

# Report to Cabinet

**7 February 2024**

<b>Subject:</b>	Draft Budget 2024/25
<b>Cabinet Member:</b>	Cabinet Member for Finance & Resources Cllr Bob Piper
<b>Director:</b>	Interim Director of Finance & Section 151 Officer Brendan Arnold
<b>Key Decision:</b>	Yes
<b>Contact Officer:</b>	Claire Spencer and Ramesh Prashar (Deputy Section 151 Officers) <a href="mailto:Claire_spencer@sandwell.gov.uk">Claire_spencer@sandwell.gov.uk</a> <a href="mailto:Ramesh_prashar@sandwell.gov.uk">Ramesh_prashar@sandwell.gov.uk</a>

## 1. Recommendations

It is recommended that Cabinet approves the Draft Budget 2024/25 including all appendices and it be forwarded to Full Council on 20<sup>th</sup> 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 12<sup>th</sup> December 2023.
- II. That it be noted that the Council Tax Support Scheme was approved at Full Council on 12<sup>th</sup> December 2023.
- III. That it be noted that Housing Rents and Service Charges were uplifted by Full Council on 12<sup>th</sup> December 2023
- IV. That the report of the Section 151 Officer, included at paragraphs 2.4.1 to 2.4.20, 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 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

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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 20<sup>th</sup> 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 12<sup>th</sup> 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.

## 2. Reasons for Recommendations

### Introduction or Background

2.1 The Council is legally required in each year to set a balanced budget for the financial year which must be approved before 11<sup>th</sup> March.

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- 2.2 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.
- 2.3 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.
- 2.4 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 11<sup>th</sup> 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

- 2.4.1 *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.*
- 2.4.2 *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.*



2.4.3 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

2.4.4 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.

2.4.5 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.

2.4.6 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.

2.4.7 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

2.4.8 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.*

*2.4.9 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.*

*2.4.10 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*

*2.4.11 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.*

*2.4.12 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.*

*2.4.13 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

*2.4.14 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

*2.4.15 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

*2.4.16 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.*

*2.4.17 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

*2.4.18 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

*2.4.19 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.*

*2.4.20 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.*

## **3. How does this Budget deliver objectives of the Corporate Plan?**

3.1 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.

- 3.2 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.
- 3.3 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.
- 3.4 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.
- 3.5 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

- 3.6 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.
- 3.7 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.
- 3.8 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.

#### 4. Context and Key Issues

##### Financial Context: The Provisional Finance Settlement

- 4.1 The Provisional Local Government Finance Settlement was announced on 18<sup>th</sup> December 2023. Unusually, on 24<sup>th</sup> January Government announced that some additional resources would be made available to Local Government in the Final Finance Settlement; at the time of writing these details have yet to come to hand. Accordingly, an update will be provided



to Cabinet at its meeting on 7 February. This announcement will not otherwise change the contents of the Provisional Finance Settlement as described below.

- 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.
  - o The increase for this Council equated to £7.02m.
- iv) Adult Social Care Discharged Fund increased by £200m to £500m nationally
  - o 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
  - o 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

4.2 The Council's Medium-Term Financial Strategy was last approved in November 2023 following a significant review.

4.3 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	48.812	18.958	15.266	14.118	13.899
Changes in government funding within services	(13.919)	-	-	-	-
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

4.4 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

4.5 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.

4.6 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).

- 4.7 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.
- 4.8 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.
- 4.9 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.
- 4.10 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

- 4.11 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

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

### Council Tax proposals

4.13 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.

4.14 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.

4.15 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.

- 4.16 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

- 4.17 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.

- 4.18 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 20<sup>th</sup> February

- 4.19 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

4.20 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.

4.21 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.

4.22 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	32.912
Capital	16.861	10.980	10.980
Schools	13.659	15.341	15.341
Total	126.189	111.330	110.874

4.23 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.



4.24 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

4.25 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.

4.26 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.

4.27 Other programmes will be developed on the basis of need and opportunity in the period ahead.

### Housing Revenue Account

4.28 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.

4.29 A meeting of the Full Council on 12<sup>th</sup> 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.

4.30 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.



4.31 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.

4.32 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.

4.33 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.

4.34 The feedback and results of Equality Impact Assessments are included at Appendix A, Annex 3 to this report.

Capital Programme

4.35 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.

4.36 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.



- 4.37 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.
- 4.38 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

- 4.39 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.
- 4.40 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.
- 4.41 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.
- 4.42 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

- 4.43 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

4.44 Appendix K to this report incorporates all the relevant policies for adoption and highlights any changes.

## 5. Alternative Options

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.

## 6. Implications

<b>Resources:</b>	Resource implications are contained within the main body of the report.
<b>Legal and Governance:</b>	<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</p>



	<p>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> <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.</p>
<b>Risk:</b>	This information is contained within the main body of this report.
<b>Equality:</b>	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>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>
<b>Health and Wellbeing:</b>	No direct implications arising from the recommendations.
<b>Social Value</b>	No direct implications arising from the recommendations.
<b>Climate Change:</b>	No direct implications arising from the recommendations.
<b>Corporate Parenting:</b>	No direct implications arising from the recommendations.

## 7. 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

## 8. Background Papers

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

