

Report to Cabinet

23 February 2022

Subject:	General Fund, Housing Revenue Account and Capital Programme Budgets 2022/23
Cabinet Member:	Cllr Crompton – Cabinet Member for Finance & Resources
Director:	Simone Hines - Director of Finance
Key Decision:	Yes
Contact Officer:	Rebecca Maher (Head of Finance) Rebecca_Maher@sandwell.gov.uk

1 Recommendations

That Cabinet:

- 1.1 Note the key points from the Local Government Finance Settlement and the impact on the budget position for 2022/23
- 1.2 Note the feedback on the draft budget proposals from the Budget and Corporate Scrutiny Board at para 4.26.
- 1.3 Note the feedback on the draft budget from business representatives at para 4.25.
- 1.4 That Cabinet have due regard to the feedback from Equality Impact Assessments and consultation feedback as set out in the report and Appendix C.
- 1.5 That the fees and charges increases for 2022/23, as set out at Appendix D, be approved.



- 1.6 That the contract sum for Sandwell Children's Trust of £70.474m be approved as set out at para 4.10.
- 1.7 That the final General Fund budget position as set out at Appendix E be approved and recommended to Council.
- 1.8 That the Housing Revenue Account budget for 2022/23 be approved as shown at Appendix E and recommended to Council.
- 1.9 That the Council Tax precept for 2022/23 of £117,967,934, representing a 1.99% increase in Council Tax and a further 3% increase in the Adult Social Care precept be recommended to Council for approval.
- 1.10 That the Director of Finance's assurance statement on the robustness of the budget estimates and reserves at Appendix G position be noted.
- 1.11 That the Treasury Management Strategy and Prudential Indicators at Appendix J be recommended to Council for approval.
- 1.12 That the Capital Programme for the General Fund and Housing Revenue Account for 2022/23 and Capital Strategy be approved and recommended to Council as set out at Appendix H and I.
- 1.13 That the Director of Finance be authorised 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.
- 1.14 That the Director of Finance be authorised 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.
- 1.15 That a fundamental review of the Medium-Term Financial Plan and Capital Strategy be undertaken in the first quarter of 2022/23 and brought back to Cabinet for approval.
- 1.16 That the Director of Finance, in consultation with the Cabinet Member for Finance and Resources, be authorised to approve and administer the Council Tax rebate scheme for 2022/23 and approve a policy for the discretionary element of the scheme.









2 Reasons for Recommendations

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.

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

The Council's financial position helps to underpin the Council's Corporate Plan and the associated aspirations.

	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

4 Context and Key Issues

4.1 The provisional Local Government Finance Settlement was announced on 16th December. The key points from the settlement were as follows:

- The settlement is for a single year only, and further details on proposed funding reform and consultations are due to follow in the new year
- The £1.6bn additional funding announced at the Spending Review has been distributed as follows:



- £0.8bn to a 2022/23 Services Grant, distributed using the 2013/24 Settlement Funding Assessment formula. The statement highlights that this is a one-off grant and will not be taken into consideration for transitional support when future system changes are made.
 - £0.7bn to social care, with additional Social Care Grant (£0.6bn, distributed using the Adult Social Care Relative Needs Formula, with equalisation for the impact of the 1% social care precept) and an inflationary increase to the Improved Better Care Fund.
 - £0.1bn to provide an inflationary increase to Revenue Support Grant.
- In addition, £162m has been allocated to local authorities from the funds raised in the National Insurance Health & Social Care levy.
 - Authorities do not receive separately identified funding for the costs to them of the increase in National Insurance Contributions (the funding for this is assumed to be included in the new 2022/23 Services Grant).
 - Referendum limits have been confirmed at 2% (or £5 for districts and fire authorities, where this is more than 2%). PCCs will be subject to a £10 referendum limit.
 - An additional 1% social care precept for social care authorities (who will also be able to raise any balance of last year's 3% social care precept).
 - The New Homes Bonus has been 'rolled over' for another year, with allocations made and the final 2019/20 legacy payment honoured.
 - The lower tier services grant has been 'rolled over' at £111m nationally, and with a new cash terms funding floor.
 - The compensation for under-indexing of the business rates multiplier will continue at RPI, though the settlement figures only include this at CPI.
 - No detailed announcements were made on future funding reform

4.2 The Council has benefited from additional grant funding from the settlement, although much of it is either ring-fenced or to cover additional costs (such as the 1.25% increase in National Insurance Contributions). The financial impact of the settlement announcement compared to the draft budget is shown in the next section.



4.3 The final Local Government Finance Settlement was announced on 8th February and there were no significant changes for the Council compared to the provisional settlement.

4.4 Changes to the budget position

4.5 Cabinet noted the draft budget position for 2022/23 in December and approved in principle a number of savings options amounting to £14.6m. A list of the savings proposals are shown at Appendix B to the report. Assuming that all savings were approved and implemented, there still remained a gap of £1.5m prior to the settlement announcement.

4.6 The draft budget also included a number of assumptions about income and expenditure changes, such as inflation and taxbase. These are summarised below and there are no changes to these assumptions since the draft budget report:

- Inflation where contractual and unavoidable
- Provision for an annual pay award
- Pension contributions in line with the current triennial valuation
- Business Rates income based on current trends and assuming there is not a re-set of business rates baselines or any change to the 100% pilot arrangements
- 0.6% increase in the Council Tax Base, which is slightly lower than the 1% increase assumed in the Medium-Term Financial Plan.
- 3.99% increase in Council Tax, made up of 1.99% 'core' increase and 2% Adult Social Care precept unused from 2021/22
- A number of spend pressures identified during the budget process, as shown at Appendix A

4.7 The table below shows the financial impact of the settlement on the Council and also the areas of additional spending need that have arisen since the draft budget report in December:



4.8

	£'m
Deficit per draft budget report	1.457
Change in funding from settlement	
New Homes Bonus	(0.32)
Services Grant 2022/23 (one-off)	(7.015)
Additional Business Rates top-up grant	(1.056)
Technical and Reserve Changes	
Net change in Collection Fund income and grant funding	(1.042)
Reserve contribution for Oracle Fusion project	1.000
Increased debt costs for capital financing	0.285
Establish Financial Planning earmarked reserve	2.500
Other net changes	1.006
Additional spend pressures	
Additional inflationary costs on utilities and pay	1.852
National Insurance increase	0.820
Adult Social Care extra inflationary pressures	0.921
Additional contract sum to Sandwell Children's Trust (compared to original MTFP forecast)	0.172
2% increase in the Transport Levy paid to WMCA	0.235
Additional Democratic and Policy resources	0.350
Net impact on draft budget position	(0.292)
Revised budget deficit	1.165

4.9 In addition to the funding changes shown above, the Council has also received additional Social Care grant of £5.7m, and a new 'Market Sustainability and Fair Cost of Care Fund'. The final budget assumes that the latter grant is ring-fenced for Adult Social Care and will be passed on to the care sector. The additional Social Care grant has been contributed to an earmarked reserve in order to fund emerging social care pressures (both Adults and Children's) as they arise in year, which may be exacerbated by high inflation rates during the course of 2022. The grant will also enable the Council to accelerate early help and preventative work, particularly in Children's social care. The Better Care Fund allocation has also increased by £676k compared to the provisional settlement.



- 4.10 As part of the budget process, the Council also has 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 provisionally agreed for 2022/23 is £70.474m which is an increase of £2.4m or approx. 4%. This will generate a surplus of £1.9m which will assist in reducing the cumulative deficit position of £7.8m as at 1st April 2021.
- 4.11 It should be noted that the impact of inflation has created further pressures for the budget setting process, as shown in the table above. The Retail and Consumer Price Indices are currently at 30-year high levels of 7.5% and 5.4% respectively. This has led to increased estimated costs for utilities as well as on some of our key contracts.
- 4.12 The table above shows that there has been a further increase in the cost of placements in Adult Social Care due to the impact of inflation and national minimum wage increases. The average inflationary pressure included in the budget for ASC placements is 4.1%, with the 6.6% increase in National Minimum Wage being a key contributing factor. The impact of inflation over the course of 2022 is seen as a risk factor in the 2022/23 budget.
- 4.13 The Public Health Grant allocations were announced on 7th February with a below inflation increase of 2.7%. Sandwell's funding allocation is £25.816m and the Public Health budget appendices has been updated to reflect this.
- 4.14 As part of the budget process the Council also allocates the Dedicated Schools Grant (DSG) to schools in consultation with the Schools Forum. The Education and Skills Funding Agency (ESFA) announced the DSG allocation for 2022/23 in December 2022/23 and Cabinet approved the formula allocations on 12th January and the High Needs allocations on 9th February. A summary of the 2022/23 DSG by block is shown below:

DSG Block	Allocation prior to Adjustments	Adjustments	Allocation after adjustments
	£m	£m	£m
Schools	308.463	(2.961)	305.502
Central School Services	2.283	0.000	2.283
High Needs	61.267	(3.130)	58.137
Early Years	23.387	0.000	23.387
Total	395.400	(6.091)	389.309



- 4.15 It is recommended that a new Financial Planning earmarked reserve be created to help manage any slippage in savings programmes during the year and any in-year cost pressures, particularly in relation to inflation. This is discussed further in the Reserves and Budget Risk Assessment sections later in the report.
- 4.16 Overall, the table above shows that no further savings are needed to close the budget gap, assuming that all savings approved in principle in December are implemented. There is an update on progress on the consultation on these savings in the following section.

4.17 Feedback on Budget Consultation and Equality Impact Assessments

As noted above, the draft budget report in December approved £14.6m of savings for 2022/23 in principle. These have been subject to consultation and Equality Impact Assessments where needed. Copies of the Equality Impact Assessments that have been undertaken are included at Appendix C.

- 4.18 The Equality Impact Assessment for the Advocacy proposal within Adult Social Care does highlight some potential impacts on some groups. The suggested mitigation is to consult on the changes for two months with feedback reported to Cabinet by June for a final decision on whether to proceed. Therefore, this saving cannot be confirmed, although the saving is minor and so any slippage can be managed within the overall Adult Social Care budget.
- 4.19 Consideration of the equality impact of the proposal to increase the Council's charges for Court costs has also been carried out. The advice from the Council's Equalities Team is that a full EqiA was not required. This is because the amount charged is to cover the Council's administration costs when taking court action and is a standard charge so does not discriminate against any particular groups.
- 4.20 The draft savings proposals included an £80k saving to be achieved by reducing the Council's current contribution to the Sandwell Council of Voluntary Organisations. However, this has now been widened to a fundamental review of all of the Council's grants and contributions to the voluntary and community sector being undertaken in the first quarter of 2022/23, with consultation being undertaken in line with the Compact.



The Council's current budget for this is in the region of £7m in 2021/22 so the £80k saving is still considered a reasonable and prudent estimate for a part-year saving. The outcome of the consultation will be brought back to Cabinet prior to any funding decisions being made.

- 4.21 The savings proposal in relation to the review of the Non-Residential Charging policy also requires in-depth consultation and Equality Impact Assessment which will take place in the first quarter of 2022/23 due to the complexity of the modelling required to bring forward alternative options for consideration. The saving put forward in the draft budget of £300k had been calculated assuming part year implementation, so this is still considered a reasonable estimate.
- 4.22 In terms of the proposal to increase Garage Rents, whilst there is a risk that garage tenants may not be able to afford the increased rent for their garage, we do not consider there to be any equality matters arising from this action or risk. The allocation of garages are not provided based on any need assessment, they are allocated in date order of applications therefore are not considered to be an essential service that being unable to access will have any adverse impact on residents with protected characteristics. We will monitor any terminations of garage tenancies arising after notification of the rent increase to consider if a further Equality Impact Assessment or mitigation is necessary.
- 4.23 On the proposal to charge for Choice Base Lettings, there are no equality risks associated with the implementation of this charge as the burden for paying falls to Housing Associations who benefit from the service, including the rent collected from the property we let on their behalf. Housing Associations do not recover any charges for letting from the applicants.
- 4.24 There were a number of savings relating to the Council's staffing structures which are still being consulted on in line with Council policies. Where possible these savings will be achieved through the Council's Planned Leavers Scheme or through deletion of vacant posts. Until the consultation process is complete the actual savings level or staffing impact cannot be confirmed, but the savings proposals are still considered to be a prudent assessment of overall savings opportunities, and Directors have delegated authority, in consultation with the relevant Cabinet Member, to make changes to their structures after following due process.



4.25 The Council is also required in the Local Government Finance Act to consult with Business Ratepayers in its area. A number of business representatives from the Black County Chamber of Commerce, Black Country Local Enterprise Partnership and Business Ambassadors network were contacted and asked for their feedback on the Council's draft budget report. There were two formal written responses received which are summarised below for Cabinet's information and consideration:

Business Representative A	We always encourage business rates reductions as businesses are really struggling due to Covid currently. Footfall is very low at the moment in West Bromwich.
Business Representative B	<p>It is clearly very difficult to budget with so many unknowns in the Government support schemes. The current situation is also clearly very challenging.</p> <ul style="list-style-type: none"> • Inflation is likely to be higher than the figures you have used. • Very important to seek at least a breakeven position with contingencies • Seek to maintain current service levels with improved productivity. • We would review income and costs on a pareto basis as small changes have a bigger effect and would consider: <ul style="list-style-type: none"> ○ Raising Council Tax by a higher level ○ Increasing all charges by least inflation plus 2% ○ Reviewing staff costs. ○ I presume Council efficiency/productivity is constantly reviewed. However, the general impression to private industry is that there is scope for savings. ○ Why is there such a large increase in the communications budget? ○ Monitoring staff absences and take action to achieve a 2/3% level achieved in private industry. ○ It is not clear what level of bad debts you have. If significant, I would recommend stronger action.



	<ul style="list-style-type: none"> ○ Reviewing the cost/value of any external consultants. Reduce the number of senior interim appointments. ○ Current proposed individual savings are relatively small, but with potential significant impacts. <i>The example given was reduction in respite packages.</i>
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4.26 The draft budget proposals were also considered by the Budget and Corporate Scrutiny Board on 8th February and the Committee asked a number of questions, particularly around the savings proposals. The recommendations from the Committee were as follows: that Cabinet be requested to consider the comments and observations of the Budget and Corporate Scrutiny Management Board in relation to the Draft Budget 2022/23 as follows:

- (a) further efficiencies within the Fleet Management Services, for e.g the introduction of a booking system for employees to book fleet to get the best use of resources;
- (b) that the Safer Neighbourhoods and Active Communities Scrutiny Board be requested to consider the cost effectiveness of garage rents, including the occupancy levels and whether advertising of space is done well;
- (c) that a review of the Property Maintenance Account is added to the work programme of the Budget and Corporate Scrutiny Management Board.

4.27 In summary, following consultation and Equality Impact Assessments where necessary, the Leadership Team have the required level of assurance and plans in place to achieve the £14.6m of savings as set out in the draft report to Cabinet in December.



4.28 Fees and Charges

- 4.29 A review of Fees and Charges has been undertaken as part of the budget setting process to ensure that each charge is appropriate and achieving its objective. Where charges are intended to either break even or maximise income, analysis has been carried out to look at the total costs of providing the service to understand what the position is.
- 4.30 There are examples where full cost recovery is not being achieved and these have been challenged to ensure that there is a clear rationale for this – for social or financial inclusion reasons for example. Further work is ongoing to review all of these and separate reports may be brought to Cabinet during the year.
- 4.31 There are some fees and charges that are set by statute or are required to break even and not make a surplus, so these have been considered separately.
- 4.32 The Council has also made use of benchmarking information to compare our income from Fees and Charges with other similar authorities to identify any opportunities to increase charges or introduce new charges. The proposed increases in Libraries, Highways and Regulatory services have all been recommended based on a review of neighbouring authority charges.
- 4.33 The fees for Registration Services (which includes the registration of deaths and births, weddings, civil partnerships and citizenship ceremonies, burial and cremation registration, and the management of cemeteries and crematoria to the residents of Sandwell) have been reviewed in light of future changes to the service. In 2023/2024 an increase of between 4500-5000 registration events for Sandwell as a Local Registration Service is likely as health care services move from City hospital in Birmingham to the new Midland Metro Hospital in Smethwick. This will also likely see an impact on the complexity of cases referred to the Black Country Coroner as well the number of cases referred to the Bereavement services team which relate to Public Health Act funerals.
- 4.34 The revenue implications to meet the new business need will include the creation of 7 FTE new additional posts for the service. Expenditure related to these posts will be accounted for by the additional income generated by a suggested 7% increase on non-statutory fees and charges



for Registration related services.

4.35 In addition, and in response to an increasing demand for burial services from families out of the borough, the surcharge related to the interment of non-Sandwell residents will increase from 15% to 30%. This is to ensure the costs associated with burial services for non-Sandwell residents in Sandwell are at similar levels to those in other areas more local to them. This increase will also likely have a positive impact on maintaining the availability of future burial space in the borough.

4.36 The suggested increases to Fees and Charges per service is set out at Appendix D. The increases have been informed by the review set out above, and so they vary by service. In making any decisions about increases in fees and charges it is important to balance the need to cover costs, particularly when inflation is high, whilst not discouraging customers to take up the services from the Council. A summary of the increases by service are shown in the table below:

Environment & Fleet	7.5%
Public Health	0%
Community Facilities	Range
Green Services	Range
Facilities Management	3%
Museum & Art	New Charging Structure
Markets & Street Trading	3%
Legal Services	3%
Building Control	0-10%
Adults	0%
Adult & Family Learning	0%
Youth Service	5%
Taxi Licensing	0%
Pest Control	New Charging Structure
Env Protection & Enforcement	0%
General Licensing	Range
CCP-EHTS	Range
Private Sector Housing – HMO licensing	5.1%
Highways Services	Range
Libraries	Range
Registration Services	7%



4.37 The overall additional income that is anticipated from these increases is £0.6m, of which £0.16m had already been included in the savings proposals agreed as part of the draft budget report.

4.38 The review of Fees and Charges is an ongoing piece of work that will form part of the review of the Medium-Term Financial Plan review. There are some services – such as markets – where consideration needs to be given to the longer-term impact of COVID and how the markets service needs to operate in the future. There are also some services where a commercial approach could be considered, and the Council is currently developing a Commercial Strategy which will incorporate these options.

4.39 Reserves Position

4.40 The Council has two types of reserves:

- Earmarked Reserves which are for specific future projects, commitments or risks, both revenue and capital
- Unallocated Balance, which is to ensure the Council can manage unexpected financial challenges.

4.41 The level of unallocated balances at the end of March 2022 was £8.4m, which is the lower end of a prudent level. Part of the budget strategy for 2022/23 has been to restructure reserves to increase the level of unallocated balances and also to create an Invest to Save reserve. This will allow transformational projects to be carried out to both improve the way the Council delivers services to its customers but also enable service to delivery to be provided in a more efficient and effective way.

The table below summarises the Council's level of earmarked reserves as at the end of March 2021 and the projected balances at the end of March 2022 and 2023. Further detail is set out at	31/03/2021 £m	31/03/2022 £'m	31/03/2023 £'m



Appendix F.			
Earmarked Reserve Balances	135.595	113.814	72.870
General Fund unallocated balance	8.431	12.400	12.600
Total	114.026	126.214	85.470

- 4.42 The risk-based reserves are to cover the financial risks that the Council may face in the future and where an in-year budget may not be sufficient. Risk based reserves include the Insurance Fund (£6.875m) which is to fund any losses which the Council is not insured for, and the Business Rates Volatility Reserve (£7m). Business Rates are a particularly volatile source of income for the Council due to the appeals system, which allows businesses to appeal to the Valuation Office for a reduction in the business rates that they have to pay. The Council has to fund any successful appeals but does not have any control in the process or outcome. It is therefore prudent to hold a reserve to cover losses that may arise from appeals in-year.
- 4.43 This shows that the level of reserves is estimated to reduce significantly between 2021-23, although this is in part due to the S31 grant held in reserves to deal with the timing differences between accounting for various COVID relief grants and the government grant being received. The amounts held in this reserve were purely for technical adjustments rather than being usable reserves for the Council. The other main reason for the reduction in reserve balances is the use of COVID emergency funding which was received in 2020/21 and projected to be used during 2021/22 and 2022/23 as the COVID pandemic continues to impact on the Council.
- 4.44 The General Fund unallocated balance is in addition to those shown in the table above. At the end of March 2021 this stood at £8.4m but the budget strategy for 2022/23 has been to increase this to at least £12m, which is approximately 5% of the net budget for next year. As part of the earmarked reserves review, £3m of earmarked reserves have been identified as no longer required and have been reallocated to the General Fund balance. It is further proposed that £1m of the currently forecast underspend on the 2021/22 budget will be contributed to General Fund balances. This will take the revised level of the unallocated reserve to



£12.4m as at 31st March 2022. This represents approximately 5% of the net budget for 2022/23 per the target level. This is deemed a prudent level by the S151 officer and the policy for the level of unallocated reserves will be to maintain 5% of the net budget as a minimum at all times. The S151 considers it prudent to maintain the level of unallocated reserves at slightly above 5% at this point given the savings targets to be delivered in year and the high level of inflation being experienced in the UK.

- 4.45 As already shown in the table at 4.8, a Financial Planning earmarked reserve has been established at £2.5m, which has been set based on 0.5% of the Council's gross spend. This is to ensure that the authority has sufficient resources to deal with any in-year fluctuations, slippage in achieving savings targets and to smooth the delivery of future year savings, especially in the initial years of the Medium-Term Financial Plan when the Transformation Savings Programme is still in its early stages of delivery. It will also provide contingency for any further upward pressures in Adult Social Care over the short to medium term, particularly with the uncertainty around government plans for Social Care Reform and the potential financial implications.
- 4.46 The appropriate level of reserves that an authority should maintain will be dependent on the S151's judgments based on a range of factors, including the financial risks it faces, future savings proposals and the scale of capital expenditure. The CIPFA Resilience Index, which is a data analysis tool which compares the financial resilience of local authorities using a range of indicators, can be a useful consideration when determining the robustness of reserve levels. The updated Resilience Index for 2022 shows that Sandwell has a slightly higher risk profile than other similar authorities in terms of the overall level of reserves, but a slightly lower risk than comparators in terms of how quickly reserves are being used. This supports the budget strategy for 2022/23 in terms of increasing the level of unallocated reserves and not relying on reserves to close the budget gap for next year.



4.47 Council Tax proposals

4.48 The draft budget assumed a 3.99% increase in Council Tax, made up of 2% 'core' increase and 1.99% for Adult Social Care. In 2021/22 all local authorities with responsibility for Social Care were able to apply an Adult Social Care precept of up to 2.99%, spread over two years (21/22 and 22/23). The Council opted to apply 1% in 2021/22 and therefore has the ability to use the remaining 1.99% in 2022/23.

4.49 The provisional settlement confirmed a referendum principle of 2% for core Council Tax and 1% for the Adult Social Care precept. This means that the Council can raise Council Tax by a total of 4.99% in 2022/23 which would be made up of:

- 2% core Council Tax
- 1.99% Adult Social Care precept from 2021/22
- 1% Adult Social Care precept for 2022/23

4.50 Each 1% increase in Council Tax raises approximately £1.1m in additional Council Tax income. The draft budget assumption of 3.99% will generate increased income of approximately £4.3m for the Council. Approving the further 1%, to take the total increase to 4.99%, would generate additional income of £1.1m compared to the current draft budget forecast. Furthermore, because of the referendum principles that limit Council Tax increases every year, if the Council opted not to apply the further 1% increase, the Council Taxbase would be permanently reduced and the £1.1m additional income would be forgone every year. Over a 5-year period for instance, the taxbase would be around £5.5m lower that it would have been if the additional 1% had been approved for 2022/23.

4.51 The majority of properties in Sandwell are in Council Tax Bands A and B, with 43% being in Band A and 32% Band B. A Band B property, as an example, currently pays £1,167.43 per year for the Council's element of the Council Tax. The impact of a 3.99% or 4.99% increase on a Band B, is shown below:

Increase	3.99%	4.99%
Band B per annum	£46.58	£58.25
Band B per week	0.90p	£1.12



- 4.52 As noted in section 4.12 above, the Council is experiencing demand and inflationary pressures in Adult Social Care and spend pressures of over £6m have already been included in the draft budget for 2022/23. Since the draft budget was approved there are further inflationary pressures of almost £1m in Adult Social Care placements. Approving a further 1% 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 in to the future, particularly in light of the ongoing impact of COVID, the increase in National Insurance Contribution and increase in the National Minimum Wage.
- 4.53 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 the Fire service had informed us of their provisional intention to increase Council Tax on a Band D property by £4.99, which would represent a 7.92% increase. The Police are proposing a £10 increase on a Band D, which represents a 5.6% increase.
- 4.54 The Council Tax bill issued to residents incorporates the precept from the Council, Fire and Police. Based on the provisional figures above, the overall increase on the bill would be 5.16% based on a 4.99% increase for the Council.
- 4.55 It is therefore recommended that a 4.99% increase is approved to ensure that the taxbase is maximised in future years and provide additional contingency to manage rising Adult Social Care costs in the future and ensure the local care sector remains sustainable.
- 4.56 Based on a 4.99% increase, the Council Tax precept for 2022/23 will be £117,967,934 and is reflected in the budget summary shown at Appendix E.
- 4.57 On 3rd February the government announced a Council Tax rebate scheme, whereby households in Council Tax bands A-D will receive £150 rebate in 2022/23. There will also be a discretionary scheme for Council's to administer for households in higher Council Tax bands but who can demonstrate financial hardship. The Council has approx. 134,000 properties, of which 130,000 are within Bands A-D. At the time of writing the report the scheme guidance had not been released but the indications are that the £150 will not be applied as a rebate against Council Tax bills but will need to be paid as a separate payment into bank accounts. Of the 130,000 households that are likely to qualify for the payment, the Council



only holds around 70,000 bank details which is due to the lower than average Direct Debit take-up in Sandwell and the Council offering a 100% Council Tax Reduction Scheme. The government is expecting payments to be made in April, so to avoid any delays in administering the scheme when the guidance is received, the recommendation at 1.16 is to give the Director of Finance delegated authority in consultation with the Cabinet Member to agree the necessary policies and procedures to administer the scheme.

4.58 Final Budget Position

4.59 After taking into account the changes at para 4.8 above, and the fees and charges and Council tax proposals, the final budget position for 2022/23 is summarised below and is shown at Appendix E.

	£m
Deficit from para 4.8	1.165
Add:	
Fees and Charges income	(0.500)
1% Adult Social Care precept	(1.124)
Amount to contribute to General Fund balances	0.459

4.60 Housing Revenue Account

4.61 Cabinet has previously approved a 2% rent increase for 2022/23 and in December 2021 also agreed increases to service charges of 4.1% as well as increases in other HRA related charges. These have been incorporated into the HRA budget for 2022/23 which is shown at Appendix E. This is a surplus for the year of £300k, which takes the unallocated general HRA balance to £10.6m.

4.62 The budget incorporates the latest information on the stock condition of HRA properties and the resources needed to continue the HRA investment and new build programmes. Other budget assumptions, in terms of general pay and price inflation mirror those in the General Fund budget.



4.63 The Directors of Housing and Director of Finance have commissioned a fundamental review into the HRA Business Plan which is currently underway. A key factor in the Business Plan is the stock condition information that we hold on our properties so that accurate repairs and maintenance and capital spend can be factored into the Business Plan. This will give a more accurate picture of the capacity that is within the HRA to undertake further investment and New Build programmes and potentially increase the scale of new properties that can be added to the stock. This work is expected to be complete during the first quarter of 2022/23 and a revised 30-Year HRA Business Plan will be presented to Cabinet.

4.64 As at the end of March 2021 the HRA had reserves of £41.3m, of which £15m is earmarked for capital investment. The Director of Finance is satisfied that the HRA maintains sufficient levels of reserves, although this will be informed in more detail by the Business Plan review referred to above.

4.65 Budget Risk Assessment

4.66 The Local Government Finance Act 2003 requires the S151 Officer to provide assurance that the level of reserves that the authority holds are adequate and that the base budget proposals are reasonable in terms of their robustness and deliverability. The S151's assurance statement is shown at Appendix G.

4.67 When setting the annual budget and reviewing the appropriate level of reserves, the Director of Finance and Leadership Team have considered the financial risks that the authority faces and the mitigations that are in place. These are summarised in the table below:

Risk	Impact	Likelihood	Mitigation or Reserve Cover
Further impact of COVID-19 either due to a further period of restrictions, continued Health Protection Regulations or change in	Medium	Medium	The Base Budget includes assumptions about the longer-term impact of COVID-19, particularly on income streams. COVID-19 reserve held of approx. £8m at the end of 21/22 and ability to carry forward unspent Contain



residents' behaviours.			Outbreak Management Fund.
Children's Social Care – Sandwell Children's Trust experiencing increased volume of cases and increased cost of placement.	Medium	High	Social Care Grant earmarked reserve of £5.7m. High Cost Placement Reserve of £500k General SCT Contingency - £1.6m
Children's Social Care – pay pressures due to labour market shortages and comparative salary levels	Medium	High	Additional cost pressures could be in the region of £500k p.a. In the short term this can be managed through the Social Care or Financial Planning reserves but will need to be factored in to the MTFP review to reflect long term pressures.
Adult Social Care – increased demand for care packages and increased placement costs due to impact of inflation and salary increases	Medium	High	Adult Social Care budgets for 22/23 have been increased to reflect inflationary increases in placement costs and forecast increase in demand. Social Care Grant of £5.7m, Adult Social Care reserve of £1m and Better Care Fund reserve of £9m
Adult Social Care – future funding reform	High	High	We are awaiting further information from government on this, expected imminently. This could be a significant financial risk across the medium to longer term.
Major capital projects – exposure to financial and reputational risk	High	High	Contingencies included within capital budgets. General capital reserve held.



particularly due to build-cost inflation and supply chain shortages			
Business Rates volatility – impact of business rate appeals, increase in rate relief of loss of collection	Medium	High	A forecast for likely business rates appeals is included when calculating business rates income each year. This is based on information from an external specialist. A Business Rates Volatility Reserve held of £7m
Future funding changes from: <ul style="list-style-type: none"> • Reduction in grant funding • Reset of Business Rates baseline • Business Rates Pilot scheme ending 	High	High	Assumptions about funding changes are built into the Medium-Term Financial Plan. Transformation Savings Plan agreed by Cabinet and Leadership Team The government has indicated that there will be some level of transitional relief Business Rates reserve to help smooth impact
Reduction in income from services due to less customer demand (e.g. car parks)	Medium	Medium	Each 1% reduction in gross income = £4m
Pay award higher than budgeted	Medium	Medium	Budget monitoring procedures would identify potential budget overspends and allow mitigating action to be taken. Each 1% increase in the pay award = £1.3m approx.



Major contractor failure	High	Medium	Financial Planning Reserve and specific service reserves held
Failure to deliver in-year savings programme	Medium	Low	Savings have been assessed as realistic and deliverable. Budget monitoring procedures during the year would highlight any variances at an early stage so mitigating action could be taken. Financial Planning reserve created to smooth any impact of undelivered savings or create headroom for lead-in time for savings in future years.

4.68 Overall, the Director of Finance can confirm that the level of reserves that the Council holds are of a prudent level to mitigate the financial risks that it faces. Further information on this can be found in the S25 Assurance Statement at Appendix G.

4.69 Capital Programme

4.70 The Capital Programme for the General Fund and HRA is shown at Appendix H, along with the sources of finance. The total Capital Programme for 2022/23 is recommended to be set at £118.3m, of which £69.5 is for the HRA. This is to be funded by a combination of grants, earmarked reserves, revenue contributions, Right to Buy receipts and borrowing.

4.71 This programme does not yet include the Children's Services programme as the Basic Need Allocations have not yet been confirmed. A separate report will be brought to Cabinet with proposed schemes once allocations have been announced.



- 4.72 In 2021 the Council was provisionally awarded £67m from the government's Towns Fund initiative, to undertake 16 regeneration projects across West Bromwich, Smethwick and Rowley Regis. The Council is now completing the process to submit full business cases in March and once final confirmation of funding has been received, the schemes will be added to the Capital Programme as appropriate. The only exception to this is the acquisition of Kings Square, which is a separate report on this agenda. Due to the timing of the acquisition and its strategic importance to the wider West Bromwich Masterplan, it is recommended that this purchase is progressed prior to final confirmation of Towns Fund funding being secured. The rationale and risk assessment for this recommendation is set out in the separate report but the total acquisition costs have been included in the Capital Programme which is attached at Appendix H.
- 4.73 A wider regeneration pipeline is also being developed, which will incorporate Towns Fund projects but also wider opportunities to deliver new homes, jobs and skills. Those that the Council agrees to move forward will need to be included in a future capital programme update with an appropriate funding strategy.
- 4.74 The Archive service in Sandwell requires a new facility, as the current accommodation does not fulfil the requirements for mandatory accreditation of the service. Initial feasibility research work has been undertaken and funded by The National Archives (TNA). Further work is now required to identify potential sites and progress full feasibility, costing and design, external funding to complete this phase of work is also available through TNA. This may be a pressure on the Capital Programme in future years.
- 4.75 The Council also has some significant IT related projects in the pipeline. These are likely to include:
- A new telephony system to replace the current system which is no longer fit for purpose and no longer supported.
 - Improvements to the Council's Cyber Security software which will provide more protective measures from potential cyber-attacks.
 - Replacement for the Council web platform for make it more user friendly and easier to maintain.



4.76 The Council does not hold any significant unallocated capital receipts to fund the programme in future years and is currently carrying out a piece of work to identify possible surplus assets that could be disposed of to generate capital receipts. These can then be reinvested to ensure the Council's assets are maintained to a sufficient standard and can also contribute to the delivery of the Council's regeneration pipeline.

4.77 The Capital Programme presented for approval appears lower than in previous years due to the issues raised in sections 4.59-4.62 above, and currently only includes the projects that are either underway or will begin during 2022/23. There are further opportunities and investment requirements in the pipeline and the Council will need to consider affordability and an appropriate financing strategy in the medium to longer term. This review will be incorporated into the Medium-Term Financial Plan work which is discussed at section 4.49 below.

4.78 Treasury Management Strategy and Prudential Indicators

4.79 The Prudential Code, introduced as part of the Local Government Act 2003, requires the Council to establish its own borrowing limits regarding affordability and capital investment plans.

4.80 Full Council is also required to approve the authority's Treasury Management and Investment Strategies and Minimum Revenue Provision (MRP) policy prior to the beginning of the financial year. These are attached as Appendix E for Cabinet approval and recommendation to Council. It is likely that the strategy will be updated during 2022/23 to reflect the expenditure and funding requirements for the Council's regeneration ambitions.



4.81 Medium Term Financial Plan Update

4.82 The Council's Medium-Term Financial Plan was last approved in February 2021. Whilst best practice would usually be to update the MTFP as part of the budget setting process each year, a different approach is being taken this year. This is due to the ongoing uncertainty around:

- The long-term impact of COVID-19 on the Councils services and income streams
- Government plans for Business Rates Retention and Fair Funding Reform (with further information expected from DLUHC in the spring).
- Impact of Adult Social Care reform in terms of demand and charging policies

4.83 The focus of Cabinet and Leadership team through the budget process for 2022/23 has been to ensure the budget gap for next year could be closed in a sustainable way whilst protecting frontline services as much as possible. The budget proposals for 2022/23 achieve that, and the focus now needs to turn to developing a Medium-Term Financial Strategy that is closely aligned to the new Corporate Plan and reflects the priorities of the Council, residents, businesses and wider stakeholders. The aim is to undertake a fundamental review of the MTFP and over the next three months and bring it back for Cabinet approval in early summer, so the Council is well placed to develop longer term budget proposals for 2023/24 onwards.

4.84 A high-level review of the Council's financial position has been undertaken as part of the budget process for 2022/23 and a summary of this is shown in the table below:

	2023/24 £'m	2024/25 £'m
Forecast Net Expenditure	274,747	281,214
Forecast Funding	260,615	268,180
Cumulative (surplus)/deficit	14,132	13,034



4.85 It is important to note some key risks in the Council's financial position from 2023/24 onwards:

- The impact of a potential Business Rates Reset from April 2023 and potential move away from 100% Business Rates Retention
- The loss of short-term grant funding, such as the Services Grant 2022/23 and New Homes Bonus
- Contractual increases as a result of high inflation and increase in employers National Insurance Contributions
- Upward pressures on pay due to inflation and supply issues in key sectors
- Resources required for the Council's Climate Change Action Plan – there are currently no revenue or capital resources allocated to this in the General Fund.

4.86 The Council has achieved a balanced budget for 2022/23 but based on the forecast and risks set out above, it will need to immediately work on developing savings plans for the medium term so there is a rolling pipeline of initiatives to underpin the updated MTFP.

4.87 In preparation for this, Leadership Team has developed a draft Transformation Savings Programme, which has identified a number of cross-cutting, transformational projects that will both deliver service improvements and either reduce costs or generate more external income. The projects identified so far include:

- Reviewing the Council's front-facing services and facilities to ensure they meet the needs of customers and are making most effective use of resources
- Review of the Waste and Transport service
- Development of a Commercial Strategy
- Transition between children and adults social care
- Reviewing the way the Council handles incoming and outgoing mail
- Achieving efficiencies from Oracle Fusion
- Shared services
- Review of surplus assets



- 4.88 A project sponsor from Leadership Team has been identified for each project, and they will be responsible for setting the scope of the review, identifying the cashable and non-cashable savings and implementing the outcomes of each project.
- 4.89 In order to resource this effectively and ensure savings can be achieved in a timely way, additional change management and business process reengineering will be required. It is proposed that a Programme Manager, two Business Analysts and a Business Process Reengineering Analyst will be required for a 2-year period. The costs of this are estimated to be in the region of £450k and will be shared between the General Fund and HRA, with the General Fund's proportion to be approximately £335k. This has been included in the budget for 2022/23, to be funded from the Invest to Save Reserve.
- 4.90 There are a number of key principles that will provide the basis for the review and development of the Plan over the next three months:
- The Council will take a longer-term approach to financial planning to facilitate a more strategic focus on service delivery and redesign
 - The Council will maintain a minimum level of unallocated reserves, equivalent to 5% of net budget
 - The Council will take a corporate approach to maintaining and using reserves and acknowledge that reserves should not be used to fund ongoing expenditure
 - The links between the Corporate Plan and Medium-Term Financial Plan should be strengthened to ensure resources are directed at priorities
 - Benchmarking and other comparative data will be used to assess Value for Money and direct savings targets and various budget approaches will be used to understand cost drivers and unit costs
 - There should be corporate responsibility for delivering excellent financial management, with Directors and all Budget Holders taking responsibility for budget monitoring and identification and delivery of savings
 - Strategic principles will be developed to guide capital investment decisions to ensure the long-term impact on the revenue budget is considered



4.91 A key part of the MTFP review will be the development of the Capital Strategy to understand the Council's capacity to take forward its ambitious regeneration ambitions. This is not only in relation to the Towns Fund projects, but other development opportunities that are currently being identified. Some of these will require Council investment and the ability to prudentially borrow.

4.92 The Section 151 Officer will develop an action plan to ensure that the Plan is reviewed within a reasonable timescale in order to inform the budget setting process for 2023/24 at an early stage.

5 Alternative Options

5.1 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.

6 Implications

Resources:	Resource implications are contained within the main body of the report.
Legal and Governance:	No direct implications arising from the recommendations.
Risk:	This information is contained within the main body of this report.
Equality:	No direct implications arising from the recommendations.
Health and Wellbeing:	No direct implications arising from the recommendations.
Social Value	No direct implications arising from the recommendations.



7. Appendices

- A.) Spend Pressures and Growth items
- B.) Savings proposals
- C.) Equality Impact Assessments
- D.) Fees and Charges
- E.) Budget 2022/23 Summaries
- F.) Earmarked Reserves
- G.) S25 Assurance Statement
- H.) Capital Programme
- I.) Capital Strategy
- J.) Treasury Management Strategy and Prudential Indicators

8. Background Papers

None

