Council/Committee:	Full Council
Report Title	Medium Term Financial Strategy - Autumn 2025 Update
Date of Meeting	Tuesday, 04 November 2025
Report Author	Claire Spencer, Service Director - Finance
Lead Officer	Alex Thompson, Executive Director - Finance & Transformation
Wards Affected	All
Identify exempt information and exemption category	Open
Appendices (if any)	1. Cabinet Report – Medium-Term Financial Strategy – Autumn 2025 Update – 15 October 2025 2. Draft Medium-Term Financial Strategy 2026/27 to 2030/31

1. Executive Summary

1.1 Following Cabinet endorsement of the updated Medium-Term Financial Strategy on 15th October 2025, this report recommends that Full Council approves the provision of a three-year contract sum to be paid to Sandwell Children's Trust for the period 1st April 2025 to 31st March 2028. Provision for the additional cost to the council has been fully accounted for within the updated MTFS. Resolving the deficits of Sandwell Children's Trust (both historic and forecast) would be a significant development in ensuring the viability and sustainability of the Trust in support of continuing its role in fulfilling statutory social care responsibilities on behalf of the council. The proposal also significantly assists in ensuring the robustness of financial planning for the council.

2. Recommendations

For the reasons set out in this report, Cabinet recommends that Full Council is recommended to:-

2.1 Approve a three-year contract sum, with a total value of £309.072m, to be paid to Sandwell Children's Trust for the contract period 1 April 2025 to 31 March 2028.

3. Proposals – Reasons for the Recommendations

Background

3.1 On 15th October 2025, the Cabinet endorsed the updated Medium-Term Financial Strategy (MTFS) and authorised the commencement of a period of consultation on the budget proposals set out within the MTFS. The immediate objective of the updated MTFS is focused on achieving a balanced budget for 2026/27 whilst protecting services provided to vulnerable children and adults.

3.2 The 2026/27 draft budget incorporates significant growth to ensure that the council can meet increasing demand, particularly for social care services, by proposing £10.7m ongoing budget growth for adult social care and £7.4m ongoing budget growth for children's social care (via the contract with the Sandwell Children's Trust). Additional content and context in relation to the MTFS are set out in appendices 1 and 2 of this report.

Sandwell Children's Trust Contract

3.3 The council commissions children's social care services from its wholly owned company, Sandwell Children's Trust. Historically the council and the Trust have agreed a one-year contract sum to be paid for services in advance of the beginning of each financial year.

3.4 In recent years, the Trust has been operating at a deficit, because of increased costs of residential care placements and increased demand for services, particularly for complex services. This is a position being reported by councils across the country. At the end of 2024/25, the deficit built up by the Trust had grown to £19.792m.

3.5 Within the Section 25 Report of the Chief Finance Officer within the February 2025 MTFS, it was acknowledged that the Trust does not hold its own reserves and that the deficit would have to be addressed within the group financial strategy.

3.6 In 2024, the council and the Trust commissioned an external review to analyse current spending patterns and forecast future requirements. Following the end of the 2024/25 financial year, forecasts were updated to reflect increased numbers of children under the care of the Trust and a revised placement mix. The council has subsequently been working with the Trust to develop a financially stable medium-term plan.

3.7 Within the council's MTFS, it is proposed to provide the Trust with a three-year contract sum for the financial years 2025/26 to 2027/28, to improve financial planning for both the council and the Trust; providing certainty of expenditure for the council and certainty of income for the Trust. The proposed three-year contract sum intends not only to provide a viable and sustainable level of income for the Trust over the three years, but it will also provide sufficient funding to offset the cumulative deficit built up to the end of the 2024/25 financial year. The proposed contract sum, with a total value of £309.072m, is set out in Table 1 below.

Table 1 - Proposed Three-Year Contract Sum Payable to Sandwell Children's Trust

Financial Year	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Contract sum to fund costs incurred over three-year period (2025/26-2027/28)	94.477	96.352	98.452	289.281
Additional amount to be paid to offset the cumulative deficit incurred by the Trust to 31/03/2025	6.597	6.597	6.597	19.792
Total Contract Sum Payments Proposed	**101.074**	**102.950**	**105.049**	**309.072**

3.8 The impact on the council's MTFS of the proposed three-year contract sum is set out in Table 2 below.

Table 2 – Impact on MTFS of Increased Sandwell Children's Trust Contract Sum

	2025/26 £m *(Certain)*	**2026/27 £m *(Certain)***	**2027/28 £m *(Certain)***	**2028/29 £m *(Forecast)***	**2029/30 £m *(Forecast)***	**2030/31 £m *(Forecast)***
Additional budget pressure, compared with February 2025 MTFS	5.528	3.930	3.732	3.168	2.570	1.934
Draw from reserves to fund the Trust's cumulative deficit	6.597	6.597	6.597	-	-	-
Total Impact	**12.125**	**10.527**	**10.329**	**3.168**	**2.570**	**1.934**

3.9 The council's intention is to resolve the deficit built up by the Trust to the end of 2024/25, and the council proposes to fund this deficit by drawing £19.792m from earmarked reserves. In previous financial years, reserves have been deliberately set aside for this purpose, should it become apparent that the only viable course of action is for the council to resolve the Trust's historic deficit.

3.10 The MTFS proposes the use of reserves over three years to fund the deficit of the Children's Trust, to ensure that the Trust's financial position and ongoing viability is robust and supported through an adequate contract sum to allow efficient and effective delivery of the Trust's duties.

3.11 Subject to audit of the council's 2024/25 accounts, at the beginning of the 2025/26 financial year the council is holding General Fund earmarked reserves of £159.558m. Excluding other transfers to and from reserves, the draw of £19.792m over three years would reduce earmarked reserve balances to £139.766m. The Section 151 Officer is confident that, taking account of the proposed draw of £19.792m, reserve levels remain adequate to mitigate assessed risks.

3.12 Management action will be taken as required within the current financial year to try to ensure that the in-year budget pressure of £5.528m, as shown in Table 2 above, as a result of the proposed contract sum for the current year, will be fully offset by underspends elsewhere across the council, aiming to avoid any further use of earmarked reserves to fund contract costs.

3.13 The proposed action to resolve the deficits of Sandwell Children's Trust (both historic and forecast) would be a significant development in ensuring the viability and sustainability of the Trust and would also significantly help with improving the robustness of financial planning for the council.

4. Alternative Options Considered

4.1 Sandwell Children's Trust has no reserves and is unable to take sufficient action to offset its financial deficit built up to the end of the 2024/25 financial year.

5. Consultation

5.1 Information on budget consultation is provided within appendices 1 and 2 to this report.

6. Financial Implications

6.1 The financial implications of the proposed three-year contract sum to be paid to Sandwell Children's Trust are set out in section 3 of this report. The updated MTFS takes full account of the proposed three-year contract sum.

7. Legal and Governance Implications

7.1 The Local Government Finance Act 1992 requires the council to set a balanced, risk assessed budget each year and approve a council tax precept by 11 March. This report forms a preparatory part of the process under the council's legal obligation to set a balanced budget for 2026/27.

7.2 Several efficiency proposals outlined within the MTFS require consultation with the public and/or recognised trade unions and authority is sought through this report to commence relevant consultation exercises. Such consultation must take place in the formative stages of decision making, as is proposed in this report.

7.3 In turn, and under the provisions of the Local Government Finance Act 1992, the council must consult with persons or persons representative of bodies subject to non-domestic rates each financial year and before the rates become due for payment. Any consultation activity must engage those directly affected by any proposed decision by providing sufficient information to allow for intelligent response and with adequate time to do so. The consultation outcomes must then be conscientiously considered by decision-makers. The process set out in the accompanying report as approved by Cabinet report provides clear and structured arrangements for consultation to take place in advance of 2026/27 and will allow for decisions to be made before the budget is set, taking account of individual consultation outcomes. It must in turn be open to Cabinet not to proceed with an individual efficiency or income generation option as proposed in the MTFS following consultation but, if so, compensatory efficiencies will need to be made to balance the council's budget.

7.4 The Council is specifically asked to consider and approve a three-year contract sum allocation, with a total value of £309.072m, to Sandwell Children's Trust for the contract period 1 April 2025 to 31 March 2028.

7.5 Sandwell Children's Trust (the Trust) was launched in March 2018 and took responsibility for services from 01 April 2018. The Trust is a company limited by guarantee, wholly owned by the council but established with its own Board of Directors, many of whom independent. For purposes of procurement law, the Service Delivery Contract awarded by the council to the Trust and contracts for support services to be supplied by the council to the Trust can all be entered into without undertaking a procurement process.

7.6 The Trust has day to day responsibility for running children's services independent from the council and is operationally independent in the delivery of children's social care services. Statutory responsibility for these services is retained by the council through the Director of Childrens Services (the Executive Director for Childrens and Education) and the Cabinet Member for Children and Young People. The council is required to balance its oversight of the Trust whilst enabling the Trust to be operationally independent.

7.7 Contracts and Governance Frameworks govern the relationship between the council and the Trust, including details of invoicing and payment arrangements, contract sum negotiation, in year changes and the management of surplus/deficits. There are requirements to review the contract sum annually which forms part of the council's usual budget setting and business planning processes. The Trust is expected to follow the council's principles of the medium-term financial strategy and expected to manage its finances on a three-year rolling cycle, addressing surpluses or deficits.

7.8 The allocation of a three-year contract sum to the Trust follows a period of constructive dialogue and negotiation between both parties. The proposal is consistent with the principles and mechanisms extant within the Contract and Governance Frameworks that govern the operation of the Trust and relationship with the council. The proposal provides financial certainty and assurance to both parties, allows for longer term and sustainable business planning whilst satisfying statutory obligations on both the council and Trust to ensure best value is achieved in the design, planning and delivery of services.

8. Risks

8.1 Risks within the MTFS are included within appendices 1 and 2 to this report.

8.2 One of the aims of the three-year contract sum to be paid to Sandwell Children's Trust is to increase certainty for both the council and for the Children's Trust, thereby reducing the level of financial risk for both parties.

8.3 The estimates within the Trust's three-year medium-term financial plan have been reviewed, challenged and tested, both internally within the Trust and also by the council. Estimates have also been reviewed by an external party. This has helped to ensure the robustness of the Trust's medium-term financial plan, again, reducing the level of financial risk for both parties.

9. Equality and Diversity Implications (including the public sector equality duty)

9.1 There are no direct implications arising from the recommendations of the report.

10. Other Relevant Implications

10.1 There are no other direct implications arising from the recommendations of the report.

11. Background Documents

Medium-Term Financial Strategy and Budget 2025/26 and Council Tax Resolution 2025/26 – Council, February 2025

12. How does this deliver the objectives of the Strategic Themes?

12.1 The financial position of the authority determines the affordability of all the authority's activities. This underpins the resources available to achieve the Council Plan.

12.2 Providing sufficient funding to ensure the viability of Sandwell Children's Trust underpins the council's objectives in relation to 'Growing Up in Sandwell'.