

Report to Cabinet

15th February 2023

Subject:	General Fund, Housing Revenue Account and Capital Programme Budgets 2023/24
Cabinet Member:	Cllr Bob Piper – 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 2023/24
- 1.2 Note the feedback on the draft budget proposals from the Budget and Corporate Scrutiny Board at para 4.25
- 1.3 Note the feedback on the draft budget from business representatives at para 4.23 and 4.24
- 1.4 That the fees and charges increases for 2023/24, as set out at paragraph 4.29 and Appendix C be approved alongside the Charging Policy at Appendix D.
- 1.5 That the contract sum for Sandwell Children’s Trust of £74.475m plus £186k funding from Public Health be approved as set out at para 4.11



- 1.6 That the final General Fund budget position as set out at Appendix E be approved and recommended to Council
- 1.7 That the Housing Revenue Account budget for 2023/24 be approved as shown at Appendix E and recommended to Council
- 1.8 That the Council Tax precept for 2023/24 of £127,008,781, representing a 2.99% increase in Council Tax and a further 2% increase in the Adult Social Care precept be recommended to Council for approval
- 1.9 That the Director of Finance's assurance statement on the robustness of the budget estimates and reserves at Appendix G position be noted
- 1.10 That the Capital Programme for the General Fund and HRA for 2023/24 and Capital Strategy be approved and recommended to Council as set out at Appendix H and I
- 1.11 That the Treasury Management Strategy and Prudential Indicators at Appendix J be recommended to Council for approval.
- 1.12 That the Director of Finance 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
- 1.13 That the Director of Finance be given delegated authority to adjust the funding sources applied to the Capital Programme during the year to maximise flexibility in use of capital resources and minimise borrowing costs where possible
- 1.14 That the Director of Finance be given delegated authority in consultation with the Cabinet Member for Finance and Resources to make minor amendments to the base budget to reflect any changes from the Local Government Finance Settlement if required
- 1.15 That Leadership Team prioritise the further development of the Transformation Savings Plan to ensure the Medium-Term Financial Strategy is balanced to 2025/26.



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 19th December. The key points from the settlement were as follows:
- The Council Tax referendum limit will be 2.99% for local authorities, with social care authorities allowed an additional 2% Adult Social Care precept.
 - The inflation measure used to increase government funding within the Settlement Funding Amount will be CPI (10.1%) rather than RPI (12.6%)
 - Local Government Funding Reform – the Fair Funding Review and reset of Business Rates growth will not be implemented in the next two years.



- The Social Care Grant has increased by £1.5bn to £3.85bn nationally, although £161m of the increase is due to the 'rolling-in' of the Independent Living Fund.
- No change to the Better Care Fund
- New and additional Adult Social Care Market Sustainability and Improvement Fund intended for local authorities to make tangible improvements to Adult Social Care
- New Adult Social Care Discharge Fund aimed at reducing delayed transfers of care
- Reduced Services Grant – from £822m to £464m nationally, due to the cancellation of the 1% National Insurance increase and to move funding to the Supporting Families Programme
- Abolished the Lower Tier Services Grant

4.2 The Council has benefited from additional Social Care grant funding from the settlement, particularly for Adult Social Care, but some of its unringfenced funding has been reduced. 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 Monday 6th February, coinciding with the deadline for report submission. A verbal update will be given at the meeting but there no significant changes compared to the Provisional Settlement.

4.4 Changes to the budget position

4.5 Cabinet noted the draft budget position for 2023/24 in November, and approved in principle a number of savings options amounting to £16m. These were a combination of corporate, transformation and Directorate savings. A list of the Directorate savings proposals is shown at Appendix B to the report.

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 along with any changes in assumptions since the draft budget was prepared:

- Inflation where contractual and unavoidable
- Provision for an annual pay award



- Pension contributions in line with the current triennial valuation (now updated for 2022 revaluation)
- Business Rates income based on current trends
- 2.5% increase in the Council Tax Base compared to 1% included in the draft budget
- 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)
- A number of spend pressures identified during the budget process, as shown at Appendix A and further spend pressures identified as part of the final budget process

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
Surplus per draft budget report	(1.4)
Change in funding from settlement	
Reduction in non-ringfenced government grants	4.8
Increased Social Care Funding and specific Adult Social Care Grants	(17.4)
Technical and Reserve Changes	(7.7)
Additional spend pressures	
• New or revised service pressures (Appendix A)	2.7
• Further inflationary pressures	4.6
• Adult Social Care market uplifts and Children's delivery pressures	16.8
Additional Savings – service and corporate	(3.5)
Priority Service Investment (details at para 4.17)	3
Additional Council Tax income (4.99% increase)	(2.4)
Final contribution to balances	(0.5)



- 4.9 As noted above, the settlement included additional funding for Social Care, and Adult Social Care in particular through both the Social Care Grant and specific ring-fenced ASC grants. During 2022/23 the Council has been undertaking a 'Cost of Care' exercise as required by the Department for Health and Social Care to better understand the sustainability of fee rates within the care sector. A draft Market Sustainability Plan was submitted to DHSC in October 2022 and the final plan is due to be submitted in March 2023. A full report on the results of this exercise and the financial implications are included as a separate item on this Cabinet agenda. The Plan sets out a 3-year forecast of social care fee uplifts which are required to ensure the sector remains sustainable. The total estimated cost in 2023/24 is £17.4m, rising to £27m in 2024/25 and £34m in 2025/26. There is also demographic growth and existing fee uplifts taking the total budget pressure to £22.675m in 2023/24. Some of these pressures were included in the draft budget report but the MTFs assumed that any further pressures as a result of the Cost of Care exercise would be funded by additional grant, which was the government's intention. The additional Social Care Grant in the settlement will therefore be used to fund these costs.
- 4.10 A proportion of the grant has also been used towards future demand and service delivery pressures in SEND Transport and Children's social care. The current financial year is seeing exceptionally high cost placements, more complex needs and an increase in demand for Education, Health and Care Plans, and this is expected to continue into 2023/24. There has also been an increased demand for SEND Transport since September 2022, particularly for pupils with complex needs and out of borough placements which are the most costly provision.
- 4.11 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 2023/24 is £74.475m which is an increase of £2.5m or approx. 3.5%. This provisional sum exceeds the original draft budget assumption for the Contract Sum, but the increase reflects the ongoing impact of inflation on the operational costs of operating the Trust both in terms of salary and placement costs. This will generate an in-year surplus of £0.74m which will assist in reducing the cumulative deficit position of £7m as at 1st April 2022. The Trust's latest MTFP shows that the deficit is fully repaid by 2027/28, three years later than the previous MTFP. There is also an additional



contribution from Public Health of £138k towards the DECCA service, which provides drug and alcohol treatment and education for young people in Sandwell. The Trust continue to have recruitment and retention difficulties, as with many similar services, which is also causing financial pressure. The Council has funded additional project teams within SCT to address both the increased demand and difficulties in recruiting permanent social workers, and provision has been made in the budget proposals for these to be extended into 2023/24.

- 4.12 Inflation is still having a significant impact on the Council's financial position and, although inflation levels are expected to slow during 2023, they are still expected to remain well above the Bank of England's 2% target. The Council established a Financial Planning reserve as part of the 2022/23 budget as a risk mitigation for inflation and is forecasting to call on this during the current financial year to offset rising costs, particularly in relation to salaries. The budget assumptions for 2023/24 take a more prudent approach to salary inflation and contract inflation, and also provides for a top-up to the Financial Planning, Children's Trust and Waste reserves to ensure the Council has sufficient financial resilience throughout 2023/24.
- 4.13 One of the adjustments made since the draft budget was reported to Cabinet is the removal of the saving associated with the establishment of the Local Authority Trading Arm and transfer of leisure functions from Sandwell Leisure Trust into it. The project is still progressing with the aim of transferring services on 30th April 2023 but the significant increase in energy prices poses a risk to achieving the full saving. There are mitigation measures being explored but it is considered prudent to remove the saving at this stage given the potential risks.
- 4.14 The savings proposals in the draft budget included a review of contributions made to the Voluntary and Community Sector (VSC). This review has now largely concluded and the appropriate consultation undertaken. As a result of this review the following changes have been proposed in order to meet the saving assumption in the draft budget:



Directorate	VCS Organisation	Reduction in grant	Grant amount in 2023/24 after reduction
Borough Economy	Black Country Touring	10%	£19k
Borough Economy	Multistory	10%	£103k
Borough Economy	REWIND	Grant removed from 30/04/2023 (was £25k)	£3k (April payment only)
Borough Economy	Victim Support	Grant removed from 30/04/2023 (was £16k)	£1.3k (April payment only)
Housing	Community Action Project	Grant removed (was £50k)	0
Housing	Warley Community Gym	Grant removed (was £17k)	0
Housing	Better off Sandwell	Grant removed (was £28k)	0
Children's and Education	Community Transport	Grant reduced from 1/1/2023 (was £61k)	£49
Children's and Education	Creative Academies	Grant reduced by 10%	£86k
Children's and Education	Groundwork West Midlands	Grant reduced by 10%	£141k
Children's and Education	The Branch	Grant removed from May 2023 – was £46k	0

4.15 The review of VSC grants is still ongoing in some services and so there may be further changes to grants and contributions during the year once any required consultation is complete.

4.16 All of the other savings proposals reported to Cabinet in November (totalling £15m) remain achievable. Any issues following consultation and Equality Impact Assessments are highlighted in section 4.20 below.



4.17 The final budget proposals include provision for investment in three corporate priorities:

- Customer Journey – one of the key strands of the Council’s Transformation Programme is delivering improvements to the service offered to customers through the customer service arrangements. This involves short term action to tackle the current backlog of demand and longer term improvements to the design of the Contact Centre and the development of a Community Hub model. This will need short term resources and investment in the Council’s IT infrastructure to make sure the changes have a transformational impact on the customer experience and so £1.4m has been allocated in the 2023/24 budget.
- Cost of Living – a provision of £1.5m has been made to provide targeted support to those most impacted by the current cost of living crisis. Leadership Team and Cabinet are working on a number of new initiatives to support the current offer. This will enable the Council to offer support to residents most in need in a variety of ways.
- Integrated Enforcement – one of the priorities within the Councils Corporate Plan is to deliver a more responsive, robust and co-ordinated enforcement across the council. A provision of £65,000 has been made to provide support to integrate enforcement across complex cases with multiple issues across enforcement areas and improve effective, timely management through improved utilisation of data across case management systems. This will enable complex cases, to be brought to resolution more quickly and bring positive impact for residents and businesses affected. It will also enable identification of further areas to improve efficiency of the council’s enforcement activity.

4.18 At the time of writing the report the Public Health Grant allocations for 2023/24 had not been announced. The budget proposals assume that the grant remains at the same level as 2022/23

4.19 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 2023/24 in December 2022 and Cabinet approved the formula allocations on 18th January. A summary of the 2023/24 DSG by block is shown below:



DSG Block	Allocation prior to Adjustments	Adjustments	Allocation after adjustments
	£m	£m	£m
Schools Block	325.898	(2.716)	323.182
Central School Services	2.306	0	2.306
High Needs	71.519	(3.782)	67.737
Early Years	25.823	0	25.823
Total	425.546	(6.498)	419.048

4.20 Feedback on Budget Consultation and Equality Impact Assessments

4.21 When making budgetary decisions Councils are required to take into account their statutory public sector equality duty under the Equality Act (2010) and consider any relevant Equality Impact Assessments (EqIAs) when formulating and agreeing proposals. The budget savings proposals approved in principle in November have been subject to EqIAs where required and there are no issues arising from this process to bring to the attention of Cabinet.

4.22 There are 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.



4.23 The Local Government Finance Act also requires the Council to consult with Business Ratepayers in its area. The Council consulted the Business Ambassadors Network on draft budget proposals in December and asked for any comments by the end of January. There were no written responses received but the following general feedback was given during the session in December:

- Consideration should be given to additional support for businesses who don't qualify for Small Business Rates Relief
- Businesses were keen to understand more about the Council's procurement processes and the Intend system, building on the sessions that have already been carried out

4.24 In terms of the first point, Small Business Rates Relief is provided by government as part of the national business rates system. The Council does have a Hardship Scheme in place and consideration is being given to what further Business Rates Relief could be offered to businesses as part of our wider Cost of Living support initiatives.

4.25 The draft budget proposals were also considered by the Budget and Corporate Scrutiny Board on 29th November and the Committee asked a number of questions, particularly around the savings proposals and also around how the Council was supporting residents through the Cost of Living crisis. The Committee noted the following points:

- Concerns were raised about the short-term nature of many of the funding streams and the impact this has on forward planning
- The committee sought and received assurance from officers around the deliverability of savings plans

4.26 The Council also carried out a public budget consultation in the summer of 2022 and the results were reported to Cabinet alongside the draft budget report in November to help inform decision making.

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 £15m of savings as set out in the draft report to Cabinet in November (after removal of the Local Authority Trading Arm saving) and no additional savings are required to be found for 2023/24.



4.28 Fees and Charges

4.29 The draft budget set a target of £1m for additional income from fees and charges. This will be achieved in two ways:

- A 5% increase on all fees and charges except for those that are set by statute or in other limited exceptional circumstances
- Further specific increases in some areas where the Council's charges are either not covering costs or where charges are significantly below benchmarks.

4.30 Inflation is still running at over 10% and although it is expected to reduce during 2023 it will still remain well above the Bank of England's 2% target. Whilst it is important for the Council's fees and charges to keep pace with inflation, the Council is mindful of the impact of the Cost of Living and therefore is proposing below inflation increases for the majority of its services for 2023/24.

4.31 An external 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. The Council has received external support to undertake this review and this has included looking at benchmarking data to understand how our fee rates compare to our nearest neighbours. This has resulted in some specific increases in Fees and Charges to ensure the Council is covering costs and charges are inline with nearest neighbours. The Fees and Charges affected by this review are shown in the table below:

Service Area	Increase	Comments
Development and Building Control - Land Charges Search (CON29)	17%	No fee increase since 2018/19 and not covering all costs
Bulky Waste collection fee	25%	To bring charge closer to some nearest neighbours
Replacement bins	200%	Charge increase from £14.53 to £30 to more accurately reflect cost to the Council



Crematoria	9%	Reduce differential between Council and nearest neighbours by half
Housing Enforcement	Various fee increases	Reduced discounts and increased penalty fees and bring fees closer to nearest neighbours
Registrations – Citizenship ceremony fees	20%	Fees significantly below nearest neighbours
Registrations – Marriage ceremony license fees	10%	Fees significantly below nearest neighbours
Licensing – betting establishments	Various fee increases	Increases applied based on cost recovery and benchmarking review
Community Meals	10%	To reflect rising costs of providing the service. The service is still heavily subsidised.

4.32 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. 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. 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.

4.33 The suggested increases to Fees and Charges per service is set out at Appendix C. The overall additional income that is anticipated from these increases is £1.3m, which slightly exceeds the target set out in the draft budget plans.

4.34 The review of Fees and Charges is an ongoing piece of work and a savings workstream in the MTFs. There are some services – such as markets – where consideration needs to be given to the longer-term impact of COVID and changing customer behaviours. There are also some services where a commercial approach could be considered, and the Council is currently finalising a Commercial Strategy which will incorporate these options.



4.35 As part of the external review of Fees and Charges, the Council has developed a Corporate Charging Policy to guide the way that it sets and maintains its charges. The Policy is attached at Appendix D. This is also supported by a Cost Recovery Model which will be used annually to assess the extent to which fees and charges are covering costs and inform future strategy and decision making.

4.36 Reserves Position

4.37 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.

4.38 The level of unallocated balances at the end of March 2022 was £14.7m following a restructuring exercise of the Council's earmarked reserves. The previous level of unallocated balances was deemed to be at the lower end of prudent and lower than many of the Council's nearest neighbours. This is anticipated to remain at the same level at the end of March 2022 and through 2023/24, although the Council is experiencing significant cost pressures during the current financial year. Leadership Team have taken action to mitigate those pressures, which are driven primarily by inflation but the Qtr 2 monitoring report to Cabinet in December still showed a forecast overspend of £1.9m after use of earmarked reserves to cover specific pressures. As an example, the Council maintains a reserve to manage fluctuations in the Council's waste contract and it is expected that this reserve will need to be called on during 2022/23 to mitigate the increased costs from the inflationary uplift in the contract. Further measures are being taken to bring the budget back to a balanced position but there is still a risk that general balances may need to be used if there is still an overspend by outturn.

4.39 As a result of the in-year inflationary pressures and to ensure the Council retains an adequate level of reserves through the MTFs, provision has been made in the 2023/24 budget to top-up those reserves that are anticipated to be used during the year. This is particularly important given that inflationary pressures are expected to continue well in to 2023/24.



4.40 The table below summarises the Council's level of earmarked reserves as at the end of March 2022 and the projected balances at the end of March 2023 and 2024. Further detail is set out at Appendix F.

	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26
	£m	£m	£m	£m	£m
Ringfenced Grants/Income	34,919	32,268	24,122	16,665	9,927
Risk	24,686	21,188	19,159	18,879	17,047
Capital and Regeneration	24,126	21,076	16,953	14,611	4,225
Service related and future projects	23,413	14,395	11,338	10,115	9,319
NNDR S31	30,896	0	0	0	0
COVID Risk and Recovery	16,931	0	0	0	0
Total Committed Reserves	154,971	88,927	71,572	60,270	40,518
General Fund Balance	14,699	15,158	15,679	15,679	15,679

4.41 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 (£7.2m) 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.

4.42 This shows that the level of reserves is estimated to reduce significantly between 2022-24, 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 2022/23 as part of the Council's COVID Recovery Strategy.



- 4.43 The Council is also holding ring-fenced grants as earmarked reserves, such as the Public Health Grant and Better Care Fund and there are plans to use these reserves over the next three years.
- 4.44 The Capital and Regeneration reserves are due to reduce over the next three years as the Council uses resources to bring forward projects from the Regeneration Pipeline. The MTFs assumes significant borrowing from 2024/25 to continue to support delivery of the pipeline but consideration may need to be given to other sources of funding (revenue and capital) to ensure effective delivery.
- 4.45 The Council's reserves policy in the current MTFs is for General Fund unallocated balance 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 and it has increased significantly in 2023/24 due to inflationary and demand pressures on Council services. The level of the General Fund unallocated balance is due to rise slightly to £15.6m in 2023/24 due to the small surplus position on the General Fund budget shown in this report. The revised balance is just on the threshold of meeting the 5% criteria and so the Council's level of unallocated balances are still at the lower end of the Council's reserves policy.
- 4.46 The budget for 2023/24 has made provision to increase some of the risk related reserves back to their previous level after being called on during 2022/23. Alongside this, a new reserve has been established in relation to the establishment of the Local Authority Trading Arm and transfer of leisure services as the first business stream. Utility inflation has impacted the Business Plan for the LATC in the early years of operation and although mitigations have been identified and put into place, a risk reserve has been established if those mitigations are not successful.
- 4.47 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 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.

4.48 Council Tax proposals

- 4.49 The draft budget assumed a 2.99% increase in Council Tax, made up of 1.99% 'core' increase and 1% for Adult Social Care in line with previous Council Tax Referendum Limits.
- 4.50 The provisional settlement confirmed a referendum principle of 2.99% for core Council Tax and 2% for the Adult Social Care precept. This means that the Council can raise Council Tax by a total of 4.99% in 2023/24.
- 4.51 Each 1% increase in Council Tax raises approximately £1.2m in additional Council Tax income and also ensures that the Council tax base is maximised for future years. Because of the referendum principles that limit Council Tax increases every year, if the Council opted not to apply the maximum increase, the Council Taxbase would be permanently reduced and the additional income would be forgone every year. The cumulative impact of increasing Council Tax by 2.99% in 2023/24 instead of 4.99% is shown in the table below:

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Cumulative Lost Council Tax Income	2.42	4.95	7.59	10.36	13.25

- 4.52 The majority of properties in Sandwell are in Council Tax Bands A and B, with 43% being in Band A and 33% Band B. A Band B property, as an example, currently pays £1,225.68 per year for the Council's element of the Council Tax. The impact of a 2.99% or 4.99% increase on a Band B, is shown below:

Increase	2.99%	4.99%
Band B per annum	£36.65	£61.16
Band B per week	0.70p	£1.18

- 4.53 As already noted above, the Council is continuing to experience demand and inflationary pressures in Adult Social Care and spend pressures of over £25m have already been included in the budget for 2023/24. This includes the forecast impact of the Fair Cost of Care exercise and the



inflationary uplifts that are expected to be passed on to the Council's care providers. 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 inflation and cost of living. The 1% increase in core Council Tax will be used to support the Council's Customer Journey Programme and provide further targeted Cost of Living Support for residents.

- 4.54 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 7.33% increase. The Police are proposing a £15 increase on a Band D, which represents an 8% increase.
- 4.55 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 5.39% based on a 4.99% increase for the Council.
- 4.56 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.
- 4.57 Based on a 4.99% increase and a Council taxbase of 76,764.73, the Council Tax precept for 2023/24 will be £127,008,781 and is reflected in the budget summary shown at Appendix E. 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.

5. Housing Revenue Account

- 5.1 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.



- 5.2 The HRA maintains a 30-year Business Plan and during 2022/23 the Council has undertaken a fundamental review of the Plan to ensure sustainability of the HRA and to set future spending priorities. The revised Business Plan is a separate item on this Cabinet agenda.
- 5.3 In terms of the annual budget setting process for the HRA, one of the key factors to be considered each year is any increase in the rent that tenants pay, and this can have a significant impact on the future spending capacity and viability of the HRA. The government sets a limit on the rent increase each year using a formula linked to inflation plus a further 1%. This year however the government has set a cap of 7%, well below the current levels of inflation. In December, Cabinet considered a report setting out some options in relation to rent increases and approved a 5% increase for 2023/24.
- 5.4 The budget for the HRA for 2023/24 incorporates this rent increase and is based on the latest information on the stock condition of HRA properties and new build programmes. Other budget assumptions, in terms of general pay and price inflation mirror those in the General Fund budget. A summary of the HRA budget is shown at Appendix E.
- 5.5 The HRA is due to have an in-year surplus of £8.2m for 2023/24 and this will be used to support an increased Revenue Contribution to Capital of £11.7m, with a further £3.5m being contributed from reserves to fund the full RCCO. As at the end of 2023/24 the HRA is estimated to have balances of £38.3m which will be used to fund future investment in the stock. 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.

6 Budget Risk Assessment

- 6.1 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.



6.2 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 residents' behaviours.	Medium	Medium	<p>The Base Budget includes assumptions about the longer-term impact of COVID-19, particularly on income streams. No formal restrictions around COVID-19 and vaccination programme means that health impact has reduced.</p> <p>COVID-19 reserve expected to be £2.4m at the end of 22/23 and ability to carry forward unspent Contain Outbreak Management Fund into 2023/24 with greater flexibility on how it can be used.</p>
Children's Social Care – Sandwell Children's Trust experiencing increased volume of cases and increased cost of placement.	Medium	High	<p>Work by SCT on managing demand, investing on preventative service, recruitment of Foster carers and stimulating supply of local residential homes.</p> <p>Share of Social Care Grant of £14m</p> <p>High Cost Placement Reserve of £500k</p> <p>Replenishing General SCT Reserve by £1.4m</p>



Children's Social Care – pay pressures due to labour market shortages and comparative salary levels	Medium	High	Payment of market supplement.
			Implementation of SCT Workforce Strategy
			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 MTFS review to reflect long term pressures.
Children's Education - SEND Transport pressure due to increased demand and needs and lack of local specialist provisions.	Medium	High	Proposed changes to transport policy by Children's directorate
			Work to continue on managing EHCP demand pressures.
			Use of SEND reserve of £1.5m
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 23/24 have been increased to reflect inflationary increases in placement costs and forecast increase in demand.
			Growth on Social Care Grant of £12m, Discharge grant of £3.2, New ASC Grant of £4.3m and Better Care Fund reserve of £12m
Adult Social Care – future funding reform	High	High	Government funding is short term to 24/25 which could be a significant financial risk across the medium to longer term.



Major capital projects – exposure to financial and reputational risk particularly due to build-cost inflation and supply chain shortages	High	High	Contingencies included within capital budgets. General capital reserve held.
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:	High	High	Assumptions about funding changes are built into the Medium-Term Financial Plan.
• Reduction in grant funding			Transformation Savings Plan agreed by Cabinet and Leadership Team
• Reset of Business Rates baseline			The government has indicated that there will be some level of transitional relief
• Business Rates Pilot scheme ending			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 = £0.5m. Prudent assumptions on income targets and Financial Planning Reserve held to mitigate any in-year variances
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	Regular and robust contract monitoring arrangements including quarterly financial due diligence on key contractors.
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.
Cost of living impact on Council resources/income - Council Tax and other debts	Medium	Medium	Cost of Living Support funding established in budget proposals.
			Household Support Fund and Energy Rebate payments.
			Reduction in income against some budgets built into 2023/24 budget.



6.3 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.

7 Capital Programme

- 7.1 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 2023/24 is recommended to be set at £186.5m, of which £77m is for the HRA. This is to be funded by a combination of grants, earmarked reserves, revenue contributions, Right to Buy receipts and borrowing.
- 7.2 The Programme has been reviewed by the Corporate Asset Management Board to ensure that projects still meet corporate priorities and in some cases, projects have been removed from the programme and any funding reallocated. This has largely related to minor projects that are no longer required or where there have been small balances of funding remaining after a project has been completed.
- 7.3 This programme includes an indicative amount of £10m for the Schools programme as the Basic Need Allocations have not yet been confirmed. A separate report will be brought to Cabinet with more detail on proposed schemes once allocations have been announced.
- 7.4 During 2022 the Council received confirmation that all of its Towns Fund Business Cases had received final approval and project delivery could commence. The Capital Programme at Appendix H incorporates the spend profile for each project within the Regeneration and Growth directorate. The Council has also recently had confirmation that it's Levelling Up Fund bid for the replacement of Haden Hill Leisure Centre has been successful. However, at the time of writing the report the Council had not received any further details in terms of grant conditions or spend profile and so at this stage the project has not been included in the Capital Programme.
- 7.5 There are other projects within the Regeneration Pipeline that may be brought forward during 2023/24 and funded by Prudential Borrowing. There is provision included in the revenue budget and MTFs for that borrowing but the schemes are not yet included in the Capital Programme as costs and timescales are still being developed.



- 7.6 There is a significant increase in the Disabled Facilities Grant (DFG) programme as there will be a renewed focus in 2023/24 to accelerate spend following underspends in previous years (which has been carried forward). A new DFG policy is to be adopted in May 2023 to expand the current offer.
- 7.7 The West Bromwich Cemetery expansion is still included in the programme at its previous approval level. However, the project has not started yet as estimated costs have increased by circa £1m. A revised appraisal is being completed before a final decision is made on whether the project can proceed and the funding options available.
- 7.8 In November 2022 Cabinet approved a report to provide further capital investment in to the Council's Highway Maintenance programme. This was to address 'red risk' conditions in highways infrastructure and ensure the Council continues to meet its statutory duties as a Local Highway Authority. Although the Council has an increased allocation from the City Regional Transport Settlement for 2023/24, the impact of inflation along with the need to address red risks, meant that the Council needed to identify further capital funding. The budget provision approved in the December Cabinet report is reflected in the programme attached at Appendix H.
- 7.9 The HRA Capital Programme is in line with the new Business Plan which is being approved as a separate item on this agenda.
- 7.10 The Council also has some significant IT related projects in the pipeline. These are not yet included in the Programme as costs and timescales are not accurately known but key priorities are likely to include:
- A new telephony system to replace the current system which is no longer fit for purpose and no longer supported.
 - Replacement for the Council web platform for make it more user friendly and easier to maintain
 - A corporate Customer Relationship Management System
- 7.11 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



Councils assets are maintained to a sufficient standard and can also contribute to the delivery of the Council's regeneration pipeline.

- 7.12 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.
- 7.13 The Capital Strategy, which sets out how all Capital expenditure will be managed and financed, is attached at Appendix I.

8 Medium Term Financial Strategy Update

- 8.1 The Council's Medium-Term Financial Strategy was last approved in November 2022 following a significant review. That review noted that it was an interim update as there was significant uncertainty around future Spending Review, Local Government Funding Reform and Adult Social Care Reform. The Spending Review later in November made policy announcements that have a significant impact on the current MTFS projections. This is predominantly the confirmation that there will not be a Business Rates Reset or any progress with Fair Funding Reform in the next two years.
- 8.2 The current MTFS assumes that there would be a Business Rates Reset in April 2024 with loss of growth as well as the removal of some time-limited grants. These assumptions have now been updated and reflected in the table below with no loss of business rates growth until 2025/26 but still some reduction in grant funding on a similar scale to the reductions in 2023/24.
- 8.3 Further work has been done on Adult Social Care future costs and impact of the Fair Cost of Care exercise. This shows significant future increases in fees paid to the social care markets, with additional costs of £22m in 2023/24 rising to £35m in 2024/25 and £44m in 2025/26. The Local Government Finance Settlement included additional social care related funding for 2023/24 which was sufficient to cover the first year of these costs but there is no confirmed funding in future years. For the purposes of the MTFS update below an inflationary increase in the Social Care Grant has been included in future years.



8.4 A high-level review of the Council's financial position has been undertaken as part of the budget process for 2023/24 and a summary of this is shown in the table below:

	2023/24	2024/25	2025/26	
	£000	£000	£000	
Council Net Expenditure	291,847	317,103	332,410	
Movements in base position:				
Pay Inflation	12,492	3,582	3,672	
Service Pressures	39,803	20,267	17,523	
Key Contract Inflation	17,727	5,426	6,892	
Changes in Service Grants (Local Government Finance Settlement)	(23,145)	(4,945)	5,259	
Approved Savings	(21,429)			
Treasury Changes	(4,942)	(273)	1,194	
Changes in Reserves/ RCCO	4,750	(8,750)	0	
Revised Council Net Expenditure	317,103	332,410	366,950	
Funding:				
Non Ring-Fenced Government Grants	(4,064)	(1,953)	(41,723)	
Retained Business Rates (including Top-up, Section 31 Funding & surplus/ deficit adjustments)	(186,501)	(189,080)	(137,330)	
Council Tax Income (including surplus/ deficit adjustments)	(127,059)	(132,768)	(138,789)	
Total Funding	(317,624)	(323,801)	(317,842)	
Net (Surplus)/ Deficit before savings options	(521)	8,609	49,108	
Cumulative				57,196
Transformation, Corporate and Directorate Savings Options		(6,165)	(8,415)	
Net (Surplus)/Deficit after savings options		2,444	40,693	

8.5 It is important to note that if the Council Tax increase in 2023/24 was 2.99% rather than 4.99%, the deficit of £8.6m in 2024/25 would rise to



£11.1m and £51.6m in 2025/26 due to the cumulative impact on the Council Tax base.

8.6 Due to the current uncertain economic environment and absence of a multi-year funding settlement, a number of assumptions have had to be made in updating the MTFs position in the table above. These could be subject to significant change and sensitivity analysis on key budget assumptions is shown below. The table shows the cumulative impact over the period of the MTFs (2023/24 to 2025/26).

Element	Comment	Best Case	Base Case (MTFP Assumptions)	Worst Case
		£m	£m	£m
Payroll	Pay increases subject to pay negotiations; but worst case limited to reasonable estimate and not initial pay demands	8.18	30.46	41.47
Social Care Grant	Amounts received as part of Local Government Finance Settlement	(77.83)	(62.68)	(48.37)
Contract Inflation	Increases assumed on major contracts that the council has (e.g. utilities, waste, SCT)	61.03	70.93	82.05
Adult Social Care Fee Uplifts		74.07	91.08	108.10
Childrens Services	SEND Team pressures	4.26	4.26	5.17
Non Ringfenced Government Grants	Amounts as received in Local Government Finance Settlement such as Services Grant, New Homes Bonus and RSG	(29.08)	(22.55)	(18.51)
NDR Income	Risk elements are amounts reflected in bad debt provision for non payment and appeals lodged for Rateable Value assessment	(29.26)	(15.26)	(1.26)
Total		11.37	96.24	168.66

8.7 There are some key risks in the Council's financial position from 2023/24 onwards, many of which are outside the Council's direct control:

- The further loss of short-term grant funding, such as complete removal of the Services Grant and New Homes Bonus
- Contractual increases as a result of high inflation
- Upward pressures on pay due to inflation and supply issues in key sectors
- Impact of the Cost of Living on demand for Council services and income collection



- 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.
- Social Care demand and inflationary pressures
- Investment in new infrastructure e.g. new telephony system

8.8 A particular area of risk is the pay award in future years. The Trade Union pay claim for 2023/24 was submitted at the end of January at RPI+2%. As RPI is currently running at 13% this is significantly above the budget estimate for 2023/24 and would have an ongoing, cumulative impact on the MTFs. As can be seen from the sensitivity analysis at para 6.2 above, each 1% increase in the pay award increases the salary bill by approx. £1.3m.

8.9 The Council has achieved a balanced budget for 2023/24 and maintained a prudent level of reserves but, based on the assumptions set out above, the MTFs is not balanced over the following two years and there are not sufficient General Fund balances to cover the gap. It will be crucial to drive forward and build on the Transformation Programme and ensure that additional savings are identified early in 2024/25. This will need to be a priority for Leadership Team and Cabinet.

8.10 As a reminder, the Council does have a Transformation Programme in place underpinning the MTFs and including the following workstreams:

- Maximising digital technologies
- Improving the customer journey
- Delivering efficiencies through Business Process Reviews
- Maximising income and commercial opportunities
- Smarter support services
- Making best use of our assets
- Prevention and promoting independence
- Maximising the use of partnership working
- Efficient Procurement
- Sustainable Service Delivery models, ensuring resources are directed to Corporate Priorities

8.11 There are a number of key principles that will provide the basis for the review and development of the Strategy 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 Strategy 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

9 Treasury Management Strategy

- 9.1 The Council is required to set a Treasury Management Strategy (TMS) 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. As part of the TMS the Council is also required to set Prudential Indicators which establish borrowing limits regarding affordability and capital investment plans.
- 9.2 The associated strategies and policies are attached as Appendix J for Cabinet approval and recommendation to Council.

10 Alternative Options

- 10.1 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.



11 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.

12. Appendices

- A.) Spend Pressures and Growth items
- B.) Savings proposals
- C.) Fees and Charges
- D.) Charging Policy
- E.) Budget 2023/24 Summaries
- F.) Earmarked Reserves
- G.) S25 Assurance Statement
- H.) Capital Programme
- I.) Capital Strategy
- J.) Treasury Management Strategy

13. Background Papers

None

