

Report to Cabinet

5 February 2025

Subject:	Medium-Term Financial Strategy and Draft Budget 2025/26
Cabinet Member:	Councillor Paul Moore Cabinet Member for Finance and Resources, Deputy Leader
Director:	Alex Thompson Executive Director for Finance and Transformation & Section 151 Officer
Key Decision:	Yes
Contact Officer:	Claire Spencer Acting Assistant Director - Finance

1 Recommendations

- 1.1 Having due regard to the report of the Section 151 Officer, included at paragraphs 13 to 33 of Appendix A, and as required under Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of the budget calculations and adequacy of proposed financial reserves, it is recommended that Cabinet approves the Medium-Term Financial Strategy and Draft Budget 2025/26 Report, including the appendix and annexes, and that this be submitted to Full Council on 25 February for consideration and approval with the following specific recommendations to Full Council, that:

- 1.2 the Medium-Term Financial Strategy (MTFS) and all annexes set out in **Appendix A**, be approved, incorporating the following recommendations:
- i the results of the consultation exercise at **Annex 1** be noted:
 - ii the change-log of financial movements in the MTFP at **Annex 2** be noted:
 - iii the efficiency savings detailed in **Annex 3** of the MTFS be approved for inclusion in the General Fund base budget for 2025/26 and the Medium-Term Financial Plan (MTFP) for the financial years 2025/26 to 2029/30:
 - iv the risks associated with the MTFP as detailed at **Annex 4** be noted:
 - v the strategy on Flexible Use of Capital Receipts at **Annex 5** to the report be approved, and delegated authority given to the Deputy Leader and Cabinet Member for Finance and Resources and Executive Director for Finance and Transformation to make any submissions to the Ministry of Housing, Communities and Local Government (MHCLG) for application:
 - vi the Fees and Charges for 2025/26 be approved, as set out within **Annex 6**:
- 1.3 The General Fund net budget of £363.804m for 2025/26, as detailed at **Annex 7** of the MTFS be recommended to Full Council for approval, including the financial implications of:
- i a proposed Council Tax increase of 4.99% for the Sandwell MBC element resulting in a Band D charge of £1,823.76:
 - ii revised Local Council Tax Reduction Scheme Policy as approved by Full Council on 10 December 2024:
 - iii increased Council Taxbase of 80,364.3 as approved by Full Council on 10 December 2024
- 1.4 The analysis of Council Tax amounts by Band at **Annex 8** be noted:
- 1.5 The application of the Dedicated Schools Grant as set out at **Annex 9** be approved, including the following recommendations to:
- i adopt the grant allocation by block per Table 1:
 - ii agree the amount of funding available for distribution from the Schools Block at £373.004 as set out at Table 2 including:
 - Set aside of £1.000m as Pupil Growth contingency:
 - set aside of £0.840m as Falling Rolls Funding contingency:

- transfer of £0.522m to Central Schools Services Block to fund attendance service:

1.6 In relation to the General Fund Capital Programme:

- i the budget allocation of £102.432m for 2025/26, and of £343.120m for the programme to 2029/30, as set out at **Annex 10**, be approved
- ii it be noted that it is assumed that the 'pipeline' projects, as detailed in **Annex 10**, will be brought forward for appraisal in due course and will be added into the programme following the completion of due process as prescribed by the Council's Financial Regulations.

1.7 The Housing Revenue Account (HRA) and associated Capital Programme as set out at **Annex 11** be approved, including:

- i the HRA Revenue Budget for 2025/26 as set out in Table 2 of the report, including the draw of £3.336m from HRA earmarked reserves.
- ii the HRA Capital Programme budget of £78.401m for 2025/26 as set out in Table 3 of the report submitted.
- iii the 30 Year HRA Business Plan as set out in sub-annex 1.

1.8 The Reserves Strategy at **Annex 12** to the MTFS be approved, and delegated authority be given to the Section 151 Officer 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.

1.9 The Capital Strategy and Capital Financing Strategy at **Annex 13 and 14** be approved:

1.10 The Investment Strategy at **Annex 15** be approved:

1.11 The Treasury Management Strategy at **Annex 16** be approved, including:

- i The Borrowing and Investment Strategies (para 75 and 105):
- ii The Minimum Revenue Provision Policy Statement (para 49):
- iii The Treasury and Prudential Indicators as set out within the report and summarised at sub-annex 6:
- iv Forecast new borrowing requirement of £118m:

1.12 The Revenues and Benefits Policy Framework at **Annex 17** be endorsed.

1.13 Delegated authority be given to the Section 151 Officer and Monitoring Officer to make any financial corrections or amendments to the MTFS and annexes as may be required in the final preparation of papers for Full Council on 25 February 2025. And, subject to approval by Full Council of the MTFS and budget recommendation, to make any in-year financial corrections, technical adjustments or virements in the event of variations in indicated funding allocation made by Government, subject to these being allocated in accordance with the principles set out in this report: and

1.14 Delegated authority be given to the Section 151 Officer adjust the funding sources applied to the Capital Programmes during the year to maximise flexibility in use of capital resources and minimise borrowing costs where possible.

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 11 March.

2.2 This report presents the updated position of the Medium-Term Financial Strategy (MTFS) following the public consultation exercise undertaken during October and November of 2024, and publication of the Provisional Local Government Finance Settlement on 18 December 2024.

2.3 The Section 151 Officer of the Council is also required to report on the robustness of estimates made for the purposes of budget calculations per Section 25 of the Local Government Act 2003.

3 How does this deliver objectives of the Council Plan?

Growing Up in Sandwell	The financial position of the authority determines the affordability of all the authority's activities. This underpins the resources available to achieve Council Plan.
Living in Sandwell	
Thriving Economy in Sandwell	The proposals within this report support the objectives of the Council Plan by ensuring that the Council aligns available resources most efficiently to meet its strategic policy and performance commitments. This ensures the Council's best value obligations are met. Consultation and stakeholder engagement proposals within the report ensure any subsequent decisions are fully informed and reasoned.
Healthy in Sandwell	
One Council One Team	

4 Context and Key Issues

Medium Term Financial Strategy

4.1 Appendix A to this report details the updated MTFFS and includes several key strategies and policies for approval.

General Fund

4.2 Since the 16 October 2024 MTFFS update, which identified a General Fund budget deficit of £19.8m, the Council has:

- Completed a comprehensive consultation exercise on the efficiency proposals presented to balance the budget position
- Refined income estimates for Council Tax and Business Rates
- Reviewed expenditure pressures, largely relating to social care costs and to increased costs resulting from the increase to employer's national insurance contributions and the minimum wage from April 2025

- Received notification of core grant income to be received for the 2025/26 financial year, as set out in the Provisional Local Government Finance Settlement.

4.3 The revised budget deficit is now £19.3m and the updated budget efficiencies, if fully adopted, will balance the budget for 2025/26. It is important to note that, based on current assumptions, the suite of efficiency proposals set out within the MTFs is also currently thought to be sufficient to balance the budget for 2026/27.

4.4 However, across the life of the MTFP there is a need for future efficiencies to be identified to maintain a balanced position as illustrated in the table below:

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Forecast Net Expenditure (excluding efficiency proposals)	378.599	384.109	401.741	419.704	436.891
Forecast Funding Available (excluding efficiency proposals) (Council Tax, Business Rates and other Government Grants)	(359.271)	(361.964)	(372.259)	(383.515)	(395.219)
Forecast Net Budget Deficit Before Efficiencies	19.328	22.145	29.482	36.189	41.672
Efficiency Proposals (within Directorate net expenditure)	(14.795)	(17.487)	(17.907)	(18.387)	(18.867)
Efficiency Proposals (within Council Funding -Council Tax)	(4.533)	(4.658)	(4.789)	(4.925)	(5.069)
Total Efficiencies	(19.328)	(22.145)	(22.696)	(23.312)	(23.936)
Revised Forecast Budget (Surplus)/Deficit	-	-	6.786	12.877	17.736

4.5 At the time of writing the report, the Final Local Government Finance Settlement for 2025/26 has not been announced. It is not expected that there will be material differences to the values as reported in the MTFs. However, Cabinet is requested to approve a delegation to the Section 151 Officer and Monitoring Officer to make any final amendments to the MTFs and annexes in preparation for the Full Council meeting on 25th February 2025.

4.6 Council Tax increases for The Police and Crime Commissioner and The Fire and Rescue Authority have yet to be approved and will be presented within the final report submitted to Council as part of the Council Tax Resolution for setting the total Council Tax amounts per band, as required under legislation.

4.7 The capital programme budget for 2025/26 totals £102.4m, prior to approval of any 'pipeline' project requests, and the annual cost of servicing new and existing debt to fund the programme is estimated to be £22.1m. This equates to c. 6% of the Council's net budget and is relatively modest compared with other councils.

Housing Revenue Account (HRA)

4.8 The HRA is primarily funded from housing rents from tenants, and increases to such rents are applied using Government guidance, limiting increases to sum of the September Consumer Price Index (CPI) + 1%. The rent increase agreed for 2025/26 of 2.7% is in line with Government guidance and was approved at the Full Council meeting on 10th December 2024.

4.9 A comprehensive review of HRA revenue budgets has been undertaken and there is a requirement to deal with a backlog of repairs jobs and address issues raised from a compliance audit. Therefore, a one-off draw from HRA earmarked reserves of £3.336m is proposed in 2025/26 to address these issues.

4.10 The 30-year HRA Business plan has also been refreshed and the latest update indicates that the HRA remains viable over the term and it is forecast that the HRA will be contributing to the HRA earmarked reserves from 2026/27.

4.11 The HRA Capital Programme consists of two types of expenditure:

- Investment in existing stock to maintain Decent Homes standards.
- New Build and Acquisitions programmes mitigate losses through Right to Buy disposals.

4.12 The capital investment proposals for 2025/26 total £78.401m being £56.943m for investment in existing stock and £21.458m on new build and acquisitions.

5 Alternative Options

- 5.1 The Council is legally required to set a balanced budget by March each year. As such, there is no alternative other than to set a balanced budget.
- 5.2 There is also a legal requirement for councils to consult on budget proposals, and therefore opportunity for the suite of proposals to change as the budget process progresses. An extensive consultation exercise has been undertaken on the budget proposals during the autumn and winter of 2024, involving the general public, business ambassadors, trade unions and elected members of the Budget and Corporate Scrutiny Board.

6 Implications

Resources:	The Council's Medium Term Financial Strategy provides forecasts of net expenditure and funding for future years. It also presents a list of efficiency proposals that could be adopted to reduce net expenditure to match the forecast level of funding available.
Legal and Governance:	<p>The Council is required under Part 1, Chapter III of the Local Government and Finance Act 1992 (the 1992 Act) to set a Council Tax for the forthcoming year and its budget estimates. The decision must be made before 11 March of the preceding year (i.e. by midnight on 10 March). S.31A and s.31B of the 1992 Act require the Council to calculate its "council tax requirement". This is reflected and set out in the recommendations and this report. The report sets out the duty to have regard to the assessments of the s.151 Chief Finance Officer under s.25 of the Local Government Act 2003.</p> <p>The Council is under a duty to agree a lawfully balanced budget. The Council's prospective expenditure must not be likely to exceed its resources available to meet that expenditure. The proposals set out in this report meet this obligation. Any amending or substituted proposals must also achieve a</p>

	<p>balanced budget. The proposed Council Tax is under the statutory threshold which would require the Council to hold a referendum of local electors to approve the increase.</p> <p>Under s.114 of the Local Government Finance Act 1988, the Council's s.151 Chief Finance Officer is required to report to all the authority's elected members (Councillors) if there is, or is likely to be, unlawful expenditure or an unbalanced budget (i.e. the Council is unable to set or maintain a balanced budget). Failure to set a legal budget by 11 March would activate this duty. It may also lead to further intervention from the Secretary of State under s.15 of the Local Government Act 1999.</p> <p>Members are subject to the Council's duty to set a balanced budget, and at common law owe a fiduciary duty to taxpayers to do so. Members must receive and take into account the advice of officers, particularly the s.151 officer, when considering and deciding the Council's budget. As the decision makers, members must have due regard to the Council's equalities duties when setting the budget</p>
<p>Risk:</p>	<p>The MTFs and financial sustainability of the council is identified as a risk on the Strategic Risk Register, in that if the council is unable to identify sufficient efficiencies and put in place necessary policies, processes and actions to manage pressures, inflation and manage its plans, then this will impact on the council's financial resilience and its ability to effectively discharge its statutory responsibilities, including the setting of a balanced budget for future years.</p>
<p>Equality:</p>	<p>The Equality Act 2010 obliges the Council to have due regard to its equality duties in the budget setting process. To achieve this, Equality Impact Assessments (EIAs) will be conducted on all</p>

	efficiency options where required, ahead of the final options being put forward to Cabinet for approval.
Health and Wellbeing:	No specific implications arising from this report.
Social Value:	No specific implications arising from this report.
Climate Change:	No specific implications arising from this report.
Corporate Parenting:	No specific implications arising from this report.

7 Appendices

7.1 Appendix A – Medium Term Financial Strategy 2025/26 to 2029/30

8 Background Papers

8.1 Medium Term Financial Strategy Update – 16th October 2024