about contracts awarded (<https://www.contractsfinder.service.gov.uk>);
- Contract price in relation to all contracts - means the aggregated cost (including fees) for the whole of the period of the contract. Where a Chief Officer knows that a similar service, supply, or type of work is to be ordered during a twelve-month period, this should be taken into account and used for the purposes of the estimated contract price;
- Chief Officer - is defined as a Director and above in the Scheme of Delegation;
- Chief Officer and appropriate Chief Officer – means a Chief Officer or any subordinate officer nominated by their Chief Officer, but the Chief Officer is at all times responsible for the actions undertaken by the subordinate officer;
- Chief Financial Officer – an officer of the Council appointed as the section 151 Officer - The Director of Finance is the Chief Financial Officer
- Concession Contract - a works or services contract for pecuniary interest concluded in writing by means of which one or more contracting authorities entrust the execution of works or the provision and the management of services (other than the execution of works) to one or more economic operators, the consideration for which consists either solely in the right to exploit the works or the services that are the subject of the contract or in that right together with payment; and that meets the requirements of 3(4) of the Concession Contracts Regulations 2016 (CCR 2016).

Regulation 3(4) of the CCR 2016 further defines the necessary characteristics of the arrangement for the purposes of the regime, which are:

- (a) the award of the contract must transfer to the contractor the operating risk in exploiting the works or services encompassing demand or supply risk or both; and

(b) the part of the risk transferred to the concessionaire involves real exposure to the vagaries of the market, such that any potential estimated loss incurred by the concessionaire is not merely nominal or negligible.

- Dynamic Purchasing System (DPS) - the system referred to in regulation 34 of the Public Contracts Regulations 2015. A DPS is a procedure available for contracts for works, services, and goods commonly available on the market. As a procurement tool, it has some aspects that are similar to an electronic framework agreement, but where new suppliers can join at any time;

- Financial Regulations - the Council's financial regulations which contain all financial accountabilities in relation to the running of the Council, including the Council budget and Council policy framework;

- Grant – Is the payment of money or some other thing, without the expectation of goods or services in return (this could include making a financial contribution to the independent work of the Voluntary or Community Organisation). A grant is usually provided subject to conditions that state how the grant can be used. The grant aided organisation may use or offer to use the grant to provide goods or services that meet their objectives;

- Key Decision - an executive decision which must be made by the Cabinet which is likely:

(a) to result in the Council incurring expenditure which exceeds that included in any approved revenue or capital budget or the limits set out within an approved borrowing or investment strategy and was not the subject of specific grant; or

(b) to result in the Council incurring expenditure, the making of savings or the generation of income amounting to £1m+

(c) to be significant in terms of its effect on communities living or working in an area comprising two or more wards of the Borough.

- Light Touch - the rules and procedures for the Light Touch Regime Services set out in Chapter 3 of the Public Contracts Regulations 2015 (as amended);

- Monitoring Officer - the officer designated under section 5 of the Local Government and Housing Act 1989 to monitor the Council's compliance with the law and rules of administration. The Director of Law & Governance is the Monitoring Officer;

- Programme - A set of component projects/work streams which have been brought together under one management process to achieve an overall strategic objective/beneficial change and ensure robust governance;

- Project - a component of a programme which has a predetermined outcome or result at a pre-specified time using predetermined resources;

- Signing of Contracts – The execution of a contract by authorised parties by Hand, Deed, or e-signature.

- Social Value - activities, approaches and services that help to deliver measurable benefits to local communities' safety, health, prosperity and quality of life, particularly:

- Sustainability – environmental impact
- Local economy
- Support of corporate objectives
- Beneficial impact on local communities – including furthering equalities and community cohesion.

Appendix B - Exceptions

As per paragraph 15.7 of these Rules, an automatic exemption is given to the following types of contract or activity:

- A. Social Care and Public Health Contracts where a Care Pathway is in place. Where associated clinical services are already provided by an NHS provider, records must be maintained, demonstrating the connection between the public health service and the associated clinical service(s) within the care pathway.
- B. ICT Licenses and support costs (where systems are already in place)
- C. Patient or Pupil choice
- D. Sole Suppliers/Providers
- E. Emergency Requirements (when a contract cannot be utilized)
- F. Residential, Nursing and Domiciliary and Nursing Care (where the Council pays a standard fee)
- G. Specialist Social/Public Health Services where alternate providers cannot be identified

Appendix C – Applicable Public Contracts Regulations Thresholds

The Public Contracts Regulations – Valid 1st January 2024

Supplies & Services (except subsidised services contracts)

Others £214,904 incl. VAT – Excluding Vat £179,086.67

Works (including subsidised works contracts)

All bodies £5,372,609 incl. VAT – Excluding VAT £4,477,174.17

Light Touch Regime for Services

All bodies £663,540 incl. VAT – Excluding VAT £552,950.00

The Utilities Contracts Regulations 2016 Supplies and Services

All sectors £429,809 incl. VAT – Excluding VAT £358,174.17

Works

All sectors £5,372,609 incl. VAT – Excluding VAT £4,477,174.17

The Concession Contracts Regulations 2016

Concession contracts £5,372,609 incl. VAT – Excluding VAT £4,477,174.17

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