

Minutes of Council

24 February 2026 at 6.15pm at Sandwell Council House, Oldbury

Present: **The Worshipful Mayor, Councillor Melia (Chair);**

Councillors K Allcock, M Allcock, Bhamra, Bhullar, Carmichael, Chidley, Cotterill, Crompton, Davies, Dhariwal, Dhatt, Dunn, Fitzgerald, Gavan, Elizabeth Giles, J Giles, Elaine Giles, L Giles, W Gill, Hackett, Hartwell, Hemingway, Hinchliff, Horton, Hughes, Hussain, Iqbal, Jalil, Jeffcoat, Johnston, Kalebe-Nyamongo, Kaur, Khan, Khatun, Kordala, Lewis, Maycock, Millar, Moore, Muflihi, Pall, Piper, Preece, Rahman, Randhawa, Shaeen, A Singh, J Singh, N Singh, Smith, Taylor, Tipper, Tromans, Trumpeter, Uddin, Uppal, Webb, Wilkes and Williams

Apologies: Councillors Ashraf, Choudhry, Fenton, S Gill, Loan, Mayo, Millard, Owen, Weston and Younis,

Also present: Shokat Lal – Chief Executive; Mike Jones – Monitoring Officer and Service Director Governance; Suky Suthi-Nagra – Democratic Services and Member Services Manager; Anthony Lloyd - Democratic Services Officer; Kennedy Brown – Sergeant at Arms.

1/26 **Declarations of Interest**

There were no declarations of interest.

2/26 **Minutes**

Resolved that the minutes of the meetings of Extraordinary and Ordinary Council held on 9 December 2025 are approved as a correct record.

3/26 **Announcements from the Mayor, Leader of the Council and the Chief Executive Officer**

The Mayor outlined some of his recent engagements which included:-

- an evening spent with the Black Country Carol Service at St Franciss of Assisi Church in Friar Park;
- being a guest of honour at the first graduation event for the Tell and Share project;
- meeting the Lord-Lieutenant and High Sheriff of the West Midlands and the Lord Mayor of Birmingham to celebrate the 77th Republic Day of India;

- attendance of a service for Holocaust Memorial Day.

The Mayor congratulated Satish Patel, Senior ICT Lead Officer, for his award at the Local Service Champions Awards which aimed to recognise the outstanding contributions of local government staff.

The Mayor also made reference to three Sandwell residents that had recently been recognised in the King's 2026 New Year's Honours list:

- Matt Daniels MBE for his services to the LGBTQ+ Community;
- Sam Hayer BEM for his services to weightlifting as a role model and coach; and
- Ann-Marie Riley OBE for her serving to nursing.

The Chief Executive Officer reminded members of the recent announcement that Children's Services in Sandwell had been rated "Good" by Ofsted. It was highlighted that since the establishment of Sandwell Children's Trust in 2018, the Trust and the Council had worked tirelessly to ensure that children and families received the support they needed.

At the last inspection in 2022, Ofsted had rated Children's Services as 'requires improvement'. Inspectors had recognised the progress made since 2022, highlighting that children were receiving effective help and protection when they needed it most. Emma Taylor, Chief Executive of the Sandwell Children's Trust, Graham Archer, Chair of Sandwell Children's Trust, Sally Giles, Director of Children and Education and all of the Council staff involved were thanked for their dedication to the children and young people of Sandwell.

It was stated that the achievement was not the end of our journey but the foundation for even greater progress. The Council's ambition remained clear: to make Sandwell a place where every child feels safe, supported, and empowered to thrive.

It was also noted that the Council had been shortlisted for "Most Improved Council" at the LGC Awards. Strong governance processes, a 4th place ranking in the whole country for the quality of Sandwell's highways and the recent onboarding of 100 apprentices were just some highlights presented to Council on how the Council had significantly improved in the last several years.

Annual Report on the Treasury Management Service and Actual Indicators for 2024/25 and Mid-Year Review 2025/26

The CIPFA Code of Practice on Treasury Management – revised 2021 (The Code) - required Council to receive reports on Treasury Management including the Annual Treasury Management Strategy and MRP Policy Statement before the start of each financial year, as well as a Mid-Year Review and an Annual Outturn Report detailing activities during the previous year.

2024/25 Treasury Outturn Position

All treasury and prudential indicators for 2024/25 were within approved limits and parameters. Despite this positive outturn, there were a number of variances:

- **Indicator 1 – Capital Expenditure**

General Fund outturn of £76.8m was significantly lower than the original indicator of £144.5m, although this original indicator was revised at the last mid-year review to £82.3m. This was due to the significant level of capital slippage into future financial years and not from project underspends.

- **Indicator 2 – Closing Capital Financing Requirement (CFR)**

The closing General Fund CFR (the underlying need to borrow for a capital purpose) at £340.3m was slightly higher than the revised indicator at mid-year review of £334.3m. This was due in part to the level of slippage in the capital programme which reduced the borrowing need, but also due to the implementation of revised accounting for leases (IFRS16) in the 2024/25 financial year which could not be quantified at the mid year stage. The impact of IFRS16 was that future costs of some leases of assets and equipment were reflected as a liability on the Council's balance sheet with an asset also recognised. This accounting change had generated an increase in the CFR. For 2024/25, the overall change was an increase of £23m. The HRA CFR was slightly lower than the revised mid-year indicator and this was due to lower prudential borrowing need in the HRA capital programme so the increase in CFR was lower than originally anticipated.

Resolved that the existing Local Council Tax Reduction Scheme (LTRS) is unchanged and is approved to continue to provide support throughout the 2026/2027 financial year.

2025/26 Treasury Mid-Year Review

The treasury strategy for borrowing and investing, along with the framework for selection of investment counterparties remained suitable and did not require any changes, however a number of treasury and prudential indicators did require adjusting from those originally approved in February 2025 due to changes in spend predictions and the impact of the implementation of IFRS16.

Indicator 1 – Capital Expenditure

Due to capital re-profiling predictions, both brought forward from prior year and added into the programme and reductions due to spend being profiled into 2026/27, the General Fund WAS forecast to have a reduced spend of £73.7m and the Housing Revenue Account an increased spend need of £100.5m. Although the HRA projection was more than the original indicator, this was not additional approvals but purely unspent allocations in the 24/25 budget being rolled over to be spent in 25/26. This could be seen in the 24/25 Outturn values being less than revised assumptions.

Indicator 2 – Closing Capital Financing Requirements

Due to changes in the capital programme and associated financing need from prudential borrowing, plus the quantified impact of IFRS16 (accounting for leases), the CFRs for both General Fund and the Housing Revenue Account required updating. Gross Debt amounts were also shown as evidence that borrowing was not expected to exceed the CFR values.

Indicator 3 – Authorised Limit and Operational Boundary

The updated values reflected the impact of changes in the CFR and associated headroom for upper limit to borrowing. It was proposed that the Authorised Limit be increased from £1,013.356m to £1,017.750m due to the implementation of IFRS16 (accounting for leases) which had increased the CFR but also partly mitigated by a lower than expected increase from prudential borrowing due to re-profiling of capital expenditure. The Authorised Limit was the maximum allowable borrowing (both capital programme prudential borrowing and lease/ PFI liabilities) and was derived from the projected CFR plus a headroom for any emergency borrowing cash-flow requirements. The Operational Boundary was the maximum expected debt holdings and was therefore not a limit but instead acted as a guide to possible levels of debt. The Operational Boundary was proposed to be increased from £654.155m to £685.000m.

Indicator 4 – Financing Costs as Proportion of Net Revenue Stream

The revised calculation based on spend predictions was marginally lower than the original budget and was due to lower cost of borrowing in both the General Fund and the Housing Revenue Account due to capital programme slippage and the opportunity to defer new borrowing until future years.

Indicator 5 – Treasury Portfolio

The forecast closing position of debt (excluding PFI and lease liabilities) and investments had been updated to take into account cash-flow estimates and borrowing requirements.

Indicator 6 – Maturity Structure of Fixed Rate Borrowing

The limits within this indicator remained suitable for the approved treasury strategy and did not require updating.

Resolved that:-

- (1) the 2024/25 outturn position, as set out in Appendix A, is approved;
- (2) the mid-year review for 2025/2026 is approved including:-
 - The revised authorised limit of £1,017.75 and Operational Boundary of £685.00m; and
 - all other revisions to the projected indicators set out in Appendix A.

5/26

Medium-Term Financial Strategy and Budget 2026-2027 and Council Tax Resolution 2026-2027

Council considered the Council Finances and Council Tax Resolution for the period 2026/27.

The Provisional Local Government Finance Settlement was received in December 2025 with the Final Settlement announced on Monday 10 February 2026. Following consultation with local authorities on 'Fair Funding 2.0', the government aimed to 'simplify' funding to local authorities by consolidating a number of core grants awarded into the Revenue Support Grant, which was a grant that many councils received as part of their core funding. A complication of this for Sandwell was that the council was in a minority of councils that did not receive the Revenue Support Grant, as the council had elected for '100% Business Rates Retention' which meant that the council retained a greater share of business rates collected than what the majority of local authorities were entitled to retain, but it also made the council ineligible to receive Revenue Support Grant.

Therefore, to compensate the council for the core grants removed within the Settlement, the government would replace those core grants with additional Business Rates Top-Up Grant.

Although there were several grants that were credited directly to service budgets that would be consolidated from 2026/27, the majority of the impact related to the Social Care Grant, which was credited to Adult Social Care and to Children and Education budgets and had a value of £55.391m, and the Market Sustainability and Improvement Fund grant, which was credited to Adult Social Care and had a value of £8.085m.

The replacement of the grants with increased Business Rates Top-Up grant was mostly presentational within the council's budget, but it did have the impact of reducing income within service directorates and increasing unringfenced funding; this had the effect of significantly increasing the council's net budget. This did not change the overall value of government grant funding received. In relation to additional government funding as a result of 'Fair Funding 2.0', the outcome of the Provisional Local Government Finance Settlement for the council had been notification of additional unringfenced grant income of £8.727m for 2026/27. However,

the Final Local Government Finance Settlement increased this unringfenced allocation by a further £6.678m total increase to £15.405m.

Fees and Charges

The suite of efficiency and income generation proposals included a council-wide proposal relating to fees and charges income. The October MTFP assumed a core 2% uplift in general fees and charges, unless levels were specified by the government or unless there were other relevant constraints. The 2% included in the MTFP was based on the government's target for Consumer Price Inflation (CPI). However, CPI remained high and the final proposed fees and charges included an increase of 3.5% which generated additional income of £0.062m above the £0.480m estimate originally included.

The Council was conscious of the cost of living across the borough and had not increased fees and charges across all areas. However, the Council needed to seek to recover its cost of providing services that are subject to a usage charge, to prevent these services from being subsidised through council tax revenues which were chargeable to all. Further work was planned to be carried out during 2026/27 to scrutinise fees and charges, including benchmarking against other councils, to ensure that fees and charges to service users were meeting policy and pricing objectives.

Reserves Position

The Council had two types of revenue reserves:-

- General Reserves which represented the non-ring-fenced balance of Council funds. There were two main purposes of general reserves: firstly, it operated as a working balance to help manage the impact of uneven cash flows and avoid unnecessary temporary borrowing; and secondly, it provided a contingency to cushion the impact of emerging events or genuine emergencies
- Earmarked reserves which provided a means of building up funds, for use in a later financial year, to meet known or predicted policy initiatives or manage specific risks

The Council's General Fund balance as at 1 April 2025 was £22.468m.

Council Tax Proposals

The government had set a 4.99% cap on council tax increases for 2026/27 for councils with responsibility for adult social care without requiring a resident vote. The Core Spending Power within the Local Government Finance Settlement (the total income that central government had determined that the council needed to fund its revenue expenditure) assumed that these councils would increase their council tax by 4.99%. The recommendation was that council tax be increased by 4.99% annually to support all services including adult social care needs. This increase, alongside the increase in the tax base, would generate an additional

£10.098m in income compared to 2025/26, increasing the council tax income budget to £156.663m. Most Sandwell properties fell within Council Tax Band A and B (approximately 76%) and residents in these properties would see their council tax increased by up to £1.36 per week, assuming no other entitlement to reductions.

Housing Revenue Account

The Housing Revenue Account (HRA) was a ring-fenced account for the Council's housing stock and was shown separately to the General Fund. Income came from rent and service charges and expenditure related to the management and maintenance of the stock.

Capital Programme

The purpose of the Capital Programme was to create new assets or to extend the life of existing assets. It was frequently related to large scale one-off expenditure that was funded from government grants, borrowing or other contributions such as those from developers.

The proposed programme included existing approved projects plus a suite of 'pipeline' projects, which were proposed but still subject to due diligence. 'Pipeline' projects would be brought forward for appraisal at the appropriate time and added into the capital programme following completion of a successful appraisal and the appropriate approval process.

The capital programme budget for 2026/27 totalled £70.848m, prior to the approval of any 'pipeline' project requests. Including proposed 'pipeline' project expenditure of £37.300m, the total capital budget in 2026/27 could be up to £108.148m.

To the end of 2030/31, the budget for existing projects was proposed to be £326.945m, and up to £442.019m when including all 'pipeline' proposals.

The council's General Fund debt service costs reflected interest payments on the debt portfolio but also amounts set aside for repayment of principal amounts of historic borrowing. In 2025/26, the budgeted figure of £22m was approximately 6% of the Council's net budget. The fact that this percentage was relatively modest compared with similar authorities was a significant factor in the revenue budget shortfall for the council being lower compared to some authorities.

In accordance with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, and Standing Order 10, the decision relating to Council Finances 2026-27 was put to a named vote as follows:-

For

Councillors K Allcock, M Allcock, Bhamra, Bhullar, Carmichael, Chidley, Cotterill, Crompton, Davies, Dhariwal, Dhatt, Fitzgerald, Gavan, E A Giles, E M Giles, J Giles, L Giles, W Gill, Hackett, Hartwell, Hemingway, Hinchliff, Horton, Hughes, Hussain, Iqbal, Jalil, Jeffcoat, Johnston,

Kalebe-Nyamongo, Kaur, Khan, Khatun, Lewis, Maycock, Melia, Millar, Moore, Muflihi, Pall, Piper, Preece, Rahman, Randhawa, Shaeen, A Singh, J Singh, N Singh, Smith, Taylor, Tipper, Tromans, Uddin, Uppal, Webb, and Wilkes.

Against

Councillors Dunn, Kordala and Trumpeter

Abstentions

No abstentions.

On being put to the vote, the motion was carried and it was

Resolved that Full Council:

- (1) Having due regard to the report of the Section 151 Officer, included at section 1 of Appendix 1 to this report, 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:
 - 1.1 Approves the Medium-Term Financial Strategy and Budget Report 2026/27.
 - 1.2 Notes the results of the consultation exercise at Annex 1.
 - 1.3 Approves the budget growth proposals detailed in Annex 2 for inclusion in the General Fund base budget for 2026/27 and the Medium-Term Financial Plan (MTFP) for the financial years 2026/27 to 2030/31.
 - 1.4 Approves the budget efficiency and income generation proposals, detailed in Annex 3 for inclusion in the General Fund base budget for 2026/27 and the Medium-Term Financial Plan (MTFP) for the financial years 2026/27 to 2030/31.
 - 1.5 Notes the change log of financial movements in the MTFP at Annex 4.
 - 1.6 Approves the Fees and Charges Schedule for 2026/27, as set out within Annex 5.
 - 1.7 Approves the General Fund net budget of £464.480m for 2026/27, as detailed at Annex 6, including the financial implications of:
 1. Minor revisions to the General Fund net budget originally presented to Cabinet on 4th

February 2026, as detailed at paragraph 3.7 of this report.

2. The directorate budget summaries at Annex 7.
 3. A proposed Council Tax increase of 4.99% for the Sandwell MBC element resulting in a Band D charge of £1,914.77, as set out in Annex 8.
 4. the Local Council Tax Reduction Scheme Policy as approved by Full Council on 9th December 2025; and
 5. an increased Council Taxbase of 81,818.4 as approved by the Cabinet on 10th December 2025.
- 1.8 Approves the General Fund Capital Programme budget allocation of £70.848m for 2026/27, and of £254.721m for the programme to 2030/31, as set out at Annex 9.
- 1.9 Notes an assumption that the value of the 'pipeline' projects, as detailed in Annex 9B, is affordable, and that these projects will be included within the programme subject to successful completion of an appraisal and associated due process as prescribed by the Council's Financial Regulations.
- 1.10 Approves the Housing Revenue Account (HRA) revenue budget for 2026/27 as set out in Table 2 of Annex 10 including the draw of £8.857m from HRA reserves in 2026/27 and including the implications of the 'Review of Council Housing Rents and Housing Related Property Charges Report' approved by Full Council on 9th December 2025.
- 1.11 Approves the HRA Capital Programme as set out at Annex 11, including the budget of £88.774m for 2026/27 as set out in Table 2 of the report.
- 1.12 Endorses the HRA 30 Year Business Plan, as set out at Annex 13.
- 1.13 In respect of the 2026/27 schools funding formula for Sandwell schools, Approves adoption of the Dedicated Schools Grant allocation by block, as per Table 1 of Annex 12 and agrees the amount of funding available for distribution from the Schools Block at £387.046m, as set out at Table 2 of Annex 12 including:

- Set aside of £0.450m as Pupil Growth contingency
 - Set aside of £1.511m as Falling Rolls Funding contingency: and
 - Transfer of £0.522m to Central Schools Services Block to fund the attendance service.
- 1.14 Approves the Capital Strategy at Annex 14
- 1.15 Approves the Capital Financing Strategy at Annex 15
- 1.16 Approves the Flexible Use of Capital Receipts Strategy at Annex 16, and delegated authority given to the Section 151 Officer to make any submissions to the Ministry of Housing, Communities and Local Government (MHCLG) for application.
- 1.17 Approves the Investment Strategy at Annex 17.
- 1.18 Approves the Treasury Management Strategy at Annex 18, including: • The Borrowing and Investment Strategies (para 67 and 97) • The Minimum Revenue Provision Policy Statement (para 43) • The Treasury and Prudential Indicators as set out within the report and summarised at Annex 18F; and • The forecast new borrowing requirement of £100m.
- 1.19 Approves the Reserves Strategy at Annex 19, including: 1. The reallocation of earmarked reserves within 2025/26, as set out in Annex 19B 2. 3. The transfers to/from earmarked reserves, with a total net value of £1.527m transfer from reserves, as set out in Annex 19B, be included within the General Fund revenue budget for 2026/27. A contribution of £0.853m to the General Fund balance be included within the General Fund revenue budget for 2026/27.
- 1.20 Notes the financial approval limits at Annex 20 that form part of the Section 151 Officer's scheme of financial delegation,
- 1.21 Endorses the Revenues and Benefits Policy Framework at Annex 21; and
- 1.22 Delegates authority to the Section 151 Officer in conjunction with the appropriate Cabinet Member to:
1. Amend any of the fees and charges included within the schedule within the 2026/27 financial year.
 2. Make any in-year financial corrections, technical adjustments or virements in the event of

variations in indicated funding allocation made by Government and existing funding partners, subject to these being allocated in accordance with the principles set out in this report.

3. 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.

Determination of Council Tax 2026/27

- (2) That subject to confirmation of approved final precept amounts from West Midlands Fire Service, the Council Tax Resolution included at Appendix 2 be approved, including:
 - 2.1 The Council Tax Requirement for the council's own purposes (excluding precepts) for 2026/27 as £156,663,418 at Section 2(c) of Appendix 2.
 - 2.2 The calculation of the aggregated amounts for the year 2026/27 in accordance with sections 31 to 36 of the Local Government Finance Act 1992 as set out in Section 2 of Appendix 2.
 - 2.3 The council tax amounts by council tax band from major preceptors as set out in Section 3 of Appendix 2.
 - 2.4 The aggregated council tax amounts by council tax band set out in Section 4 of Appendix 2.

Meeting ended at 8.25pm

Appendix A

	2023/24	2024/25			R	2025/26	R	Updated Estimate (Mid Year Review)
		Original Indicator (Feb TMSS)	Revised Estimate (Mid Year Review)	Actual	A	Approved Indicator	A	
	Actual				G		G	
Indicator 1								
Capital Expenditure								
General Fund	£61.454m	£144.476m	£82.291m	£76.771m	G	£190.765m	A	£73.703m
HRA	£59.032m	£58.945m	£80.270m	£69.305m	G	£78.401m	A	£100.456m
Total Capital Expenditure	£120.486m	£203.421m	£162.561m	£146.076m	G	£269.166m	A	£174.159m
Indicator 2								
Closing Capital Financing Requirement (CFR)								
General Fund	£331.866m	£357.949m	£334.313m	£340.251m	G	£342.835m	A	£348.367m
HRA	£543.636m	£591.090m	£584.389m	£557.885m	G	£611.905m	A	£608.126m
Total Closing CFR	£875.502m	£949.039m	£918.702m	£898.136m	G	£954.740m	A	£956.493m
Gross Debt								
External Treasury Debt	£437.305m			£441.688m	n/a		n/a	£507.211m
PFI / Other Lease Liabilities	£61.570m			£84.369m	n/a		n/a	£77.374m
Total Gross Debt	£498.875m			£526.057m	n/a		n/a	£584.585m
Indicator 3								
Authorised Limit	£987.195m	£1,013.411m	£1,013.411m	£1,013.411m	G	£1,013.356m	R	£1,017.750m
Operational Boundary	£619.344m	£655.851m	£655.851m	£655.851m	G	£654.155m	R	£685.000m
Indicator 4								
Financing Costs as Proportion of Net Revenue Stream								
General Fund	4.7%	6.1%	5.5%	5.4%	G	5.6%	G	5.3%
HRA	18.1%	18.9%	18.7%	18.2%	G	19.0%	G	18.6%
Indicator 5								
Treasury Portfolio								
Treasury Debt	£437.305m			£441.688m	n/a	£526.708m	n/a	£507.211m
Treasury Investments	(£38.815m)			(£41.079m)	n/a	(£30.221m)	n/a	(£40.000m)
Net Debt (Treasury Management)	£398.490m			£400.609m	n/a	£496.487m	n/a	£467.211m
Indicator 6								
Maturity Structure of fixed rate borrowing:								
	Actual	Original Approved Upper Limit	Updated Upper Limit	Actual		Original Approved Upper Limit		Mid Year Review
Under 12 months	14.8%	40.0%	40.0%	16.9%	G	40.0%	G	40.0%
12 months to 2 years	7.8%	30.0%	30.0%	8.2%	G	30.0%	G	30.0%
2 years to 5 years	15.6%	20.0%	20.0%	15.7%	G	30.0%	G	30.0%
5 years to 10 years	11.6%	25.0%	25.0%	8.5%	G	30.0%	G	30.0%
10 years to 20 years	0.0%	30.0%	30.0%	6.9%	G	30.0%	G	30.0%
20 years to 30 years	24.5%	40.0%	40.0%	20.5%	G	40.0%	G	40.0%
30 years to 40 years	25.7%	50.0%	50.0%	23.3%	G	50.0%	G	50.0%
40 years to 50 years	0.0%	70.0%	70.0%	0.0%	G	70.0%	G	70.0%
50 years plus	0.0%	90.0%	90.0%	0.0%	G	90.0%	G	90.0%
	100.0%			100.0%				

Medium-Term Financial Strategy

2026/27 to 2030/31



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1 Report of the Chief Finance Officer (s.151 Officer)

Introduction

Section 25(1) of the Local Government Act 2003 requires members to give due regard to the report of the Chief Finance Officer when making decisions about the calculations and decisions within the budget. This report is structured around the following matters:

- a) the robustness of the estimates made for the purposes of the calculations, and
- b) the adequacy of the proposed financial reserves.

This report focuses on the activity within the financial cycle that provides assurance of financial stability and how the Council can manage financial risks and opportunities through an appropriate reserves strategy.

Sandwell Council has a track record of sound financial management and control. This has continued in 2025/26. The budget included £20m of income and expenditure changes and these are achieving high levels of success. Any emerging issues have been identified quickly and mitigated. Performance is published via reports to senior leadership and the Cabinet, and with ongoing reporting to the Council's Scrutiny Boards. This activity has meant that, at Quarter Two, the Council is forecasting an underspend within the revenue General Fund.

The Council continues to report positive achievements against the strategic aims of the Council Plan. This has included the announcement of a 'Good' rating from OFSTED for Children's Services and the Council was a finalist in the LGA Awards category for Most Improved Council. Such evidence indicates a positive direction of travel in relation to the assessment of value for money.

Looking at overall financial standing I have reviewed controls and decision-making processes to assure myself that this track record is sustainable. This report highlights several opportunities to further improve financial management in support of the Council's aims.

Financial Management within the Financial Cycle

The Council manages a rolling budget cycle. In-year financial monitoring and year-end reporting informs the medium-term financial plans. The Council made further improvements to financial reporting in 2025. Delays in completing the statutory accounts are almost resolved. Incomplete accounts could have cast doubt on the financial reporting of the gross budget, assets, liabilities and reserves but, despite the delays, there is appropriate assurance that financial plans are based on robust forecasts. It is an important focus for the Finance Team to achieve statutory deadlines in 2026. This will provide greater assurance that the classification of income and expenditure and the balances of reserves are reported properly.

Monthly monitoring reports are comprehensive and report progress against all budget decisions. The Council has maintained the financial controls provided through VFM Panels, Consultancy Approvals and Vacancy Management. The effectiveness of financial controls is supported by a focused and resourced audit plan approved by Audit and Risk Committee.

The benefits of the transition to Oracle Fusion were reported, alongside the project implementation closure report, to the Budget and Corporate Scrutiny Management

Board in April 2025. The Steering Group has been re-focused to concentrate on the movement of the project from implementation, through stabilisation to optimisation and on to innovation.

Financial planning takes place throughout the year and assurance on the robustness of this process is related to the level of timely professional advice alongside stakeholder engagement. Officers of the Council use professional networks, economic forecasts, in-year performance, peers and engagement with government officials to develop up to date financial forecasts. In June 2025 this process identified the need to increase expenditure by up to £32.8m in 2026/27. This increase was required to fund pressure from deficits in children's social care, inflation associated with Adult Social Care services and increasing costs in contracts and pay. To address this position officers of the Council worked with Cabinet members to develop proposals via established Star Chambers. The Cabinet published proposals in October 2025 that could achieve a balanced budget. Proposals were subject to consultation via face-to-face interviews, stakeholder panels, on-line surveys and public scrutiny by committee. The feedback is included within the MTFs report and is considered an appropriate level of engagement to support members in their decision making.

The local government finance settlement, published in December 2025, included important changes related to Fairer Funding and Business Rate Retention as well as reflecting government policy direction and the latest economic forecasts from the Chancellor. This multi-year settlement covered 2026/27 to 2028/29 and moved away from recent single year settlements. Looking at scenarios and forecasts compared to the funding outlook from the settlement presents emerging financial deficits in the Council's MTFs. This is not uncommon in Local Authority financial forecasting but the stability of a multi-year settlement reinforces the need for the Council to address these deficits at a local level.

To address the medium-term deficits the Council is building on its Transformation Programme. This programme includes cross-cutting initiatives to improve services, improve productivity and reduce forecast expenditure. The programme must establish transparent reporting and assurance around the scope and benefits of each project and the overall programme. The pace of change, and ensuring all change realises its intended benefits, is critical to ongoing financial stability. Progress against the programme must become a feature of the in-year monitoring of performance within the Council.

The Council has developed an affordable capital programme largely focused on maintenance of existing assets. Appraisal and due diligence remain appropriate. The development of ambitious capital proposals to effectively support the Council's priorities needs to be a prominent feature of the financial cycle though. The MTFs provides an affordable level of capital spending to support such a review. Analysis of whole life costs, benefits and balance sheet management will need to improve within these financial parameters.

Housing, Schools and Wholly Owned Company

In 2025 I identified three areas of the Council's budget that required attention. These were the Council's Housing Revenue Account, the High Needs Block within the Dedicated Schools Grant and spending on Children's Social Care through the

Sandwell Children's Trust. Each of these areas of material expenditure present long-term financial challenges.

The wholly owned Sandwell Children's Trust contract sum-negotiations were extended to enable external review of the forecast spending requirements. Negotiations focused on addressing the deficit of £19m and strategies to manage rising placement costs over the life of the current contract. In November 2025 Council approved a three-year contract sum to cover 2025/26 to 2027/28 reflecting forecast annual expenditure and reducing the deficit to nil. This was agreed however, during, and after, the negotiation process there have been emerging issues related to the accuracy of financial reporting and forecasting within the Trust. I will review the risks and resilience of our current arrangements supported by recent audits and the internal reviews that are being considered by the Trust Board.

The Housing Improvement Programme focuses on the Council's responsibilities as a social landlord and importantly responds to the Housing Regulator's C3 Assessment. I reported in 2025 that this programme was not unbalancing the HRA but the scale of the required response, alongside other relevant economic factors, means this is no longer the case. The revenue forecasts are in deficit as the Council addresses backlogs of work. The capital programme has also had to be restructured to make it affordable in the short term and there is further work necessary to ensure all lessons learnt from historical project overruns are addressed. Reserves have been accumulated but this is not a reflection of a financial strategy rather a reflection of delays in essential spending. The reserves can address short term deficits but the MTFS identifies several financial mitigations that are essential to ensure the HRA returns to a sustainable state. Progress on these financial mitigations must now become a feature of the ongoing reporting of the Improvement Programme.

High Needs Block spending, related to Special Educational Needs, within the Dedicated Schools Grant remains a significant risk at a national and local level. Funding is insufficient compared to forecast spending and will be in a deficit position locally for the foreseeable future without action. The Government has committed to review funding as well as consider the treatment of deficits. The materiality and historical response to this financial issue does not provide any comfort that funding will simply increase. The Council has therefore started a programme that engages children, parents, teachers and relevant professionals within the Council and the NHS to improve outcomes and financial stability of SEND Services. Capital spending on education services remains appropriate but sufficiency planning is in progress to ensure the Council continues to meet demand for all types of education requirements.

[Additional Note for Council meeting of 24th February 2026: The [Final Local Government Finance Settlement: England, 2026-2027 to 2028-2029 - GOV.UK](#) was published on 9th February 2026. The announcements included a phased approach to financial support for high needs education. The first phase provides a High Needs Stability Grant to cover 90% of accrued deficits up to 31st March 2026, subject to a local SEND reform plan. After this date further phased funding will be appropriate and proportionate, but not unlimited. This announcement reduces the financial cliff edge to the Council's MTFS but does not diminish the requirement for further programmed work to improve outcomes and efficiencies.]

Risk Management

The Council's Audit and Risk Committee, Leadership Team and Performance Board receive regular strategic risk reports. Reports are prepared by Internal Audit and engages senior risk owners. This process allows regular review of whether the risks

continue to be relevant, whether the severity or likelihood has changed, as well as reporting on mitigation activity.

The Council has developed business cases for all financial proposals that include a structured approach to risk. This has prompted amendment to several budgets where in-year performance was not achieving target. This is visible in the reduction of several unachievable income targets. This is important in ensuring the overall budget is transparent, shows no optimism bias and is therefore robust. The Reserves Strategy has developed to align the financial impact of strategic risks to the requirement to hold reserves to mitigate this impact.

Assessment of the Robustness of Future Estimates

The Council has a sound approach to setting its financial strategy. There remains an ongoing need for existing financial controls to eliminate waste, enhance efficiencies and improve focus on long term outcomes. Work to optimise the benefits of the Council's core financial systems is focused on automation of such controls in the short term. This approach will provide more data on spending and income to enhance opportunities for analysis and insight. The wider transformation programme remains critical to creating longer term sustainability and this will be informed by improving data analysis.

The processes and governance in place at Sandwell give adequate opportunity for professional advice and due diligence and stakeholder engagement. This allows decision makers to be informed and supports them in making achievable financial proposals. Improvements in the production of business cases and the decisive response to address challenged financial targets is further evidence of appropriate financial control. My view is that the estimates in this report are therefore robust.

Management of Reserves

The Council has enhanced the reserves strategy that was introduced in 2025/26. The strategy defines the reasons for holding reserves and the approach to reviewing reserve levels. The MTFS does not factor in the use of General Reserves in the medium term to balance the financial deficits occurring from 2027/28 onwards. This reflects the strategic intent to implement transformation activity to address emerging financial deficits rather than take an unsustainable approach of using reserves. Earmarked reserves are held for varied reasons aligned to managing material risks or liabilities as well as supporting service change and they will be used for the intended purpose within the MTFS. Reserves have been reviewed to ensure they align to the strategic aims and risks of the Council Plan.

Assessing the Adequacy of the Proposed Financial Reserves

In-year financial performance has enabled reserves to be used for their intended purpose and not have to be re-purposed to cover overspending or emerging risks. This includes addressing the financial deficit within the Children's Trust from reserves set aside to cover spending in Children's Social Care and addressing short term deficits within the HRA from ring-fenced reserves. The approach to managing risk and responding to national policy and local spending within this MTFS provides assurance

that this will continue. On this basis reserves continue to be adequate at Sandwell Council.

Conclusion

The financial pressure on Local Government services is widely reported. Some Councils continue to suffer severe financial stress and in some cases are depending on financial support to maintain essential services whilst longer-term solutions are developed. This evidences the importance of ensuring financial proposals are robust and that the financial strategy is backed by adequate reserves. My professional opinion is that estimates within Sandwell Council's budget are robust and that the reserves are adequate.

The Council is on a clear path to develop the Sandwell Story and achieve the Council Plan. Local ambition to address deprivation is built into the medium-term financial plans of the Council and this needs to develop further to align long-term spending plans.

There is no space for complacency when considering the risks associated with economic indicators and demand for services in the future. The multi-year settlement provides a degree of stability but only if the Council's priorities are adhered to. Through a focus on investment returns, value for money, aligned with strong financial controls and transformation at pace, the Council will achieve financial stability over the medium-term.



Alex Thompson,
Executive Director
Finance &
Transformation
(S151)

2 Executive Summary

- 2.1 The Medium-Term Financial Strategy (MTFS) shows how the council can deploy resources to achieve the strategic themes within the Council Plan. It shows how expenditure and income must change to ensure that services are adequate to address local need, meet financial pressures from inflation and increasing demand and achieve statutory compliance.
- 2.2 The Council Plan 2024 – 2027 contains the following strategic themes:
- **Growing up in Sandwell** - giving children and young people the best start in life: Supporting families and protecting vulnerable children and young people; Improving education/skills for all children and young people
 - **Living in Sandwell** - creating and maintaining a safe, clean and green borough; improving our road network and transport
 - **Healthy in Sandwell** - helping people stay healthy; protecting vulnerable adults and investing in providing high quality adult social care services
 - **Thriving Economy in Sandwell** - jobs and skills for local people; Supporting businesses and creating jobs in Sandwell
 - **On Council, One Team** - making sure services are high quality and fair for everyone
- 2.3 Resources within the MTFS will be prioritised to support the delivery of services fulfilling the aims of the Council Plan.
- 2.4 The council spends over £1bn per year on providing local services to residents and businesses. This includes revenue spending on day-to-day activities as well as longer term spending on assets such as buildings, highways and vehicles.
- 2.5 The council must balance its annual budget. This document updates the October 2025 MTFS and includes revisions to the forecasts of expenditure and income for 2026/27 onwards. This document predominantly focuses on decisions to update spending in relation to the General Fund.
- 2.6 In 2026/27 the council is intending to increase General Fund expenditure by approximately £42m to support the following services:
- £24m additional budget directed into adult and children’s social care
 - £3m other contractual inflation
 - £2m new or additional services provided to support council priorities, such as tackling anti-social behaviour and ensuring that intervention and assessment is provided as quickly as possible to children with special educational needs and disabilities
 - £3m corrections to budgets across the council, particularly to ensure that income budgets are aligned with demand for services and the level of income received from residents and external partners

- £4m additional contingency budgets, held in case of contract inflation increases or staff pay increases over and above the expected increases
- £6m additional budget into the council's Aspiration Fund.

2.7 To afford this increase in expenditure, the council is proposing to increase income, or reduce expenditure, as follows:

- £15m increase in funding provided by the government through the Local Government Finance Settlement
- £10m additional income from council tax base growth and 4.99% increase in council tax
- £4m from business rates growth
- £3m reduction in contribution to the Collection Fund regarding historic deficit balances
- £2m contributions from reserves, purely to fund 'one-off' rather than ongoing expenditure
- £8m efficiency and income generation proposals detailed in Annex 3

2.8 The impact of these changes on service budgets highlights how the council is committing most of its funding, and increased expenditure, to support services for vulnerable adults and children:

Forecast 2026/27 Directorate Net Budgets

Directorate	Restated Net Budget Before Growth and Efficiencies £m	2026/27 Proposed Growth £m	2026/27 Proposed Efficiencies and Income Generation £m	2026/27 Net Budget Before Reserve Transfers £m	2026/27 Transfers to/ (From) Earmarked Reserves £m	2026/27 Net Budget £m
Adult Social Care and Health	134.041	12.103	(1.846)	144.298	-	144.298
Children and Education	134.940	15.517	(1.011)	149.446	(6.597)	142.849
Place	95.558	5.135	(2.717)	97.976	(0.180)	97.796
Finance and Transformation	28.743	2.274	(1.700)	29.317	-	29.317
Assistant Chief Executive	23.785	6.908	(0.511)	30.182	-	30.182
Chief Executive	0.480	0.006	-	0.486	-	0.486
Corporate Budgets	13.933	0.369	-	14.302	5.250	19.552
Net Expenditure	431.480	42.312	(7.785)	466.007	(1.527)	464.480

2.9 The council has a track record of strong financial control. Overspending is mitigated promptly, and reserves are adequate compared to risks. This has been achieved through making timely and informed decisions, implementing those decisions and regularly reviewing financial performance. Officers will

continue to review financial targets and update the financial forecasts within the Medium-Term Financial Plan (MTFP) as more information becomes available.

- 2.10 The Annexes to the MTFS give additional detail on all of our financial strategies. Every element of the council's MTFS is presented to Cabinet and Council in February to support final decisions to set the budget for the forthcoming year.
- 2.11 The immediate requirement of this MTFS is focused on achieving a balanced budget for 2026/27 whilst protecting service levels to vulnerable children and adults. The proposals in this document achieve that objective. Growth from inflation in prices and demand for services continues to exceed income forecasts, however. This creates a continued need to review services and achieve efficiencies or make service changes. There are forecast budget gaps in future years and therefore early engagement of options to meet that deficit will be vital to ensure that the ambitions of the Council Plan remain achievable.

3 Sandwell Borough

- 3.1 Sandwell is one of seven constituent authorities that established the West Midlands Combined Authority in 2016 and comprises six towns Oldbury, Rowley Regis, Smethwick, Tipton, Wednesbury and West Bromwich.
- 3.2 Sandwell is home to over 342,000 residents who live in more than 131,000 households.
- 3.3 The local economy of circa £6.6 billion has over 11,600 active businesses.
- 3.4 Sandwell celebrated its 50th Anniversary during 2024/25 and launched the new Council Plan 2024-27 with the focus on getting the basics right and providing vital services for our residents. The main themes of the plan are:
 - Growing up in Sandwell
 - Living in Sandwell
 - Healthy in Sandwell
 - Thriving Economy in Sandwell
 - One Council, One Team
- 3.5 Local resident surveys highlight that the cost of living remains challenging to many residents, and the council continues to provide support through a range of initiatives. Additionally, the Tackling Poverty Plan offers support and advice to help residents manage their finances and access benefits.

4 Background

- 4.1 The Medium-Term Financial Strategy (MTFS) represents the council's approach to resourcing the Council Plan 2024 to 2027. The MTFS extends through to 2031 to ensure that the approach is presented as a set of sustainable proposals in the medium term.
- 4.2 The council provides a wide range of services to residents of all ages and businesses and has several directorates managing delivery of these services. These services are grouped across three main funds:
- **General Fund:** Net budgets for services are funded from council tax, business rates and any un-ringfenced government grants. Ringfenced government grants and charges paid by service users are included within directorate net budgets.
 - **Housing Revenue Account (HRA):** The HRA is a statutory ringfenced account within the council's budget, which manages the social housing stock. The ringfence ensures that council tax income is not used to support the HRA, nor can housing rent income be used to fund services provided through council tax receipts. Expenditure is funded through rental income from the housing stock, service charges and other fee income.
 - **Dedicated Schools Grant (DSG) and School Budgets:** The council receives DSG from central government and distributes funding to the council-maintained schools through an agreed funding method presented to the Schools Forum each year, prior to Council approving the overall MTFS and budget proposals. The council, like many other councils across the country, is experiencing significant cost pressures associated with the High Needs Block and Special Educational Needs and Disabilities (SEND). Deficits relating to the High Needs Block do not currently impact on the General Fund but are held separately within the accounts of the council.
- 4.3 The council must set a legal, balanced annual budget. To achieve this requirement, all financial proposals must be robust. This means that they are not only financially sound but are also subject to adequate engagement, scrutiny and approval. Officers of the council implement the financial proposals once they have been approved by the elected members.
- 4.4 To achieve a balanced budget, the council has created proposals that ensure that income is sufficient to match forecast expenditure. Financial pressures come from demand for services, complexity of local needs and increases in costs driven by inflation and interest rates on borrowing. Such pressures are made affordable through service efficiencies that decrease costs and initiatives

that reduce demand, alongside increases in income from local taxation and direct charges for services.

- 4.5 The financial outlook for public services, including local government, is challenging. This means that Councillors throughout England are making difficult decisions that impact on the day-to-day services provided to residents. It is important that the council maintains statutory services and protects vulnerable residents as a priority.
- 4.6 This MTFS outlines financial proposals that prioritise services in a sustainable way. But, to achieve this, it also includes proposals that may impact on services and that increase the financial contribution required from local residents. All of the proposals are detailed within this report and a comprehensive consultation exercise has been undertaken to seek views from the council's stakeholders. Results of the consultation, included at Annex 1, have been considered to assist the council in making decisions on its final financial plans.
- 4.7 The council has established a track record of strong financial management. Overspending is mitigated promptly and the current spending controls will continue. There is ongoing transformation activity such as automation of processes and achieving best value from the council's assets.
- 4.8 Managing the risk of financial failure is essential. Several councils in England have been subject to intervention when financial plans have become unachievable. The Sandwell Council MTFS includes financial proposals that support the Council Plan, offers opportunities to address deprivation and retains adequate reserves to deal with potential risks.
- 4.9 Within the MTFS, the Medium-Term Financial Plan (MTFP) contains the latest assumptions and financial limits. These are updated on a regular basis. This report reflects the impact of updated financial assumptions since the October 2025 MTFP was produced. The MTFP outlines any funding gap and provides detail on the response to such gaps. All of the proposals put forward to balance the budget for 2026/27 are set out in Annex 3.
- 4.10 It is important to state that the estimates in this report will be subject to ongoing review. The economy, management of risks and government announcements are all factors that can impact on funding available to support councils.
- 4.11 New financial pressures and the adjustment of original assumptions are subject to a robust challenge process. Only pressures that are considered unavoidable are included within the MTFP.

5 Budget and Performance Monitoring in 2025/26

- 5.1 Regular financial monitoring ensures expenditure is in line with original estimates and allows for potential issues to be addressed so that mitigations can be put in place to reduce risks. This process helps inform the Medium-Term Financial Plan. Monitoring takes place across all funds:
- 5.2 **General Fund:** Financial monitoring at the end of Quarter 2 forecast a net underspend of £0.101m for the General Fund, after transfers to or from earmarked reserves. This represents less than 1% of the net budget of £365.783m. As and when potential issues arise, which cannot be easily mitigated, these are incorporated into the MTFP for future years so that a realistic expenditure forecast is visible and early action is taken to reduce budget shortfalls. Accordingly, £2.361m of new budget pressures that have emerged within the Quarter 2 budget monitoring position have been added into the MTFP for 2026/27.
- 5.3 **Housing Revenue Account:** In relation to the HRA, which is funded from housing rents and not from Council Tax, the original budgeted draw from the HRA's general reserve in 2025/26 was £3.336m. However, principally due to addressing a backlog of repairs and one-off expenditure to mitigate asset management pressures relating to stock condition, damp and mould, housing disrepair claims and a backlog of voids works, it is currently forecast that a transfer from the HRA's general reserve of £6.493m will be required within the current year in order to balance the budget at year-end. Current income and expenditure trends have informed the estimates of costs and income in future years.
- 5.4 **Dedicated Schools Grant:** The budget for council-maintained schools in 2025/26 is £290.911m and is currently forecasting a deficit of £6.863m, wholly attributed to the High Needs Block. Following the use of the High Needs Block surplus brought forward from previous years (held in reserves) of £2.696m, the net overspend is forecast to be £4.167m at the end of the year. There is currently a statutory override in place which ensures that any deficits relating to the High Needs Block are not charged to General Fund reserves. High Needs Block budget deficits are not just a local factor, but a national trend which the government has acknowledged. The government intends to bring forward a paper setting out plans for reform of SEND provision.
- 5.5 **Sandwell Children's Trust (SCT):** SCT is a separate legal entity wholly owned by the council. The council commissions children's social care provision from SCT via the Children and Education budget through an agreed contract fee. The contract fee for 2025/26 has been increased, as approved by Full Council in November 2025, to take into account pressures being experienced in social care placement costs, which is a position being reported nationally, and also to include a contribution to reduce the cumulative historic deficit built up by the

Trust. Therefore, this increased contract fee has resulted in no forecast outturn variance being projected by SCT in the current year.

- 5.6 A further key element of the monitoring of General Fund budgets is to review progress against delivery of required budget efficiencies to be implemented in the financial year. For 2025/26, the council is monitoring delivery of efficiencies of £21.070m, including £19.328m agreed within the 2025/26 MTFS presented to Council in February 2025 as well as £1.742m of efficiencies brought forward from previous years that remained undelivered at 1st April 2025.

Description of General Fund Efficiencies	£m
New efficiencies agreed within Budget Report presented to Council in February 2025	19.328
2024/25 efficiencies not delivered on an ongoing basis	0.813
2023/24 efficiencies not delivered on an ongoing basis	0.929
Total Ongoing Efficiencies Required in 2025/26	21.070

- 5.7 Forecast delivery in 2025/26 against the total above is shown in the table below, as at Quarter 2. 63% of the required efficiencies have been rated as delivered on an ongoing basis (rated green), with a further 7% with plans in place to be delivered by year end (rated amber). In addition to this, 12% of efficiencies are forecast to be delivered on a one-off basis in year (rated blue).

Directorate	Has Been Delivered on an Ongoing Basis £m	Likely to be Delivered on an Ongoing Basis by Year End £m	Likely Not to be Delivered In Year £m	Likely to be Delivered In Year on a One-Off Basis Only £m	Total £m
Adult Social Care	3.411	0.284	-	-	3.695
Children and Education	0.917	0.242	1.815	-	2.974
Place	2.656	0.651	1.083	2.569	6.959
Assistant Chief Executive	0.738	0.261	0.161	-	1.160
Finance and Transformation	1.123	-	0.626	-	1.749
Corporate Budgets	4.533	-	-	-	4.533
Total	13.378	1.438	3.685	2.569	21.070
Q2 Delivery	63%	7%	17%	12%	100%

- 5.8 Consideration has been given to the deliverability of the efficiencies that have been rated red, in order to determine the likelihood of the efficiencies being delivered in the future. This has resulted in budget growth of £2.699m being added into the MTFP from 2026/27 in order to 'write out' the efficiency targets that are not considered deliverable. The remainder of the red rated efficiencies

that are not delivered at year end, but which are still required to be delivered, will be required to be achieved from 1st April 2026 so that a budget pressure is not created within 2026/27 from further non-delivery.

6 General Fund Budget Pressures

Price Inflation and Demand for Services

- 6.1 It is acknowledged that budget growth is needed within all directorates, as costs increase year on year, predominately due to inflation and increased demand for services, and budgets need to reflect the realistic cost of those services. There are also instances where historic policy changes or fee increases have not generated the financial results originally expected, and therefore adjustments may be required to ensure that budgets match a realistic level of demand for services.
- 6.2 As in previous years, 'Star Chamber' meetings have taken place to discuss these adjustments and agree that, where these proposed budget increases are unavoidable or cannot be mitigated, they will be included within the updated MTFP. Star Chamber events included the Chief Executive, Section 151 Officer, Cabinet Portfolio Holder, relevant Executive Director, Service Directors and Finance Business Partners. Only those unavoidable pressures or growth items which would see benefits to residents or generate other efficiencies are included in the draft budget presented in this report. Further detail of forecast budget pressures included within the MTFP is provided at Annex 2.
- 6.3 The most significant areas of budget growth for the council relates to adult and children's social care. In relation to adult social care, the cost to the council has increased by 60% over the last five years, driven by rising demand, increased complexity of needs and inflationary growth. These factors result in significant increases in costs for councils across the country.
- 6.4 The MTFP includes £10.328m ongoing growth from 2026/27 for inflationary and demographic increases to adult social care placement costs. £0.633m of this is as a result of the Chancellor's Budget announcement in November 2025 relating to the increase from April 2026 in the National Living Wage, which is likely to result in increased fees to be paid to social care providers.
- 6.5 The MTFP also provides £7.404m ongoing budget growth from 2026/27 for children's social care, as well as additional contract payments to Sandwell Children's Trust to be funded from reserves of £6.597m in both 2026/27 and 2027/28. These costs form part of the approved Sandwell Children's Trust three-year contract sum, which intends not only to provide a viable and sustainable level of income for the Trust over the three years, but also sufficient funding to offset the cumulative deficit built up by the Trust to the end of the 2024/25 financial year.

- 6.6 In total the council is directing over £24m of budget growth into adult and children's social care in 2026/27, in order to ensure that services to the council's most vulnerable residents are protected and adequately funded.

Pay Inflation

- 6.7 A large proportion of the council's expenditure is on paying employees who deliver the services that the council provides. Due to the high value of the associated budgets, there needs to be a realistic assumption of future costs for salaries and pension contributions, to ensure that budgets are increased sufficiently to match expenditure in future years.
- 6.8 The October 2025 MTFP included a provision of 3% per annum for pay increases which was based on future national pay increase assumptions from the Office of Budget Responsibility (OBR), which is an independent advisory body to central government. However, having subsequently received information from the pension fund actuary on future pay assumptions, and having considered inflation forecasts, the revised assumption for future pay awards included in this MTFP has been updated to 3.6% per annum. This additional cost of £0.920m per annum has been included within service directorate budgets within the updated MTFP.
- 6.9 Union proposals for pay increases will almost certainly exceed the service budgets growth included in the MTFP and will also lead to protracted negotiations between employers and unions. Therefore, to mitigate risks of final agreed pay increases being more than service budget provision, a separate contingency budget of approximately £2m has been created, which if not required can be redirected to other priorities.
- 6.10 As well as paying salaries, the council is required to contribute to the West Midlands Pension Fund for employees enrolled in the scheme. The council's contribution rates into the pension scheme are reviewed every three years, with 2026/27 being the first year of the new three-year period. At the time of the October MTFP it was acknowledged that contribution rates would fall from their current 24.6% of pensionable pay, but the amount of reduction could not be quantified. It has now been confirmed that the primary contribution rate to the pension scheme will now be 19.1%, which is due to the pension fund being in a fully funded position. This has reduced contributions from the General Fund by £5.861m from 2026/27. The revised contribution rate will continue for the following three years, through to 2028/29.

Other Budget Pressures

- 6.11 As stated in section 5 of this report (Budget and Performance Monitoring in 2025/26), the monitoring of revenue budgets throughout the year acts as a

mechanism for the identification of new budget pressures. Budget pressures often emerge within a financial year, as an income budget that isn't being achieved, as an efficiency to be delivered that becomes unachievable, as loss of external income, or as a requirement for additional services. All of these factors result in net additional costs to the council which must be included in the MTFP where the net additional costs are unavoidable and will be recurrent.

Summary

- 6.12 The following table summarises known budget pressures and growth that have been included within the revised MTFP, totalling £42.312m. The trajectory of growth in adult and children's social care costs particularly results in significantly increased forecast costs across the lifespan of the MTFP model.

	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Adult and children's social care costs	24.239	36.324	42.508	55.441	69.044
Reduction in contributions to the pension fund per recent valuation	(5.846)	(5.846)	(5.846)	(5.846)	(5.846)
Pay inflation	5.709	11.636	17.776	24.140	30.731
General contract and utilities inflation	2.962	5.705	8.611	11.596	14.666
Additional services	8.638	10.576	14.078	13.924	13.945
Budget corrections (<i>realignment of income forecasts, adjustments to savings projections, loss of grant</i>)	3.575	2.877	2.877	2.877	2.877
Other corporate budget adjustments	(0.332)	2.215	3.115	4.115	5.115
Contingencies	4.386	7.042	7.042	7.042	7.042
Adjustments to recharge income due to increased costs	(1.019)	(1.019)	(1.019)	(1.019)	(1.019)
Net Pressures/ Growth	42.312	69.510	89.142	112.270	136.555

- 6.13 Proposals to vary the council's expenditure and income through growth, inflationary pressures or other factors are included within the table above. These highlight the significant changes required over the medium term to help the council to provide appropriate support to residents and businesses.

7 Government Funding

Local Government Finance Settlement

- 7.1 The Provisional Local Government Finance Settlement was received in December 2025 with the Final Settlement announced on Monday 10th February 2026. Following consultation with local authorities on 'Fair Funding 2.0', the

government has aimed to ‘simplify’ funding to local authorities by consolidating a number of core grants awarded into the Revenue Support Grant, which is a grant that many councils receive as part of their core funding. A complication of this for Sandwell is that the council is in a minority of councils that does not receive the Revenue Support Grant, as the council has elected for ‘100% Business Rates Retention’ which means that the council retains a greater share of business rates collected than the majority of local authorities are entitled to retain, but it also makes the council ineligible to receive Revenue Support Grant. Therefore, to compensate the council for the core grants removed within the Settlement, the government will replace those core grants with additional Business Rates Top-Up Grant. The table below shows the impact of this on the core grants that are part of the council’s budget.

Grants Impacted by the Consolidation of Funding	2025/26 Allocation £m	Consolidation from 2026/27 £m	2026/27 Allocation (Before Additional Funding) £m
Government Grants Credited to Services	102.492	(65.696)	36.796
Recovery Grant	11.784	-	11.784
Employer National Insurance Contributions Grant	3.529	(3.529)	-
New Homes Bonus	0.379	(0.379)	-
Business Rates Top-Up Grant	43.246	69.604	112.850
Total Grants Impacted	161.430	-	161.430

7.2 Although there are several grants that are currently credited directly to service budgets that will be consolidated from 2026/27, the majority of the impact relates to the Social Care Grant, which is currently credited to Adult Social Care and to Children and Education budgets and has a value of £55.391m, and the Market Sustainability and Improvement Fund grant, which is currently credited to Adult Social Care and has a value of £8.085m. The replacement of these grants with increased Business Rates Top-Up grant is mostly presentational within the council’s budget, but it does have the impact of reducing income within service directorates and increasing unringfenced funding (which is received ‘below the line’), and this has the effect of significantly increasing the council’s net budget. It doesn’t change the overall value of government grant funding received, however.

7.3 In relation to additional government funding as a result of ‘Fair Funding 2.0’, the outcome of the Provisional Local Government Finance Settlement for the council had been notification of additional unringfenced grant income of £8.727m for 2026/27. However, the Final Local Government Finance Settlement increased this unringfenced allocation by a further £6.678m taking

the total increase to £15.405m. This additional unringfenced grant income relates to the following grants:

Unringfenced Grant	Allocation After Consolidation £m	Additional Funding to be Received in 2026/27 (Provisional Settlement) £m	Additional Funding to be Received in 2026/27 (Final Settlement) £m	Revised 2026/27 Allocation £m
Recovery Grant	11.784	1.206	6.575	19.565
Adjustment Support Grant	-	-	0.103	0.103
Business Rates Top-Up Grant	112.850	7.521	-	120.585
Total Grants Impacted	124.634	8.727	6.678	140.039

- 7.4 In addition to the increase to unringfenced grant funding of £15.405m, the council has also been notified of an additional £3.608m of ringfenced grant funding to be received in 2026/27 in relation to Families First Partnership, Homelessness, Rough Sleeping and Domestic Abuse grants. The Provisional Settlement indicated an increase of £3.314m. The MTFP assumes that this increased grant funding must be matched with corresponding additional expenditure within services, and therefore there is no impact on the budget shortfall for the council.
- 7.5 As anticipated, 'Fair Funding 2.0' marks a change to the recent one-year government settlements, as councils have received a three-year provisional settlement from the government, that includes funding from 2026/27 to 2028/29. A three-year settlement provides certainty for the council, which helps us to plan effectively, taking into account changes to government funding well in advance of the 2027/28 and 2028/29 financial years.
- 7.6 However, the financial impact of the three-year settlement is limited for the council in both 2027/28 and 2028/29 and makes a minimal impact on closing the council's forecast budget shortfall in those years. Final settlement figures over the three-year settlement period are as follows:

Unringfenced Grant	Revised 2026/27 Allocation £m	Anticipated 2027/28 Allocation £m	Anticipated 2028/29 Allocation £m
Recovery Grant	19.565	20.494	23.757
Adjustment Support Grant	0.103	-	-
Business Rates Top-Up Grant	120.585	122.316	123.678
Total Grants Impacted	140.253	142.810	147.434

Increase in Funding from Previous Year (Final Settlement)	15.405	2.557	4.625
<i>For information: Increase in funding compared to previous year as announced in Provisional Settlement</i>	8.727	0.525	1.362

7.7 As set out in the table above, the council now expects to receive additional government grant income of just £2.557mm in 2027/28 and £4.625m in 2028/29.

7.8 When the government announces financial settlements, it describes the resulting increase in funding for councils in terms of ‘core spending power’. ‘Core spending power’ describes the total of the council’s council tax, business rates and core grants income. In relation to the Final Local Government Settlement, in headline terms, Sandwell’s increase in core spending power is 6.5%. The average core spending power increase for all local authorities in 2026/27 is 6.1%. As core government grant funding increases by smaller amounts in 2027/28 and 2028/29, the increase in core spending power is forecast to be 3.4% and 3.6% for those years respectively. The significant majority of the increases to core spending power in those years are as a result of forecast increases in council tax income.

8. Local Response to Mitigate Budget Pressures

Council Tax

8.1 Tax Base – The tax base is an estimate of the number of chargeable properties for the financial year (expressed as a number of Band D properties) and considers any likely exemptions, discounts or reliefs. The October 2025 MTFS included a forecast increase in the tax base of 1.80%, generating an expected additional £2.638m in revenue from council tax. The approved tax base, as reported to the Cabinet on 10th December 2025, set a tax base of 81,818.4, that being an actual increase of 1.81% and therefore in line with original expectations.

8.2 The government has set a 4.99% cap on council tax increases for 2026/27 for councils with responsibility for adult social care without requiring a resident vote. The Core Spending Power within the Local Government Finance Settlement (the total income that central government has determined that the council needs to fund its revenue expenditure) assumes that these councils will increase their council tax by the 4.99%. The recommendation is that council tax is increased by 4.99% annually to support all services including adult social care needs. This increase, alongside the increase in the tax base referred to

above, will generate an additional £10.098m in income compared to 2025/26, increasing the council tax income budget to £156.663m.

- 8.3 Most Sandwell properties fall within Council Tax Band A and B (approximately 76%) and residents in these properties would see their council tax increasing by up to £1.36 per week, assuming no other entitlement to reductions:

4.99% increase	Band A	Band B
2025/26 Council Tax (Sandwell MBC element only)	£1,215.84	£1,418.48
2026/27 Proposed Council Tax (Sandwell MBC element only)	£1,276.51	£1,489.27
Increase per year	£60.67	£70.79
Increase per week	£1.17	£1.36

Business Rates

- 8.4 Since 2013, a new system of business rates retention began in England which transferred some of the benefits of growth to councils by allowing them to retain some of that additional income generated.
- 8.5 Sandwell renewed the agreement with the government to retain 100% of business rates (with 1% to be distributed to the West Midlands Fire and Rescue Authority) for a further 10 years from 2024/25. 100% business rates retention applies to a minority of councils, including Sandwell, with the majority of councils continuing to retain 50% of business rates income, with 50% being the proportion to be paid to the government.
- 8.6 This enhanced retention scheme provides additional benefits to the council, as any growth in business rates income from new businesses entering the borough is retained by the council. The council has benefitted from substantial additional income in recent years from that growth, which has supported the spending need to deliver services.
- 8.7 Business rates chargeable to the businesses within Sandwell are calculated on each premise's rateable value, multiplied by a factor known as a multiplier. Both of these values are determined by central government departments and cannot be adjusted by the council.
- 8.8 There are several central government policies where businesses are entitled to various reliefs to reduce the amount payable to the council, such as Small Business Rate Relief.
- 8.9 It is recognised that councils should not be adversely affected by loss of income from business rates as a result of central government policy and therefore the council receives Section 31 Grant income to replace the lost revenue from those reliefs provided.

- 8.10 There is also a complex mechanism to ensure that no council is adversely affected from a low baseline of income from business rates, nor councils benefitting from receiving more income than they are deemed to need to deliver their services. This is actioned through a top-up and tariff arrangement to redistribute income based on the Fair Funding Allocation. The council has a top-up arrangement where the government provides additional grant to add to the council's assumed baseline income from business rates, to a level which the government considers to be the council's total funding need from business rates.
- 8.11 The current government committed to reviewing the business rates system during 2025/26, with changes to be implemented with effect from 1st April 2026. A number of consultations were issued during 2025, and the results of the consultation were confirmed in the Provisional Local Government Finance Settlement, being:
- Business Rates Reset – This exercise is to establish a fundamental reset of retained growth that many have councils benefited from in previous years. Whilst some growth has been retained locally within the Provisional Settlement, a proportion has been redistributed across all councils. The losses in income from business rates are being tapered across the multi-year settlement and has been included in the MTFP.
 - Revaluation – The Valuation Office Agency (a branch of His Majesty's Revenue and Customs – HMRC) has undertaken an exercise to revalue all businesses subject to business rates and will apply a new Rateable Value with effect from 1st April 2026. The last revaluation was from 1st April 2023.
 - Multipliers and Reliefs – A business premises' Rateable Value is multiplied by the multiplier as set by Central Government. For 2025/26 there were two multipliers (Small Business at 49.9p and Standard Multiplier at 55.5p). For 2026/27 these have increased to 5 multipliers:
 - Small Multiplier at 43.2p
 - Standard Multiplier at 48.0p
 - Small Retail Hospitality and Leisure Multiplier at 38.2p
 - Standard Retail Hospitality and Leisure Multiplier at 43.0p
 - High Value Multiplier at 50.8p
- 8.12 As part of the process to set the council's budget for 2026/27, officers have completed a statutory government return to indicate the expected income from business rates for 2026/27, taking into account the impact of all the above changes in the complex system. Estimates are that income to be received in respect of business rates (to include the Section 31 compensation grants receivable due to reliefs issued) will be £167.572m, which is an increase of £3.837m when compared with the budget of £163.735m in 2025/26.
- 8.13 As Sandwell is participating in the enhanced retention scheme, the council forgoes Revenue Support Grant as it is deemed that this is rolled into

the additional income recovered through business rates. For 2026/27 the Provisional Settlement has assumed that the baseline funding level (the total income from business rates and top-up grant) would be £285.688m. Any income generated above this baseline will be retained as growth until the next reset in the system. Budget estimates, based on the recent statutory government return completed, show that the council will expect to receive an additional £2.469m in income compared the government's Finance Settlement assumptions.

	Local Government Finance Settlement 2026/27 £m	Sandwell Budget 2026/27 (Based on NDR1 Statutory Return) £m
Estimated income from Business Rates	165.103	167.572
Top-up Grant	120.585	120.585
Baseline Funding Level/ Base Budget	285.688	288.157

- 8.14 The government, as part of the Finance Settlement, had assured councils that where income falls below the baseline funding levels then the 100% safety net mechanism will allow councils to recover additional funding from the government up to their baseline funding level.
- 8.15 As net income from business rates is a large proportion of non-ringfenced funding, the council engages with external experts which provide the council with their interpretation of what government policy could look like and advise on potential impacts of changes on this significant income stream over the life of MTFP.

Investment Income

- 8.16 The council invests its daily surplus cash balances in accordance with its approved Treasury Management Strategy. This provides additional income into the council to support service delivery.
- 8.17 The principles of investing surplus cash are security, liquidity and yield, taken in that order:
- Security – ensuring cash is deposited with safe financial institutions to reduce risk of non-repayment back to the council
 - Liquidity – making sure that the council has enough daily cash balances available to cover its spending needs
 - Yield – only after security and liquidity have been considered will the council look to achieve the best return on its investment.

- 8.18 Investment returns are generally linked to UK interest rates, which can be volatile over the medium term. Therefore, to ensure that there are no significant peaks or troughs in the 5-year MTFP, the council will utilise an earmarked reserve to smooth the impact on the General Fund. Where surpluses have been achieved then these will be deposited into the reserve and where a shortfall is being experienced then there will be a draw from reserves.
- 8.19 The council also holds shares in Birmingham Airport for which dividend payments are received. Due to the uncertainty of timing and values of these dividend receipts, the council will not budget for such amounts but will transfer any in year receipts to the earmarked reserve for use in future years.
- 8.20 The Treasury Management Strategy for 2026/27 is attached at Annex 18 which includes the investment strategy and policy for selection of investment counterparties.

Collection Fund Surplus/Deficit

- 8.21 As part of the annual budget setting process there is a requirement to calculate forecast surplus or deficit balances held within the collection fund as at 31st March for council tax and business rates. These values are then either charged or repaid to the preceptors (including Sandwell). Surplus or deficits arise through variations to original estimates, such as amounts actually collected and growth in dwellings or businesses. The table below shows the amounts charged or credited to the General Fund for 2025/26 and budgeted amounts for 2026/27.

	Amounts (credited) or debited to the General Fund for 2025/26 £m	Amounts (credited) or debited to the General Fund for 2026/27 £m	Change £m
Business Rates	1.082	0.363	(0.719)
Council Tax	2.373	(0.354)	(2.727)
Total	3.455	0.008	(3.447)

- 8.22 The 2026/27 budget includes a reduction of £3.447m in the charge from the collection fund relating to deficit balances held.

Flexible use of Capital Receipts

- 8.23 In 2026/27, the council may wish to make use of the facility to use capital receipts to fund revenue expenditure that implements business change and transformation. This will be subject to sufficient capital receipts being available.
- 8.24 An updated Flexible Use of Capital Receipts Strategy is included at Annex 16 and presents the application of receipts against this Strategy in 2024/25 and

2025/26 and also the proposed areas of transformation investment for 2026/27.

Reserves

- 8.25 A Reserves Strategy was introduced within the 2025/26 Medium-Term Financial Strategy, which seeks to ensure that the council holds adequate reserves to protect against risk but also to support investment and transformation. The Reserves Strategy has been updated, although it maintains the same aims. The updated strategy is included at Annex 19.
- 8.26 The council does not generally rely on the use of reserves to support ongoing service delivery, and no use of reserves to support ongoing service delivery is included within the draft budget for 2026/27.
- 8.27 This MTFP does, however, support the use of earmarked reserves over three years (2025/26 to 2027/28) to fund the deficit of the Sandwell 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.
- 8.28 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. Net contributions from earmarked reserves of £1.527m are proposed in 2026/27, taking into account the draw from reserves to fund increased contract payments to the Sandwell Children's Trust, and also taking into account proposed contributions to transformation reserves and the creation of a new reserve to mitigate against the impacts of adverse weather events.
- 8.29 A summary of earmarked reserve balances and the proposed contributions to and from earmarked reserves in 2026/27 is included within Annex 19. Earmarked reserve balances remain adequate to fund transformation and investment activities and to mitigate all identified risks.
- 8.28 The 2026/27 budget also proposes the addition of £0.853m to 'top-up' the General Fund balance, which is the council's general reserve. This contribution to reserves is proposed in order to ensure that the General Fund balance remains above 5% of net expenditure, in accordance with best practice.
- 8.30 The Section 151 Officer is responsible for making a professional judgement about the adequacy of reserves. This judgement is included with the Section 25 Report within this Strategy.

9. Closing the Budget Gap

- 9.1 The growth required to expenditure budgets, as set out in General Fund Budget Pressures section of this MTFP, viewed alongside the projection for future government funding and income from council tax and business rates results in

a forecast General Fund budget shortfall of £7.785m in 2026/27 (reduced from £8.353m as at October MTFs report). The annual budget shortfall is forecast to increase to £30.231m by 2030/31.

	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Forecast Net Expenditure Requirement	472.265	494.393	520.623	543.750	568.035
Funding					
Non-Ringfenced Grants	(19.668)	(20.494)	(23.757)	(23.757)	(23.757)
Retained Business Rates	(167.572)	(170.714)	(173.913)	(177.391)	(180.939)
Top-up Grant	(120.585)	(122.316)	(123.678)	(126.152)	(128.675)
Collection Fund Adjustments	0.008	-	-	-	-
Council Tax	(156.663)	(167.442)	(178.961)	(191.273)	(204.433)
Total Funding	(464.480)	(480.966)	(500.309)	(518.573)	(537.804)
Net Deficit Before Efficiency Proposals	7.785	13.427	20.314	25.177	30.231

- 9.2 There is a legal requirement to prepare and approve a balanced budget by March 2026, and throughout the year the Cabinet and Senior Leadership Team worked alongside budget managers and finance officers to prepare a list of efficiency and income generation proposals which were consulted on during October and November 2025. These efficiency and income generation proposals totalled £8.353m for 2026/27. These proposals have been subject to further testing, and they have been revised down to £7.785m following review.
- 9.3 The budget consultation included an engagement programme combining over 1,000 face-to-face resident surveys, an on-line survey which attracted 225 responses plus targeted sessions with businesses, the voluntary sector, community organisations, trade unions and other key stakeholders. A summary of the results of the consultation exercise is detailed at Annex 1.
- 9.4 The final efficiency and income growth proposals for approval are presented at Annex 3 and are sufficient to close the budget gap for 2026/27. The ongoing nature of these proposals also makes progress towards reducing and closing the budget gap for 2027/28 and beyond.
- 9.5 The following table summarises the latest financial position for the General Fund budget over the life of the MTFs.

	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Forecast Net Expenditure Requirement	472.265	494.393	520.623	543.750	568.035
Total Funding Available	(464.480)	(480.966)	(500.309)	(518.573)	(537.804)
Net Deficit Before Efficiency Proposals	7.785	13.427	20.314	25.177	30.231
Efficiencies Recommended for Adoption	(7.785)	(8.205)	(8.685)	(8.161)	(8.641)
Revised Forecast Deficit	-	5.222	11.629	17.016	21.590

- 9.6 Assumptions included within the MTFP for future years will change as more information is received, including updated rates of inflation, announcements of staff pay awards and government policy updates. However, the council must assume that no further government funding will be received during the initial three-year settlement period (2026/27 to 2028/29), over and above the funding already announced.

Fees and Charges

- 9.7 The suite of efficiency and income generation proposals includes a council-wide proposal relating to fees and charges income. The October MTFP assumed a core 2% uplift in general fees and charges, unless levels were specified by the government or unless there are other relevant constraints.
- 9.8 The 2% included in the MTFP was based on the government's target for Consumer Price Inflation (CPI). However, CPI remains high and the final proposed fees and charges include an increase of 3.5% which generates additional income of £0.062m above the £0.480m estimate originally included.
- 9.9 The council is conscious of the cost of living across the borough and has not increased fees and charges across all areas. However, the council needs to seek to recover its cost of providing services that are subject to a usage charge, to prevent these services from being subsidised through council tax revenues which are chargeable to all.
- 9.9 The final suite of detailed fees and charges for approval is included at Annex 5.
- 9.10 Further work will be done during 2026/27 to scrutinise fees and charges, including benchmarking against other councils, to ensure that fees and charges to service users are meeting policy and pricing objectives.

10. General Fund Capital Investment

- 10.1 The purpose of the Capital Programme is to create new assets or to extend the life of existing assets. It is frequently related to large scale one-off expenditure that is funded from government grants, borrowing or other contributions such as those from developers.
- 10.2 Details of the proposed General Fund capital programme are presented at Annex 9. The proposed programme includes existing approved projects plus a suite of 'pipeline' projects, which are proposed but still subject to due diligence. 'Pipeline' projects will be brought forward for appraisal at the appropriate time and added into the capital programme following completion of a successful appraisal and the appropriate approval process.
- 10.3 The capital programme budget for 2026/27 totals £70.848m, prior to approval of any 'pipeline' project requests. Including proposed 'pipeline' project expenditure of £37.300m, the total capital budget in 2026/27 could be up to £108.148m. To the end of 2030/31, the budget for existing projects is proposed to be £326.945m, and up to £442.019m when including all 'pipeline' proposals.
- 10.4 The council's General Fund debt service costs reflect interest payments on the debt portfolio but also amounts set aside for repayment of principal amounts of historic borrowing. In 2025/26, the budgeted figure of £22m is approximately 6% of the Council's net budget. The fact that this percentage is relatively modest compared with similar authorities is a significant factor in the revenue budget shortfall for the council being lower compared to some authorities. A key factor in assessing affordability of funding future capital programme proposals through prudential borrowing will be ensuring that the overall percentage of debt costs compared with net budget remains at below 6% of council net budget for the period of the MTFs.
- 10.5 Calculations of revenue costs of the draft General Fund capital pipeline projects plus existing costs are shown in the table below:

Revenue Costs of Borrowing to Fund the Capital Programme	2026/27	2027/28	2028/29	2029/30	2030/31	Total
	£m	£m	£m	£m	£m	£m
Cost of project spend up to end of 2025/26	17.736	18.290	18.796	17.022	18.280	90.124
Cost of core programme projects	0.745	1.837	2.532	3.227	3.923	12.264
Cost of pipeline scheme proposals	0.646	1.979	2.783	2.962	3.045	11.415
Projected Revenue Cost	19.127	22.106	24.111	23.211	25.248	113.803
MTFP Proposed Revenue Budget	22.415	25.815	26.715	27.715	28.715	131.375
Annual (Surplus)/ Deficit	(3.288)	(3.709)	(2.604)	(4.504)	(3.467)	(17.572)

- 10.6 As shown in the table above, revenue borrowing costs are affordable over the 5-year life of the proposed programme. To ensure that the impact on the General Fund remains sustainable and within the 6% limit set within the strategy, any revenue borrowing cost budget surpluses or deficits will be transferred into or out of the Capital Financing earmarked reserve that was created at the end of the 2024/25 financial year. Revenue implications of capital investment proposals have been included in the MTFs and costs remain below the cap of 6% of net budget. This cap is not a national requirement but has been set locally to ensure that sufficient other resources remain available to fund the critical services that the council provides.
- 10.7 There is sufficient headroom within the MTFP to fund an additional £40m of borrowing over the 5-year MTFP to support future capital initiatives that align with delivering the Council Plan.
- 10.8 The updated Capital Strategy and Capital Financing Strategy are included at Annexes 14 and 15.

11. Housing Revenue Account (HRA)

- 11.1 The HRA is the ringfenced budget operated by the council which contains the income and expenditure relating to services connected with the council's Housing Landlord role. The main source of income is from the rental of its housing stock and is not supported with income from council tax.
- 11.2 Work has been ongoing to update the 30-year HRA Business Plan using specialist external consultants working closely with officers of the council to understand where financial pressures are being experienced and to understand the phasing of new build housing projects, which are required to meet housing demand.
- 11.3 Whilst the HRA Business Plan (included at Annex 13) shows that the 30-year HRA financial projections to be fundable in the long-term, there are significant risks in the short-term which would require draws from reserves to fund annual budget deficits. The table below summarises the gross income and expenditure projections and the annual deficit over the life of the MTFP which would need to be funded from the HRA's general reserve.

	2026/27	2027/28	2028/29	2029/30	2030/31
Forecast	£m	£m	£m	£m	£m
Gross Expenditure	165.894	168.825	172.590	177.068	181.081
Gross Income	(157.037)	(161.730)	(167.044)	(172.090)	(177.455)
HRA (Surplus)/ Deficit*	8.857	7.094	5.546	4.978	3.625

**Totals may not necessarily agree to sum of individual values due to rounding*

- 11.4 The deficits in the short term are not sustainable and would reduce HRA reserves below the required minimum working balance; that being 10% of HRA gross income.
- 11.5 The budget proposals presented for approval will request that the deficit projection for 2026/27 of £8.857m be funded from HRA general reserves.
- 11.6 Asset management costs and other expenditure costs are increasing at a faster rate than the income generated by tenants' rent, and this situation is exacerbated by a significant increase in 'right to buy' sales. The government's 'Rent Convergence' policy is expected to increase rental income for the HRA in the future, but as yet no announcement has been made on when or if this can be implemented. Annex 10 of this MTFs gives a detailed explanation of the pressures faced by the HRA and an action plan for mitigations to be explored during 2026/27. Mitigations to reduce expenditure must be put in place to ensure that the reserve balance is adequate in the medium-term.
- 11.7 A significant component of the HRA is capital investment in existing stock to ensure it remains in a condition that meets standards required. The HRA capital programme also includes plans to build and acquire new dwellings. The table below summarises the capital investment proposals with full details included at Annex 11.

	2026/27	2027/28	2028/29	2029/30	2030/31
HRA Capital Programme	£m	£m	£m	£m	£m
New Builds and Acquisitions	37.012	18.472	18.036	17.396	17.396
Investment in existing stock	51.762	52.433	55.265	54.224	36.457
Total Capital Spend	88.774	70.905	73.301	71.620	53.853

- 11.8 Over the medium-term, the HRA capital programme assumes that all new build schemes and acquisitions will be funded from capital receipts; principally 'right to buy' sales. Prudential borrowing will be undertaken purely for investment in existing housing stock. The draft capital programme has been reflected within the HRA's 30-Year Business Plan, included at Annex 13.

12. Dedicated Schools Grant (DSG)

- 12.1 The Dedicated Schools Grant is provided to councils to support schools and is allocated across four distinct areas:
- Schools Block
 - Central Schools Services Block
 - High Needs Block
 - Early Years Block
- 12.2 DSG allocations for 2026/27 for all Sandwell schools were announced in December 2025 at a level of £538.913m, reduced to £529.663m after adjustments; that being an increase of 5.31% from the previous year.

- 12.3 Like many other councils across the country, the cost of the High Needs Block now exceeds the grant provision available. The council has been in the position to date that reserves carried forward from previous years have been sufficient to fund overspends in year, however, the position for 2025/26 will see the reserve position becoming a deficit reserve, estimated to be £4.167m. There are currently accounting regulations in place that prevent the deficit becoming a charge on the General Fund and therefore it will instead be held as a negative balance on overall council resources. This statutory override is now extended to 31st March 2028.
- 12.4 The provisional High Needs Block allocation for 2026/27 after adjustments is £81.779m, which is an increase of £4.172m in comparison with the 2025/26 allocation after adjustments of £77.607m. This provisional allocation of £81.779m for 2026/27 is unlikely to be sufficient to cover all relevant costs.
- 12.5 Whilst the position does not directly affect the General Fund, it does have an indirect impact as there will be fewer cash resources available for the council to invest to generate investment interest.
- 12.6 In addition to the statutory accounting override, the Final Local Government Finance Settlement 2026/27-2028/29 introduces support for local authority DSG deficits, firstly by funding 90% of High Needs Block deficits incurred by local authorities to the end of 2025/26. Secondly, the government has stated that local authorities can expect the government to take a similar approach in 2026/27 and 2027/28, although support will not be 'unlimited'. The council must therefore expect to have to fund a proportion of any deficit incurred over the next two financial years, if the HNB position cannot be brought back into balance by March 2028.
- 12.7 Annex 12 details the allocations across the four blocks of the DSG and provides some additional context to the national position regarding SEND provision with the deficit now reportedly exceeding £6 billion nationally.
- 12.8 The Council is working on a mitigation strategy to address the significant demand on the High Needs Block. Work is underway with a strategic partner to enhance and progress the SEND transformation programme over a 12-month period. A series of anticipated areas of work have been identified that will look at:
- SEND strategy and forward planning
 - Locality model
 - Implementation of a SEND service restructure
 - The design of a 'front door model' for Inclusive Learning Services
 - Supporting the development of a 'whole school' SEND and inclusion offer for schools
 - Home to school transport.

13. Risk Management

- 13.1 The council’s Audit and Risk Assurance Committee and the Strategic Leadership Team and Performance Board receive regular strategic risk reports. Reporting is led by Internal Audit with input from other senior officers as risk ‘owners’. This process allows for regular review and challenge, ensuring that the risks remain relevant and are being addressed with any mitigation activity.
- 13.2 The table below summarises some of the key risks to delivery of the MTFS and the mitigations in place.

Risks to the MTFP	Headline Mitigation(s)
Failure to constrain expenditure within relevant budget headings.	<p>The Council monitors its budget monthly, with regular updates to Strategic Leadership Team and Cabinet, advising on key variances. Budget managers are asked to offer mitigations to any adverse variances. Council-wide mitigations will be enacted as required, including spending or vacancy freezes.</p> <p>General Fund revenue spend in excess of £1,000 is submitted to a Value for Money Panel for approval or rejection.</p>
Failure to prepare for balancing budget shortfalls	<p>Early preparation of the MTFS, including establishment of an officer MTFS working group chaired by the Section 151 Officer and membership across key council departments including finance, democratic services, communications and legal. Engagement with the Cabinet and public consultation to establish priorities.</p>
Failure to maintain adequate reserve balances.	<p>A Reserves Strategy was implemented in 2025/26, and reserves are under the control of the Section 151 Officer with monthly monitoring and review.</p> <p>A review of reserve balances and ongoing requirement for them to be held has been undertaken to ensure that balances held align with the council’s risks.</p>
Failure to deliver efficiencies.	<p>The council reviews efficiencies embedded in the base budget and reports monthly to Leadership Team and to Cabinet on a quarterly basis on progress to highlight risks and consider mitigations.</p>

<p>Failure to arrange cover for expected cost increases</p>	<p>The council has set in place a process whereby the MTFP is updated regularly, enhanced on each occasion as additional information becomes available and insight gained. In addition, the Council will adjust its fees and charges annually in the future to ensure that the net cost of services is moderated, where it is equitable to do.</p> <p>Contingency budgets and reserves are also included across the MTFP.</p>
<p>Inability to fund the Capital Programme arising from continuing rises in interest rates and higher cost of borrowing.</p>	<p>Established capital principles are set down to ensure adequate planning embedded in the MTFS process. This includes a prudent estimate of revenue costs associated with the borrowing need to be capped at 6% of net budget. Further mitigation includes the capital funding volatility reserve to fund material fluctuation in interest rates or be replenished should budget surpluses be achieved.</p>
<p>Sandwell Children's Trust accumulated balance sheet deficit.</p>	<p>The Council has undertaken comprehensive work with the Trust and external consultants to establish a realistic management fee going forward from 2025/26 and an agreed drawdown from our risk management earmarked reserves to clear the deficit and place the Trust on a new stable footing.</p>

14. Next Steps

- 14.1 As stated in section 9 of this report (Closing the Budget Gap), assuming that the suite of efficiency and income generation proposals are adopted, action taken is forecast to be sufficient to mitigate the General Fund budget shortfall within 2026/27.
- 14.2 The work carried in relation to setting the draft budget for 2026/27 has been sufficient to:
- Be able to protect services provided to vulnerable people and ensure that those services are adequately funded
 - Identify efficiency and income generation proposals sufficient to close the budget gap
 - Ensure that efficiency and income generation proposals are robust and sustainable, contributing to reducing the budget shortfall throughout the MTFS period

- Be able to maintain the council's existing assets
- Maintain adequate reserve levels

14.3 However, a budget shortfall remains from 2027/28, as shown in the table below.

	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Net Deficit Before Efficiency Proposals	7.785	13.427	20.314	25.177	30.231
Efficiencies					
Recommended for Adoption	(7.785)	(8.205)	(8.685)	(8.161)	(8.641)
Revised Forecast Deficit	-	5.222	11.629	17.016	21.590

14.4 Following receipt from the government of the Final Local Government Settlement for 2026/27 to 2028/29, the council must work on the basis that no further government funding, over and above the values announced to date, will be received until at least 2029/30. The analysis within the above table, therefore, shows that the council must locally identify and implement new net budget reductions to balance its budget from 2027/28. These net budget reductions must be sustainable over the MTFs period. Budget reductions could be made from cost reductions or from increases in income, but the overwhelming proportion of these must be made on a recurring basis.

14.5 In support of the need to improve efficiency and reduce costs, the council is developing 10 transformation projects, aiming to strengthen the effective delivery of the aims of the Council Plan. The 10 transformation projects in development are as follows:

- Assets and Property
- Fleet
- Strategic Leisure
- Adult Social Care
- SEND
- Brilliant at the Basics
- Digital
- Aspiring Sandwell
- Customer Focus
- Culture Change

14.6 Effective transformation will be key to ensuring that the council is able to balance its budget in future years.

14.7 A further iteration of the MTFs will be presented to Cabinet in October 2026, including updated income and expenditure forecasts, as estimates are refined, new information becomes available and proposals are developed to address the budget shortfall from 2027/28.

- 14.8 In relation to 2026/27 efficiency and income generation measures, a supporting business case has been developed in relation to each proposal, including an action plan for delivery. Monitoring of delivery will be carried out regularly, and reported to the Strategic Leadership Team on a monthly basis and to the Cabinet on a quarterly basis, as part of the monitoring of budgets within the new financial year.