

Report to Council

25 February 2025

Subject:	Medium-Term Financial Strategy and Budget 2025/26 and Council Tax Resolution 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 That Council approves the following recommendations from Cabinet at its meeting of 5th February 2025 on the Medium-Term Financial Strategy and Draft Budget 2025/26 as listed below:

- a. 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 Council approves the Medium-Term Financial Strategy and Draft Budget 2025/26 Report, including the appendix and annexes.

- b. 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**:
- c. The analysis of Council Tax amounts by Band at **Annex 8** be noted.
- d. 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 £373.004m 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:

- e. 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.

- f. 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 balances.
 - 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.

- g. 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.

- h. The Capital Strategy and Capital Financing Strategy at **Annex 13 and 14** be approved:
 - i. The Investment Strategy at **Annex 15** be approved:

- j. 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:

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

- l. Delegated authority be given to the Section 151 Officer, 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 allocations made by Government, subject to these being allocated in accordance with the principles set out in this report: and

- m. Delegated authority be given to the Section 151 Officer to 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.

- 1.2 That Council approves the revised General Fund net budget of £365.783m for 2025/26 and as detailed at **Annex 7** of the MTFs, including the financial implications of:
- i. Minor revisions to the General Fund net budget originally presented to Cabinet on 5th February 2025, as detailed at paragraph 4.2 of this report.
 - ii. a proposed Council Tax increase of 4.99% for the Sandwell MBC Council Tax element, resulting in a Band D charge of £1,823.76, comprising 2.99% for the core amount and 2% in relation to adult social care.
 - iii. revised Local Council Tax Reduction Scheme Policy as approved by Full Council on 10 December 2024:
 - iv. increased Council Taxbase of 80,364.3 as approved by Full Council on 10 December 2024
- 1.3 That subject to confirmation of approved final precept amounts from West Midlands Fire Service, the Council Tax Resolution included at Appendix B be approved, including:
- i The Council Tax Requirement for the Council's own purposes (excluding precepts) for 2025/26 as £146,565,196 at Section 2(c).
 - ii The calculation of the aggregated amounts for the year 2025/26 in accordance with sections 31 to 36 of the Local Government Finance Act 1992 as set out in Section 2.
 - iii The Council Tax amounts by Council Tax Band from Major Preceptors as set out in Section 3
 - iv The Aggregated Council Tax amounts by Council Tax Band set out in Section 4

2 Reasons for 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.

2.2 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.

2.3 A further requirement of Council is to approve the Council Tax Resolution (Appendix B) which sets out the formula for calculating the Band D level of Council Tax for the Council. This equates to the Council Tax precept detailed within the budget report, being the amount of Council Tax to be raised by the Council divided by the approved Council Tax Base.

2.4 The Council Tax Base can be described as an assessment by each billing authority of the number of chargeable dwellings, converted to Band D equivalents, adjusted for discounts, exemptions, local council tax reduction scheme, new property growth and non-collection allowance.

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

4.1 As allowed within recommendation 1.13 of the Cabinet report of 5th February 2025, the Section 151 Officer, in consultation with the Monitoring Officer, has included a small number of revisions to the budget originally presented to the Cabinet on 5th February 2025.

4.2 The movement in the budget proposals as included in the Cabinet report are detailed in the following table:

	Net Budget £m	Funding £m
Position Reported to Cabinet on 5th February 2025	363.804	(363.804)
Adjustments:		
i Increase to the Children's Social Care Prevention Grant, allocated to Children and Education, as announced in the Local Government Final Settlement	(0.275)	
ii Additional expenditure commitment within Children and Education to deliver the requirements of the Children's Social Care Prevention Grant conditions	0.275	
iii Additional Employer National Insurance Contribution Grant funding announced within the Final Settlement		(1.979)
iv Additional Flood Defence Levy charge, following notification from the Environment Agency	0.003	
v Additions to Contingency allocations	1.976	
Total Adjustments	1.979	(1.979)
Adjusted Net Budget/Funding	365.783	(365.783)

4.3 The above adjustments increased the net budget of the Council by £1.979m from the amount reported to the Cabinet on 5th February 2025. It should also be noted that the outcome of the Final Local Government Finance Settlement and the adjustments required do not impact on the Section 25 Report of the Section 151 Officer.

4.4 As a billing authority, the Council collects council tax on behalf of the Police and Crime Commissioner and the Fire and Rescue Authority for the West Midlands and redistributes those amounts in accordance with their precept notifications. The council tax amounts for these preceptors must be included within the Council Tax Resolution as Council must approve the aggregate Council Tax amounts by individual band. The amounts proposed to be approved by the respective decision-making bodies of the Fire and Rescue Authority and Police and Crime Commissioner for the West Midlands area have been communicated to the Council and are set out within the Resolution at Appendix B. Confirmation of precept and Council Tax amounts by Band has been received from the Office of the Police and Crime Commissioner. However, confirmation of precept from the Fire and Rescue Authority will not be received until after publication of this report. Therefore, the amounts included in the Council Tax Resolution are provisional and subject to final confirmation, which is expected before 25th February 2025 and will be confirmed as soon as practicably possible.

4.5 The MTFs has been updated to reflect these changes, specifically:

Appendix A: Material changes to paragraphs 76 and 77, and paragraph 86, Table 1 (Medium Term Financial Plan)

- to reflect changes in the Final Local Government Finance Settlement, although the forecast deficits of the life of the plan remain unchanged.

Annex 2: General Fund Change Log

- to reflect adjustments from the Final Settlement, as set out in paragraph 4.2 of this report

Annex 3: Analysis of Efficiency Proposals for Approval

- Updated Table 1 to reflect funding changes announced within the Final Settlement

Annex 7: General Fund Budget Summary

- Changes to contingency budgets and funding as per the Final Settlement

Annex 8: Council Tax Summary

- to include provisional amounts from preceptors, pending final confirmation

5 Alternative Options

5.1 The Council is legally required to set a balanced budget by 11th March each year. As such, there is no alternative other than to set a balanced budget.

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:	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>The Council is under a duty to agree a lawfully balanced budget. The Council’s prospective expenditure must not be likely to exceed its resources available to meet that expenditure. The proposals set out in this report meet this obligation. Any amending or substituted proposals must also achieve a balanced budget. The proposed Council Tax is under the statutory threshold which would require the 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</p>

	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.
Equality:	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 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

Appendix A – Medium Term Financial Strategy 2025/26 to 2029/30
Appendix B – Council Tax Resolution 2025/26

8 Background Papers

Medium-Term Financial Strategy and Draft Budget 2025/26 – Cabinet 5th
February 2025