Medium Term Financial Strategy

2022/23 to 2024/25

Environment and Infrastructure

Resources

Adult Social Care and Health

Leisure, Tourism and Sport

Children, Education and Skills

Climate Change, Planning and Housing

Stronger and Safer Communities

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Solihull Metropolitan Borough Council

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FOREWORD

I am pleased to introduce Solihull Council's updated Medium Term Financial Strategy (MTFS), which covers the period from 2022/23 to 2024/25. The MTFS underpins the Council Plan, which is our key strategic document for identifying our vision, ambitions and priorities, and sets out the approach the Council is taking to deliver these priorities and manage our finances over the next three years.

As the world continues to contend with the challenges of the coronavirus pandemic, it is clear that the impact for governments, society and individuals will be long-lasting. The pattern across the country and globally shows that certain groups have been particularly affected by the pandemic. Older people and those from ethnic minority backgrounds have been more likely to fall ill with the virus and many people on low incomes have experienced a disproportionate financial impact from the restrictions introduced to manage its spread. In addition, the rapid adoption of digital solutions to social restrictions reminds us of the importance of inclusive service delivery.

The Council is focused on working with partners to reduce inequalities in order to build sustainable and healthier futures for the people who live, work and learn in the borough. Safeguarding vulnerable children, young people and adults remains fundamental and this year's review of the MTFS has prioritised the allocation of additional resources to children's services and adult social care. These services have faced particular strain as a result of the pandemic, as there have been significant increases in both the number of people needing our help and the complexity of their needs. We have also invested in services which affect the look and feel of the borough, as we know how important the local environment is to our residents.

The strategy also sets out to maximise the capital funding which is available to the authority from a range of different sources and targets those resources at key investment projects which support the delivery of our priorities across the Council's services.

The October Spending Review brought welcome news of additional funding for local government over the next three years, but at a local level there remains significant uncertainty over the distribution of that funding beyond 2022/23. There are signs that progress on long-awaited reforms to local government finance could be made during the next year, which would greatly assist local authorities in their medium-term financial planning. The impact of any significant distributional changes which might be introduced in line with the government's Levelling Up agenda remains to be seen, but we are keeping a keen eye on developments in this area.

I am proud to lead this Council as we emerge from the crisis response to Covid-19 towards a fairer and more sustainable "new normal". Our many strengths, such as our ambitious approach to our economy, our bold environmental programme, vibrant communities, passionate and committed staff and elected members and good partnerships will stand us in good stead during this challenging period. Our MTFS provides the financial basis for the roadmap set out in the Council Plan.

As ever, I would like to thank all those involved in the preparation of the MTFS, which concludes many months of work from the cross-party Budget Strategy Group and officers across all directorates.

Councillor Ian Courts
Leader of the Council

1. EXECUTIVE SUMMARY

1.1.1 The Council's medium term financial strategy (MTFS) consists of this overarching document and more detailed revenue, capital (which itself includes the Council's policy on the flexible use of capital receipts) and treasury management strategies. The MTFS underpins the Council's medium-term policy and financial planning process and outlines a deliverable and affordable approach to meeting the challenges presented by reductions in funding and sustained and growing demand for our services.

1.1.2 The purpose of the MTFS is to describe the environment within which the Council operates and bring together resource and cost projections to explain how the Council plans to address the funding gap, whilst retaining focus on the strategic priorities. As in previous years, our focus has been on planning in detail for the next three years, but we also look beyond the medium term to help us assess and plan for the challenges we may face in the years ahead.

1.1.3 The key factors that the Council has identified as influencing current and future demand for our services are outlined in section 3. This year, the medium and longer term impact of the coronavirus pandemic remains a key concern, alongside recurrent challenges such as sustained demand for social care as a result of the ageing population and increasing numbers of children with complex care needs.

1.1.4 Section 4 explains the significant uncertainty that continues to exist around local government funding for both the next three years and beyond, not least because of the government's Levelling Up agenda and anticipated changes to how local government funding is allocated. Local authorities' ability to plan for a balanced medium-term financial position remains severely hampered by resource constraints imposed across the whole of the public sector and the lack of clarity about funding arrangements for future years. In addition, there are clear limitations to the funding that local authorities can raise locally through council tax and fees and charges, while our residents' needs and expectations are increasing.

1.1.5 However, Solihull is in a good position to withstand these challenges. We have a comprehensive balanced MTFS that is supported by a strong business rates and council tax base, with the budget strategy reserve and business rates windfall affording some protection against the uncertainty of the current environment. Section 5 outlines the Council's response to the current and forecast conditions in more detail.

1.1.6 The resulting revenue budget for 2022/23 is £163.967 million, funded 73% from council tax and 27% from business rates (net of the tariff payment, section 31 grant, anticipated contribution to the business rates windfall contingency and the forecast business rates deficit). The capital programme over the period from 2021/22 to 2031/32 has a projected value of £604 million.

1.1.7 The Council continues to work to ensure that investment and disinvestment decisions are driven by our policies and the needs of the borough. Our MTFS recognises the need to achieve value for money in service delivery and allows for ways of delivering services that are a departure from traditional models.

1.1.8 The Council is also planning for a net zero carbon future and has developed a process for carbon budgeting as part of the financial budgeting cycle, as outlined in section 7.

1.1.9 We know that Solihull is well placed economically to weather the current storm and the Council remains in a good position to deliver against its priorities for the people of Solihull.

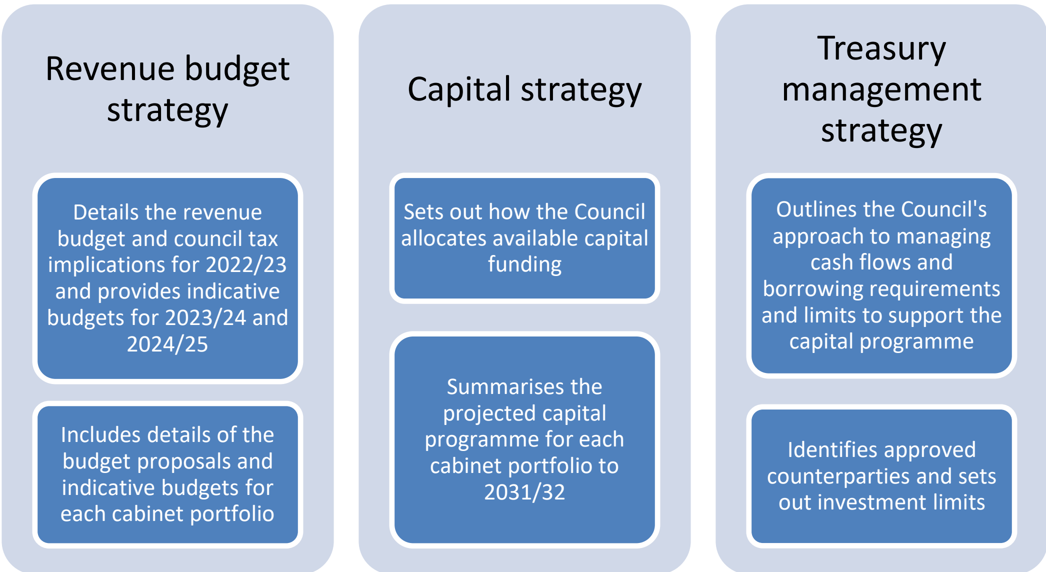
2. INTRODUCTION AND OBJECTIVES

2.1.1 The strategic direction for the authority is set by the Council Plan, which was updated in April 2022. The Council Plan is based on an analysis of the borough's strengths, challenges and opportunities, and was influenced by local priorities, input from public consultation, government policies, performance information and external inspections. The updated plan outlines nine 'key things to do' and a set of outcomes that we are seeking to achieve by 2025.

2.1.2 The Council Plan looks forward to 2025, setting the direction of the travel for the authority and describing the major steps that we need to take to achieve the Council's vision of a borough where "everyone has an equal chance to be healthier, happier, safer and more prosperous through growth that creates opportunities for all". Our Council Plan seeks to deliver what people need to thrive – for example, good health, purpose, power and connection with others - through inclusive growth. We will do this through our roles as employer, procurer, service provider and system influencer.

2.1.3 The Council's belief that economic development, environmental sustainability and health and wellbeing go hand in hand is reflected in the nine key priorities that the Plan sets out to achieve.

2.1.4 The MTFS complements the Council Plan by defining the financial framework within which these priorities will be delivered. It outlines the factors which are expected to drive future costs and sets out the funding projections and our strategy for addressing the funding gap. There are three supporting strands to this strategy, which can also be read as standalone documents:



2.1.5 In addition, as part of our plan for achieving net zero carbon emissions by 2030, we set an annual carbon budget alongside our financial budget.

2.1.6 The core principles underlying the medium term strategy are as follows:

- The Council will seek to maintain a sustainable financial position over the course of the planning period, with detailed proposals for all years;
- The Council will make provision for growth so that budgets keep pace with demand;
- The Council will strive to keep council tax at affordable levels;

- The deployment of the Council's limited resources will be focused towards those activities which contribute most to improved outcomes for local people.

2.1.7 Solihull Council has a strong track record of delivering savings and marshalling its resources effectively in order to maintain a balanced medium term financial strategy. However, the ongoing Covid-19 crisis and the ensuing impact on national economic circumstances and public sector funding mean that local authorities will continue to be placed under considerable financial strain over the course of this planning period and beyond.

2.1.8 Brexit represents a further challenge for the national economy, with supply chain issues emerging during 2021 and concerns over the impact of full customs controls on UK-EU trade from January 2022. The effect on sectors key to the West Midlands economy continues to be kept under close review.

2.1.9 After two successive single-year spending reviews, the three-year review published in October 2021 provided some welcome indications of the funding trajectory for local government over the period to 2024/25, including proposals for additional funding of £1.6 billion per annum. Although this did not translate into a multi-year finance settlement for local government, ministers have renewed the commitment to review the basis on which funds are distributed. No timetable has yet been published but the sector is optimistic, given the work already carried out for the Fair Funding Review, that it could be concluded in time for implementation from April 2023. This means that although there is once again a high level of uncertainty in the projections beyond the first year of the MTFS, there is some assurance on the national funding quantum and on key funding streams such as social care grants, as well as confirmation that there will be transitional funding available to smooth the introduction of a new distribution.

2.1.10 The MTFS supports the medium-term policy and financial planning process at the heart of setting revenue and capital budgets. The main objectives of this strategy are:

- To provide a stable financial base from which to deliver the Council's priorities as set out in the Council Plan;
- To ensure that the Council's strategic priorities are reflected in its capital programme and also that the capital programme is affordable;
- To ensure that cash flows are adequately planned so that cash is available when required and the Council can meet its capital spending obligations; and
- To set a sound financial planning framework to underpin the effective financial management of the Council.

3. DRIVERS OF DEMAND

3.1 The economy

3.1.1 The impact of the coronavirus pandemic on the global economy was severe, but economic recovery in 2021 has been stronger than expected at the beginning of the year. The Office for Budget Responsibility (OBR) forecast growth of 6.5% as at October 2021, 2.4 percentage points higher than predicted in March 2021.[1] However, increases in demand have led to supply constraints in several markets, which have been exacerbated in the UK by the effect of Brexit on migration and trade with the EU. Soaring energy prices and some labour shortages have contributed to a significant increase in inflation.

3.1.2 Since the preparation of this MTFS, the Russian invasion of Ukraine and the international response have sent further shockwaves through the global economy, with a high degree of uncertainty over commodity prices and inflation forecasts for the MTFS period. The OBR has now revised down its forecasts for GDP growth in 2022, from 6.0% as at October 2021 to 3.8% as at March 2022.[2]

3.1.3 The impact of Brexit complicates the picture, with trade with the EU slower to recover from the effects of the pandemic and 15% down on 2019 average levels. The OBR expects that the full effect of higher trade barriers, including the introduction of full import checks from January 2022, will take some time to come through as businesses adapt to the new requirements.

3.1.4 Solihull's economy has been relatively well-placed to weather the impacts of the pandemic, but 40% of local jobs are in sector clusters where demand fell throughout 2020: non-food retail, hospitality, leisure and tourism, construction and building technologies, passenger and freight transport and automotive manufacturing and supply chain.

3.1.5 Throughout 2021, as public health restrictions eased and the economy opened up, the main indicators of labour market activity in Solihull improved. As yet, the end of the government employment furlough scheme in September 2021 does not seem to have negatively impacted on unemployment. In November 2021, 5,350 people in Solihull were unemployed and claiming benefits. At 4.1%%, the claimant rate in the borough is lower than the national (4.7%) and regional (5.7%) average. However, at ward level this picture is more mixed, with a claimant rate of 9.9% in the three regeneration wards in the north of the borough and 2.9% in the rest of the borough. Although the number of unemployment claimants in Solihull is 48% higher now than at the start of the pandemic (+1,738 people), the number of claimants fell for nine consecutive months between February and November 2021 by a total of 2,300 people.

3.1.6 A sharp fall in the number of claimants has been accompanied by a strengthening of labour demand. For instance, job vacancies in the Greater Birmingham and Solihull area rose consistently between March and November 2021, with the total number of job postings in November 40% higher than the pre-pandemic average.

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[1] Office for Budget Responsibility. (October 2021). *Economic and Fiscal Outlook* *https://obr.uk/docs/dlm_uploads/Executive_summary_Economic_and_fiscal_outlook_October_2021.pdf*

[2] Office for Budget Responsibility. (March 2022). *Economic and Fiscal Outlook* *https://obr.uk/docs/dlm_uploads/CCS0222366764-001_OBR-EFO-March-2022_Web-Accessible-2.pdf*

3.1.7 In addition to providing support to unemployed and under-employed residents and businesses in those sectors hit hardest by the pandemic, the Council continues to engage with Birmingham Airport, the NEC and Jaguar Land Rover as anchors of the local and regional economy. We plan to accelerate key investment priorities, focusing on the UKC Hub, housing developments and investment and marketing in order to support the recovery of the borough's towns and local centres and the revival of the visitor economy. Our aim is to ensure that recovery and growth are managed well for the benefit of all residents.

3.1.8 The cost of the Council's key contracts rises by inflation each year, as does the cost of general supplies and services, so the level of inflation is an important consideration for the MTFS. The inflation assumptions included in the MTFS are informed by monthly inflation forecasts collated and published by HM Treasury and by OBR forecasts, which suggest that inflation as measured by the consumer price index, which stood at 4.6% in November 2021, will peak later in 2022.[3] The MTFS assumes general inflation of 3.7% in 2022/23, which is applied to around £14 million of spend. The Council also has a number of strategic contracts and other arrangements which attract a different rate of inflation – for those linked to RPIX the MTFS assumes an increase of 4.7% in 2022/23. In 2022/23 these contracts account for over £22 million of the Council's expenditure.

3.1.9 Employee costs represent the biggest area of the Council's spend and so pay inflation is a significant cost for the authority. The MTFS provides for a pay award of 2.0% per annum but given current inflation levels there is a risk that future pay awards may exceed budgeted provision. Should the pay award for 2022/23 exceed 2.0%, the in-year pressure would need to be funded from the budget strategy reserve.

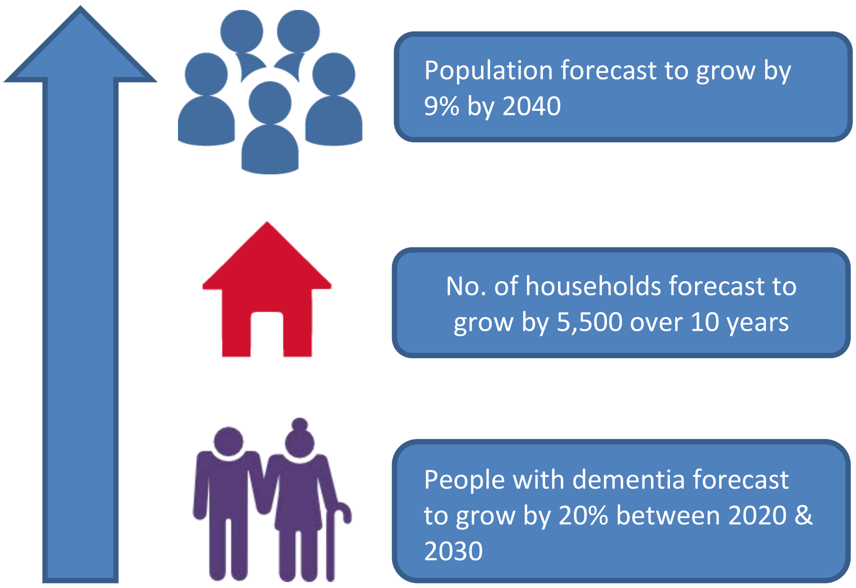
3.2 Rising demand for our services

3.2.1 Two years into the coronavirus pandemic, the short-term effects on health and wellbeing are translating into increased demand for our services. The restrictions put in place to manage the spread of the virus have particularly affected those whose resilience was limited by their health, employment status or other personal circumstances. We need a renewed focus on protecting those who need us most: vulnerable children, young people and adults. In the longer term, we need to work to protect our population from the social, economic and cultural effects of the pandemic.

3.2.2 The population of the borough has increased at a much slower rate than nationally over recent years but is expected to grow by around 9% by 2040. This growth will put considerable pressure on transport, housing, education and public service infrastructure and there is a shortage of affordable homes and homes which are suitable for older people, especially the increasing numbers living alone.

3.2.3 Office for National Statistics projections suggest that the relative ageing of Solihull's population will continue and that by 2040 those aged 65 and over will account for nearly one in four of the population. The growth in numbers of residents aged 85 and over in particular represents a significant and growing challenge in terms of health and social care.

[3] Office for Budget Responsibility. (October 2021). *Economic and Fiscal Outlook* *https://obr.uk/docs/dlm_uploads/Executive_summary_Economic_and_fiscal_outlook_October_2021.pdf*



3.2.4 In common with other local authorities across the country, Solihull continues to experience significant pressures on social care services for both adults and children, while some of our universal services are also under strain from growing demand and the effects of sustained spending restraint. The Council has always sought to set realistic and deliverable budgets through the three-year budgeting process, and in accordance with that objective the MTFS allocates additional resources to mitigate pressures across its services.

3.3 Adult Social Care

3.3.1 Nationally, the challenges facing adult social care services as a result of factors such as increasing demand, capacity and market stability issues in the independent sector and the impact of increases in inflation and the National Living Wage continue to represent a major risk to local authority finances.

3.3.2 These long-standing pressures have been exacerbated since 2020 by higher operational costs relating to Covid-19 and by the impact of sustained pressures on local health services (for example delayed operations and untreated conditions) on demand for social care services. Looking ahead, there are concerns over the longer-term impact of Covid-19 infection, while the emergence of new variants of the virus could lead to further social restriction and isolation measures which could impact on individuals' physical and mental health. Further, it is also possible that residents may make different choices in future about how they receive care and support, for example, some may choose alternatives to moving to a care home or to having paid carers at home. At present it is still difficult to determine the extent of such structural changes and how these changes would translate into long term changes in expenditure, and the impact will also depend on the level of any further national financial support. The longer-term impact of Covid-19 on the cost of care placements has been modelled assuming like-for-like levels of demand, but significant uncertainty remains.

3.3.3 In addition to the impact of Covid-19, a number of national policy and statutory developments underway or anticipated will have implications for the social care sector. The government's 'Build Back Better' plan for health and social care includes proposals for a new 'care cap' and changes to how individuals are charged for their care and support. Further detail continues to emerge and the finance settlement for 2022/23 included the first tranche of funding to support local authorities in preparing for market reform, but it remains uncertain whether the amount of funding available will be sufficient to meet the additional costs, both nationally and locally.

3.3.4 It is also unclear how the care market will react to some of the proposals. For example, many care home providers rely on higher fee rates from self-funders to ensure their sustainability and profitability. The government's proposals mean that self-funders will be able to ask the Council to arrange their care in order to secure better value at rates that the local authority would usually pay. However, providers may not be willing to accept these prices and may not accept such referrals from the local authority, or cease to provide services. This could lead to a reduction in capacity to meet need in the community. Solihull has a very high level of self-funders in care homes (around 70% of care home placements in the borough) and is therefore likely to be disproportionally affected by this element of the plans. On the other hand, it is possible some self-funders will not want to access local authority support (or the 'cap' option) even though it is available to them.

3.3.5 The Health and Care Bill, which is expected to be passed in 2022, includes new requirements in terms of how the NHS and local government will come together to plan and deliver health and care services. There are financial risks associated with these changes, both because the significant income received by the Council from the local NHS could be at risk and because any reduction in local NHS services is likely to trigger additional demand for social care services. Whilst plans are underway to mitigate against these via early engagement with health partners, there is still considerable uncertainty relating to the impact of the statutory changes and what will be possible.

3.3.6 The Bill will also introduce a duty for the Care Quality Commission (CQC) to assess local authorities' delivery of social care services, empowering the Secretary of State for Health and Social Care to intervene where there is a risk of failure to meet social care duties. The implications of this relate to the understandable expectation that all services must be sustainable and of good quality, and that extra capacity will be needed to fulfil the significant business intelligence reporting demands expected from the future process.

3.3.7 Furthermore, a further white paper on adult social care reform, 'People at the Heart of Care' has recently been published and a separate white paper on integration (assumed to mean health and social care integration) is expected in the coming months, both of which may herald significant changes. The government has also launched a review of health and social care leadership which aims to reduce regional disparities in efficiency and health outcomes and may have future financial implications.

3.3.8 In addition to the broader challenges outlined above, there are also a number of specific issues that have been considered as part of developing the MTFS proposals, including:

- Maintaining safe care and good quality infection prevention and control (IPC) practices is of high importance and it is assumed that if the risks associated with Covid-19 continue within care settings, requiring specific control measures and testing, then government funding will follow.
- The impact of assumptions about increases to the National Living Wage (NLW) and other inflation on the cost of care has been modelled and a pressure built in for these costs. There are other costs which may also affect the sector, for example, rising insurance costs, indirect workforce costs related to market forces and the new Health and Care levy and increased gas and electricity prices, which have not been built into the MTFS.

- Although the rate of demographic increase is slowing, there is increasing life expectancy, the population is ageing and adults with long-term health conditions and disabilities are living longer. While this is a positive development which should be celebrated, it poses a significant challenge for the provision of social care.
- Another key driver is demographic pressures in younger adults' disability services, especially Learning Disabilities and Autism, as a result of greater numbers of individuals accessing support and the increased complexity of their needs. This pressure has intensified during the pandemic. Similar pressures are being experienced on special educational needs and disabilities (SEND) budgets in children's services, indicating that this trend is likely to continue, with pressure sustained by the transition of young people from children's to adults' services.

3.3.9 The government has acknowledged that growing demand for social care is placing increasing pressure on council budgets. The Spending Review published in October 2021 confirmed that social care grant funding totalling £5.374 million received in 2021/22 would continue for the next three years – 50% of this funding has been allocated locally to adult social care. Additional funding of £2.143 million announced as part of the finance settlement for 2022/23 has been built into the MTFS to offset pressures on children's services.

3.3.10 The government has also decided to allow local authorities to levy a precept on adult social care of 1.0% per annum over the next three years. In addition, any unused flexibility from 2021/22 could be used in 2022/23, meaning a maximum increase in the precept for the year of 2.50%. Full Council approved an increase of 1.90% in the social care precept for 2022/23, and the MTFS assumes it will increase by 1% per annum over the remaining two years of the MTFS, bringing the total additional income generated from the precept to around £16.5 million in 2024/25. Additional resources generated through the increase in the adult social care precept will be used to provide sustainable funding towards the pressures identified in the budget process.

3.3.11 We continue to work closely with NHS partners to deliver health and social care services in a joined-up way, for example through Live Healthy, Live Happy (the Birmingham and Solihull Sustainability and Transformation Partnership (STP)) and through pooling budgets with local NHS commissioners. The Partnership's vision is to help everyone in Solihull and Birmingham live the healthiest and happiest lives possible, by encouraging people to take responsibility for their own health and wellbeing from a young age. Our collaborative approach to health and care service development is reflected in the Live Healthy, Live Happy plan, which sets out how the local authorities, NHS organisations and voluntary services across Birmingham and Solihull will work together on one set of priorities.

3.3.12 The Better Care Fund (BCF) is a budget to help local places join up health and care services, so that people can manage their own health and wellbeing and live independently in their communities for as long as possible. BCF plans require Health and Wellbeing Board sign-off, as well as a regional sign-off process, and are not entirely within the Council's control. Local BCF plans are jointly developed by health and social care partners to support integrated, person-centred care in communities. The conditions associated with the BCF require certain levels of ongoing investment by social care in key areas, particularly with respect to hospital delayed transfers of care improvements. The overall impact of reaching a successful agreement with health partners on BCF investment has been built into the revenue strategy. These agreements do not cover the full period of the MTFS as BCF allocations for the years beyond 2021/22 have yet to be announced by the government, but the MTFS assumes the BCF will rise in line with inflation.

3.4 Public Health

3.4.1 The Council provides or oversees a range of public health services across the whole life-course, reducing longer term demand for health and care services, improving well-being and reducing health inequalities and maximising the wider work of the council to improve the health of its residents. This includes universal health, well-being and preventative services, such as health visiting and school nursing, and a range of more targeted services such as drug and alcohol services, domestic violence and sexual health. It also has statutory responsibilities around health protection, which have been used during the Covid-19 pandemic response. Funding for Public Health activity is primarily provided from the ring-fenced Public Health Grant from the Department of Health and Social Care (DHSC). Joint working with the ICS, and additional hypothecated (ring-fenced) national allocations may expand the resourcing into prevention services. SMBC's Public Health grant for 2021/22 was £11.505 million. For MTFS planning purposes, it has been assumed that the grant will increase in line with CPI projections. In 2020/21 and 2021/22 Public Health Grant has been supplemented by additional grant funding for Covid-19 related activities.

3.4.2 Covid-19 remains an ongoing risk. The government has made a significant amount of funding available to date to meet the current costs of the local enhanced response, with a total of £8.351 million Contain Outbreak Management Funding received across 2020/21 and 2021/22, plus full reimbursements of costs for Targeted Community Testing and additional funding, to March 2022, to provide practical support to residents who need to self-isolate.

3.4.3 However, whilst the vaccination programme has significantly reduced the impact and severity of Covid-19 for new cases, the return to workplaces and other social settings and the possibility of new variants, continue to bring uncertainty regarding the required future outbreak management response. A level of longer-term capacity will need to be retained within the health protection function of Public Health to manage this as part of the directorate's and Council's 'living with Covid' approach. At present there is no further additional funding confirmed beyond 2021/22.

3.4.4 Covid-19 has also resulted in a backlog of need across Public Health services, in particular as a result of stand down and delays to service provision due to closure of facilities and redirection of resources to the NHS and also increase demand for health prevention and response services. A package of support, including support to Leisure services which form part of Public Health, has been included in the MTFS to support service recovery.

3.4.5 Public Health also includes the employment and skills service, which is predominantly funded from European Social Fund grants which come to an end in December 2023. As part of the update to the MTFS, additional resources have been allocated to replace this funding. A review will be undertaken of the future service model in line with the revised budget and more flexible funding sources.

3.4.6 To increase the visibility, accessibility and connectedness of early help services for our local families, and as part of the 'Start Strong Stay Strong' early intervention approach investment will be made in the creation of new family hubs within the borough. An application for external funding has been made for capital costs. Public Health reserves will be used and investment from our local committed partners to co-produce our vision to of a Family Hubs network as a crucial component of the prevention landscape. Levels of investment will be determined once the outcome of the external bid is known.

3.5 Children's Services

3.5.1 The challenges facing the Children, Education and Skills portfolio are particularly driven by high demand in respect of children's social care placements and special educational needs and disabilities (SEND) transport.

3.5.2 The issue of complexity and supply in relation to placements requiring specialist residential care remains critical. The availability of specialist placements (particularly welfare secure) is under pressure with a resulting impact on price and the pandemic has resulted in a significant spike in cases. The number of local children looked after has risen by 35% since the end of 2020 to 528, which has placed an increased burden on social work staffing capacity and case holding. Unit costs also continue to rise, with our 20 most expensive placements costing an average of £5,236 per week: 55% more expensive than four years ago.

3.5.3 Children's services are the Council's top priority for improvement in 2022/23. A number of actions are underway to develop our early intervention and prevention offer and improve outcomes for children and young people, including:

- Stepping down children from residential to fostering and family-based placements in line with their care plans, as we move out of the Covid-19 crisis period;
- Developing our connected carer arrangements to reduce the number of children formally in the care system;
- Increasing the number of internal foster carers;
- Strengthening families who need additional support.

3.5.4 The MTFS provides significant new investment in children's placements, with additional ongoing funding of £5.8 million in 2022/23, rising to £6.0 million by 2024/25. This is addition to increases in funding of £0.8 million per annum by 2023/24 which were approved as part of the 2021/22 budget process. The MTFS also provides additional funding of over £1 million to mitigate management and oversight pressures in children's social care relating to the increasing demand and complexity within the service.

3.5.5 As Covid-19 restrictions have been relaxed, demand pressures on the Special Educational Needs and Disabilities (SEND) transport service have returned. With pressures on our internal placements (particularly around autism), transport to provision outside of the borough remains challenging. However, the development of internal education provision as part of the SEND Improvement Plan will help to reduce transport costs over the medium to longer term.

3.5.6 In respect of the wider SEND service, a key driver of demand is the number of young people requiring statutory intervention and we are enhancing our early help offer in response. Significant progress has been made in issuing Education, Health and Care Plans within statutory timescales and tackling the backlog of annual plan reviews. In June 2021 Cabinet approved the allocation of additional resources from the budget strategy reserve to support the delivery of the Improvement Plan and the base budget has been increased by £528,000 as part of the MTFS.

3.5.7 The High Needs Block of the Dedicated Schools Grant (DSG) has been under significant pressure in recent years, resulting in a net adverse variance of £9.141 million in 2020/21. The main factors underlying this position relate largely to the combination of rising demand, increasingly complex needs and a shortage of specialist provision.

3.5.8 Full Cabinet received the first recovery plan for the service in February 2020, underpinned by a contribution of £1.2 million from the budget strategy reserve. The timescales set out in the plan have been reset as a result of Covid-19 and a progress update was received by Cabinet in December 2021.

3.5.9 The focus of the capital programme in children's services is on the maintenance and improvement of the schools estate, with specific projects to increase capacity and support the expansion of provision for children with special educational needs and disabilities (SEND). This is also closely linked to the HNB recovery plan.

3.6 The Place

3.6.1 There are also pressures on the Council's "place-based" services, those that have a central role in making Solihull an attractive place to live and work. For example, continued growth in housing numbers has increased demand for waste collection and disposal services in particular, while the combination of the pandemic, national changes to permitted development rights and an increasing focus on brownfield development has increased demands on the Council's planning and enforcement services.

3.6.2 The effects of the Covid-19 pandemic have been persistent in a number of areas. Demand for services supporting communities directly and in partnership with the voluntary sector has increased. Regulatory services have had a key role to play in ensuring compliance with national guidance. Income streams for services such as the leisure centres and theatre showed some signs of recovery during 2021/22 but income from car parking remains significantly below pre-pandemic levels. The long-term impact of the pandemic is expected to be an acceleration of the existing shift towards more online retail and working from home, both of which will reduce demand for town centre and high street parking. The impact of this will be considered as part of the long-term masterplan for the town centre which could include releasing land currently used for parking for business premises or housing, which in the longer term would offset the lost revenue from the car parks.

3.6.3 The MTFS includes funding of £1.9 million per annum from 2024/25 to meet the costs of the new Strategic Environment Contract, which will deliver key services such as waste and recycling, street cleansing and grounds maintenance from April 2022. In addition, funding of £5.4 million has been allocated from the budget strategy reserve to meet costs in earlier years.

3.6.4 The Environment Act 2021 sets out a number of changes in respect of waste collection. The details of changes are currently still awaiting consultation so may change. The Council's waste collection and disposal strategy will be reviewed in the light of guidance on the provisions in the Act and further changes expected in secondary legislation, but there are likely to be significant financial and service design implications.

3.6.5 In January 2021, Full Cabinet approved the preparation of a feasibility study and business case into the acquisition of land for the extension of Woodlands Cemetery. The indicative revenue costs of the preferred option have been built into the updated MTFS with ongoing funding of £351,000 in 2022/23, falling to £296,000 per annum from 2023/24. This will be utilised pending approval by Full Cabinet of the land purchase and associated prudential borrowing.

3.6.6 A significant element of the capital programme sits within the Environment and Infrastructure cabinet portfolio, the majority of which relates to programmes associated with UK Central. In line with the Council's strategy for local transport, the capital programme also includes projects to expand cycle routes, improve public transport and maintain and improve the road network. The Council will also be working with key partners to support the delivery of the Birmingham 2022 Commonwealth Games, which represents an opportunity to showcase the borough on a global stage.

4. RESOURCING

4.1 Revenue

4.1.1 Local government revenue spending is funded from three main sources: council tax, revenue support grant and a share of business rates income. As part of the West Midlands business rates pilot, Solihull has not received revenue support grant since April 2017 and instead retains a greater share of the business rates income we collect.

4.1.2 Local authorities also receive specific grants, mostly from central government or non-departmental government organisations, in support of particular services, projects or activities. Significant grants include the Dedicated Schools Grant (DSG) and Public Health grant. Councils can also levy fees and charges for certain services, some of which are set nationally and others over which the Council has discretion. The general principle for discretionary charges is that they should cover the cost of providing a service rather than generating a profit. The Council presents its revenue budgets as net of specific grants and other income.

Retained business rates

4.1.3 Under the existing national system of partial rates retention, local government retains 50% of business rates income with the remainder payable to central government for redistribution through government grant. The proportion of business rates retained locally had been expected to increase to 75% but, following delays due to the coronavirus pandemic, this is now considered less likely. However, the government has committed to updating the assessment of needs and resources used to determine individual authority funding allocations, and the announcement of a one year settlement within a three-year spending review period provides the flexibility for that to be achieved.

4.1.4 Further details of the government's intentions in respect of local government funding are expected to emerge during 2022, but the methodology for the redistribution of resources between local authorities is expected to be updated from 2023/24. The updated mechanism is expected to reflect the government's Levelling Up ambitions with relative needs and resources given more priority in the new distribution. It is anticipated that the effect will be to shift resources away from councils such as Solihull which are considered to be relatively less deprived, but at this stage it is not possible to quantify the possible impact.

4.1.5 In the meantime, the West Midlands business rates retention pilot will continue in its existing form for 2022/23, where the region as a whole retains 100% of the business rates it collects. The West Midlands Combined Authority receives a share of the growth in business rates income, while the remainder of the business rates collected in the region is retained by the seven West Midlands metropolitan districts. The West Midlands Fire and Rescue Authority continues to receive 1% of the business rates collected.

4.1.6 The member authorities will therefore once again receive windfall income as a result of the way in which the Department of Levelling Up, Housing and Communities (DLUHC) measures business rates growth. In theory, the requirement to make good any losses experienced by the other pilot members as a result of the pilot could reduce the windfall income available to the remaining authorities to nil, and so any windfall income received to date has been contributed to a reserve.

4.1.7 To date there have been no such calls on the windfall income, and it was therefore agreed that the forecast amount for 2022/23 should be used to top up the budget strategy reserve, with no amounts earmarked for new service priorities or investment decisions.

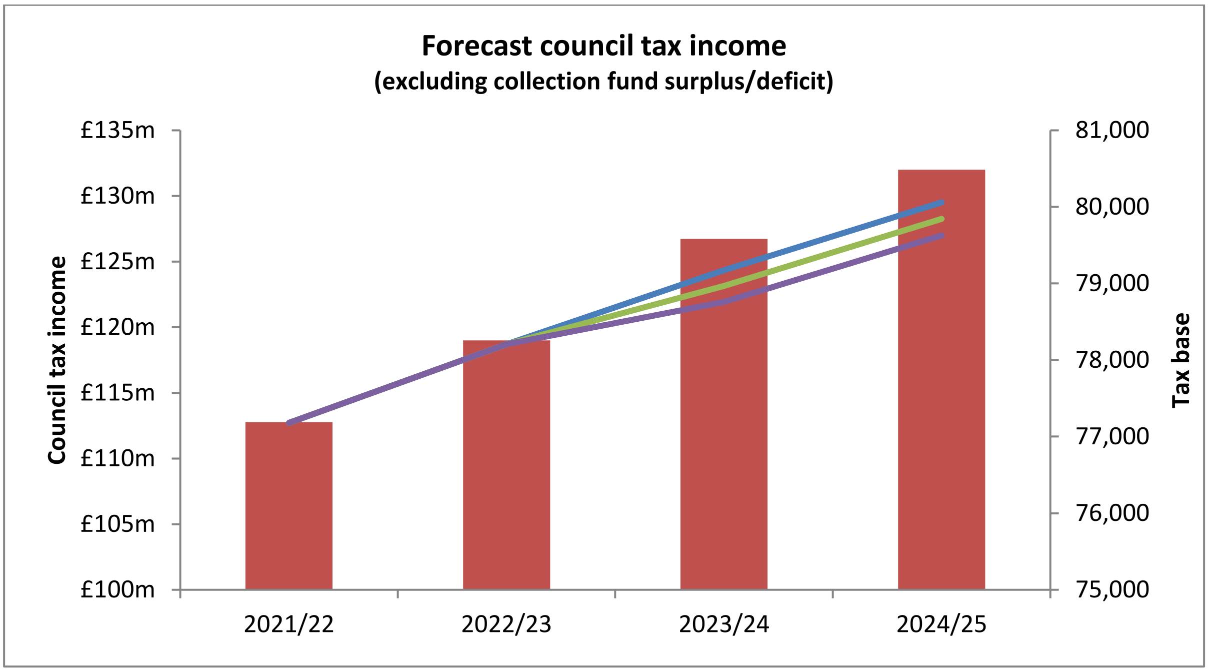
4.1.8 Looking ahead, the future of the pilot remains uncertain. Policy documents accompanying the Spending Review in October 2021 included costings for the continuation of existing arrangements, but if the government's plans to increase the share of rates retention nationally are shelved then it seems unlikely that the pilot schemes would continue in their current form. However, the continuation of increased business rates retention arrangements for specific areas, such as the mayoral combined authorities which are currently involved in pilots, could be consistent with the Levelling Up agenda once baselines were reset. It is therefore considered reasonable to assume that an element of the resources currently received as windfall income will continue for the duration of the MTFS period, probably as mainstream funding rather than a separately identifiable amount. This assumption should however be treated with some caution, particularly as it is not clear how funding arrangements for the West Midlands Combined Authority, which currently receives a locally determined share of business rates growth, would operate under a new financing regime.

Council tax

4.1.9 Council tax remains the most significant source of income for Solihull, funding 73% of the net revenue budget in 2022/23. The Council has experienced a sustained period of growth in the council tax base for some time and the MTFS assumes this will continue, albeit at a slower rate than in recent years. Prior to 2020/21, the council tax reduction support caseload had been steadily falling but the impact of Covid-19 has resulted in an increase in the number of claimants. The MTFS assumes the caseload will return to pre-pandemic levels by 2024/25.

4.1.10 The government has confirmed that the referendum threshold for increases in core council tax will be 2.0% in 2022/23, with a further increase of up to 1.0% allowed in respect of the social care precept. In addition, the Council could have increased the social care precept by a further 1.5% in relation to flexibility granted in 2021/22. The level of increase ultimately recommended to Full Council each year will be determined through the budget process in the light of the prevailing financial conditions, but for planning purposes the MTFS assumes a 2.99% increase in 2023/24 and 2024/25. For illustrative purposes, an increase of 1% in council tax equates to just over £1 million of income (based on the 2022/23 tax base).

4.1.11 The columns in the chart below show the projected increase in the council tax base over the period, set against the overall forecast council tax income (shown as a blue line and based on increases of 2.99% per annum from 2023/24). In order to illustrate the effect of lower increases in council tax, the green line shows the level of council tax income at an annual increase of 1.99% and the purple line shows the council tax income generated from an increase of 0.99%.



Non ring-fenced grants

4.1.12 The Council's most recent Statement of Accounts detailed a total of £86 million of government grants received in 2020/21 that were not ring-fenced to specific services. The majority of this funding (£78 million) related to Covid-19, notably funding for business rates reliefs, with the balance made up of other business rates grants and the New Homes Bonus. Historically councils received significant funding from central government through the revenue support grant (RSG), but the grant has fallen considerably since the introduction of business rates retention in April 2013.

4.1.13 In 2021/22 the government continued to provide additional funding via specific grants to support the local response to the coronavirus pandemic and to mitigate additional costs and income losses experienced by councils associated with Covid-19. In addition, funding received in 2020/21 which was not required until later years was contributed to reserves and will be released over the period of the MTFS in line with the anticipated profile of Covid-19 pressures.

4.1.14 The New Homes Bonus (NHB) scheme provides local authorities with a non ring-fenced grant, equal to the national average for the council tax band on each additional property built in its area, or on each long-term empty property that is brought back into use. The government sets a baseline (0.4% for 2022/23), below which growth is discounted for the purpose of calculating NHB entitlements. The scheme is funded from a national top-slice of revenue support grant, and in previous years the amount not required for distribution through the NHB has been returned to local authorities as a separate grant. Solihull will receive NHB payments totalling £1.325 million in 2022/23, including a legacy payment relating to 2021/22. The future of the NHB scheme beyond 2022/23 remains uncertain with the government considering plans for reform, but in the absence of any firm proposals the MTFS assumes the continuation of the existing scheme.

4.1.15 Since 2019/20 the government has provided local authorities with a non ring-fenced grant for social care, with local discretion over the split between adults' and children's services. As part of the finance settlement for 2022/23, the social care grant was increased from £5.374 million, which the Council divides equally between adults' and children's services, to £7.517 million. The increase of £2.143 million has been built into the MTFS to fund part of the additional allocation to children's services.

4.1.16 As a member of the West Midlands business rates pilot, Solihull no longer receives RSG from the government, but instead retains a greater share of business rates income. This share declined each year to 2019/20 in line with the reductions in RSG over the four-year funding offer period, but the 2019/20 allocations have since been rolled forward each year to 2022/23. The MTFS assumes that an amount equivalent to the 2022/23 share continues to be received from 2023/24 onwards in transitional funding as part of the Fair Funding Review.

4.1.17 Since the introduction of business rates retention in April 2013, the government has made a number of policy announcements affecting the amount of business rates that local authorities can collect, such as increasing the amount of relief available to certain businesses and restricting the increase in the multiplier. In order to protect councils from the impact of these decisions, the government compensates local authorities for the resulting loss in income through specific non ring-fenced grants ("section 31 grants"). The value of these grants will increase each year, representing the cumulative impact of government policy decisions since 2013/14, until the business rates system is reset, when the baselines are expected to be updated. In 2021/22 the government provided additional reliefs in recognition of the particular impact of the pandemic on retail, hospitality and leisure businesses, with the cost to local authorities funded from section 31 grant. This grant (totalling £22 million for Solihull) was contributed to a reserve in order to fund the related share of the business rates deficit in 2022/23 and this is shown at the bottom of the MTFS on page 37.

Ring-fenced grants

4.1.18 The Council received £231 million of revenue grants from government that were ring-fenced to specific services in 2020/21, plus a further £23 million in respect of Covid-19 pressures. The majority of the specific grants received by the Council are in respect of education services, including £114 million in Dedicated Schools Grant, which funds maintained schools, and £11 million in additional grants to fund such activity as PE and sport in schools, sixth forms, pupil premium and universal free school meals for infants.

4.1.19 The Council also receives Public Health grant which is intended to support local authorities in their statutory duty to improve the public health of their populations. The allocations for 2022/23 have yet to be announced but the government has confirmed the grant will be maintained in real terms over the spending review period. The Council's spending on public health is largely committed to contracts for specific services, which has meant that managing the impact of funding reductions in recent years has been challenging.

4.1.20 The Better Care Fund (BCF) is a national programme set up to encourage health and social care integration by requiring clinical commissioning groups and local authorities to enter into pooled budget arrangements and agree integrated spending plans. The pooled budgets are made up of CCG funding as well as local government grants, one of which is the improved Better Care Fund (iBCF). The iBCF was first announced in the 2015 Spending Review and was increased in the 2017 Spring Budget. The government has confirmed inflationary increases for the iBCF and the MTFS makes a similar assumption for the BCF.

4.1.21 The withdrawal agreement between the UK and the EU provides that the UK will continue to participate in the European Structural Investment Fund (ESIF) 2014-2020 until all projects end in December 2023. The Council currently has eleven projects with funding agreements in place. The total value of grants approved for these projects, including grants received to date, is £21.8 million.

4.1.22 For the purposes of the MTFS, most specific service grants are shown as net nil, as the income is matched against an equivalent amount of forecast expenditure.

Fees and charges

4.1.23 The Council received £105 million in fees, charges and other service user income in 2020/21 – this was significantly lower than in previous years as a result of the impact of the coronavirus pandemic. Such income supports the expenditure of individual service areas and as such each service area has responsibility for determining appropriate fees and charges for recommendation to Full Cabinet for approval. Although the MTFS assumes a general inflationary increase for fees and charges income, increases in the fees and charges set for individual services vary depending on any statutory requirements, specific market considerations and also on the objectives a particular service may be trying to achieve through its charging structure (for example to encourage or discourage certain behaviour).

4.1.24 Income from fees and charges was severely affected by the restrictions imposed as a result of the coronavirus pandemic and although many of these restrictions were lifted during 2021/22 some income streams have been slow to recover. The Council will be looking to redesign services where it becomes apparent that longer term changes in customer behaviour will affect demand on a permanent basis.

Investment income

4.1.25 One of the objectives of the Council's treasury management function is to ensure that cash is available when needed to meet the Council's obligations. As outlined in the Treasury Management Strategy, surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, with security and liquidity taking priority over investment return. For 2022/23, the target rate of return on investments is 0.25%, which will be monitored throughout the year. As at 31 December 2021, the Council held investments totalling £97.5 million.

4.2 Capital

4.2.1 Funding for the capital programme primarily consists of a combination of prudential borrowing, specific capital grants and capital receipts from the sale of council assets. The Council's capital programme is divided into two parts, the corporate and the self-funded programme.

4.2.2 Prudential borrowing and receipts from the disposal of assets (with the exception of those related to housing and schools) are considered corporate resources which are utilised to fund the corporate capital programme. The self-funded capital programme is supported by grant allocations and any revenue or third-party contributions.

4.2.3 The Council continues to face the challenge of effectively prioritising and managing capital investment. To ensure the capital programme is affordable, the Corporate Capital Strategy must take into account the level of funding both from government and future capital receipts. It will consider the existing capital programme commitments and ensure they are still relevant in meeting the Council's priorities.

4.2.4 The Council will explore all sources of capital funding to facilitate the delivery of the Council's priorities. The Council recognises that the co-ordination of bids for external funding is a key requirement to both maximise the level of external funds the Council receives and to improve the strategic focus of the bids made to enable the delivery of key initiatives.

Capital grants and third-party contributions

4.2.5 The Council received around £26 million in capital grants and contributions in 2020/21, the majority of which related to schools and highways projects. Specific grants and third-party contributions are usually subject to conditions determining the purposes for which they must be used. Service areas may also make contributions to specific capital projects from their revenue budgets. In future years it is anticipated that grant income could increase significantly as WMCA funding is received.

4.2.6 Increasingly, large capital projects are dependent on external grants, specific government funding or partnership arrangements. Examples in the capital programme include HS2 infrastructure works, Solihull town centre heat networks and the Kingshurst town centre project.

4.2.7 The Council charges a community infrastructure levy (CIL) on new developments. Income raised from CIL can be used to support development by funding infrastructure improvements across the borough. This can include transport schemes, flood defences, schools, health and social care facilities, parks and green spaces and cultural and sports facilities.

Capital receipts

4.2.8 The Corporate Capital Strategy is supported by the Council's corporate Asset Management Plan which includes an objective to optimise the Council's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets.

4.2.9 The difference between the capital receipts funding available and the capital receipts approved to fund capital programme schemes is shown in the table below. This shows that currently there is a forecast surplus available for allocation over the next three financial years, however this value is dependent on future receipts being received in line with current forecasts. The projected three-year forecast indicates limited receipts will be available in the short term, however, historical receipts which have yet to be allocated ensure a cumulative surplus in available capital funding.

	2022/23 £m	2023/24 £m	2024/25 £m
Forecast cumulative surplus	4.901	4.313	13.787

4.2.10 The Council will continue to realise the value of any properties that have been declared surplus to requirements in a timely manner, having regard to the prevailing market conditions. Full Cabinet is responsible for deciding how corporate capital receipts are to be utilised in line with Council objectives and the Corporate Capital Strategy.

4.2.11 As part of the budget process for 2022/23, the Budget Strategy Group reviewed the capital programme to identify opportunities to release revenue funding for the MTFS. This review identified c£600,000 of revenue costs which could be capitalised and £3 million of capital projects which could be funded from capital receipts, thus releasing revenue resources to be contributed to the budget strategy reserve.

Prudential borrowing

4.2.12 Prudential borrowing provides some flexibility in relation to funding for the capital programme. It has been used to support the delivery of major projects such as the North Solihull Regeneration programme, the new care home at Tanworth Court and ICT projects.

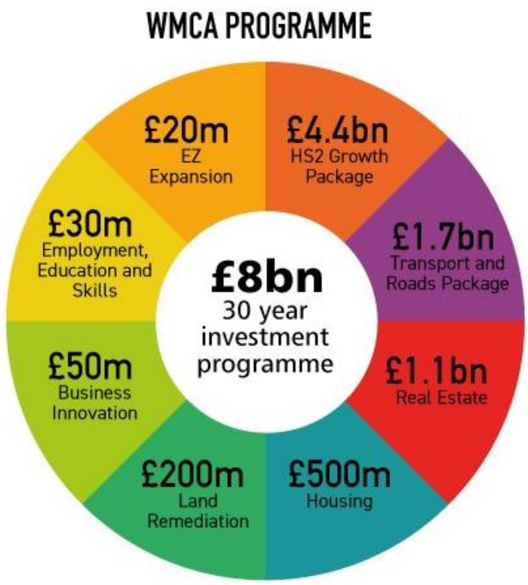
4.2.13 The current MTFS includes £350,000 of additional revenue funding over the period to support prudential borrowing. As the capital programme is updated, any new prudential borrowing requirements will be determined and built into the MTFS as required.

4.3 West Midlands Combined Authority

4.3.1 The West Midlands Combined Authority (WMCA) was formally established in June 2016 with the responsibilities of the Integrated Transport Authority. The WMCA is led by the elected mayor, Andy Street, and the leaders of the seven West Midlands metropolitan districts. The WMCA also has non-constituent members, including the region's three local enterprise partnerships and other neighbouring local authorities.

4.3.2 The WMCA's Strategic Economic Plan (SEP) sets out the vision, objectives, strategy, and actions to improve the quality of life for everyone who lives and works in the West Midlands. The SEP's ambition is based on the recognition that, through devolution, and the creation of the WMCA, the region has a once in a lifetime opportunity to transform the area through a robust and focused programme of investment for change.

4.3.3 The figure below shows the breakdown of the WMCA's original 30-year investment programme.



4.3.4 Of that total of £8 billion, £2 billion was to be provided directly by the WMCA funded from its own resources, supplemented by £6 billion drawn from a range of complementary funding streams. However, in 2020, in the face of a number of affordability issues, that £2 billion contribution was capped at £872 million. This cap will remain in place until such time as the WMCA is able to secure alternative funding solutions.

4.3.5 Solihull MBC leads on two of the major initiatives within the Investment Programme, these being the UK Central HS2 Interchange and the UK Central Infrastructure programmes. These programmes include a number of infrastructure and development projects designed to unlock the opportunities that the unique concentration of strategic economic assets in the borough (not least the planned HS2 interchange station) presents to bring about positive change and sustainable inclusive economic growth across Solihull and the wider region. Within the original £2 billion limit these totalled £398 million and £288 million respectively but were then capped at £63 million and £44 million as part of the affordable limit referred to in the paragraph above.

4.3.6 The Council, both directly and through the Urban Growth Company (UGC) (our wholly owned special purpose delivery vehicle), is working with the WMCA to realise these shared ambitions through the UK Central Investment Programme (UKC). This includes working with wider stakeholders to replace some of the funding that has been temporarily lost through the imposition of the cap. To that end a £50 million grant from central government was secured during 2021/22 and the arrangements are currently being finalised to supplement this with a further £50 million WMCA loan.

4.3.7 Solihull is also a member of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP), set up in 2010 between business, local government and education with three strategic priorities for the city region: to become a world leader in innovation and creativity, to exploit our role as an international gateway and to spread opportunity and prosperity to all sections of society. The LEP has agreed three Growth Deals with government, levering in £433m of Local Growth Fund – a pipeline of capital investments that will generate jobs, improve transport links, create homes, and upskill local residents.

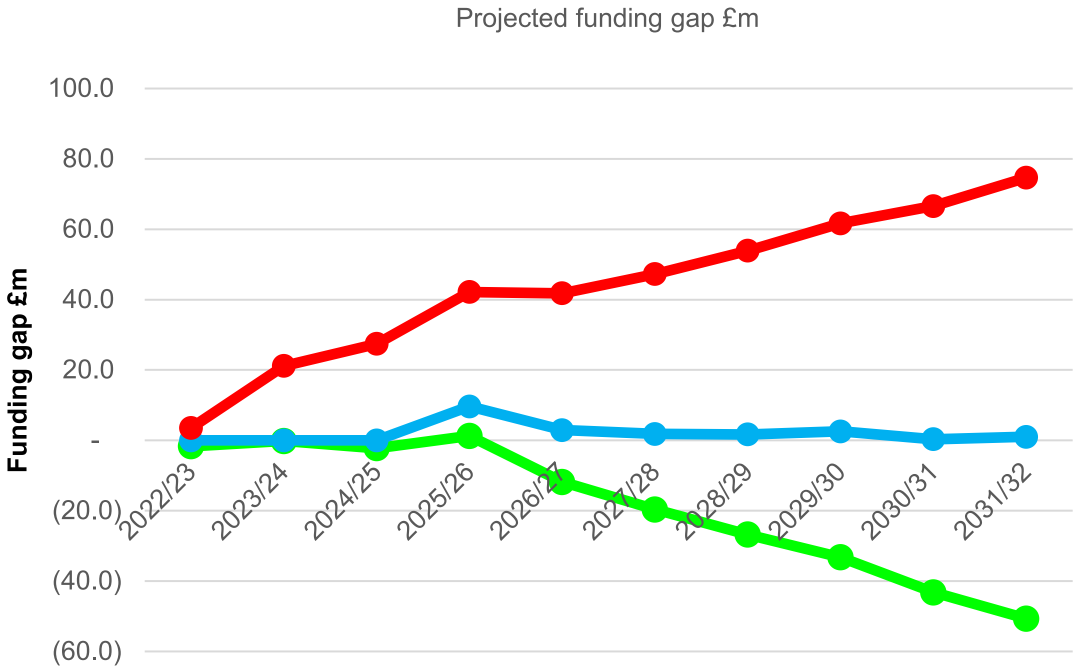
4.4 Revenue funding gap

4.4.1 The Council has experienced a period of sustained increase in demand for some of the key services it provides to the most vulnerable members of the community, particularly within adult social care and children's services. There is no sign of the growth in these areas declining in the foreseeable future and based on the current evidence it is more likely that growth will continue in the period covered by this plan.

4.4.2 Over the same time period, projections for retained business rates and government grant remain highly uncertain. At this stage it is difficult to predict the impact of Covid-19 and Brexit on the future financial envelope for public services, while the lack of clarity over how local government resources will be distributed means that funding forecasts must be treated with some caution.

4.4.3 Based on current assumptions, the MTFS is balanced over the period, with no new savings required corporately in 2024/25. However, given the prevailing uncertainty, modelling has been undertaken to assess the impact of different scenarios on the MTFS over the longer term.

4.4.4 Looking ahead to the longer term, the chart below shows the projected funding gap over the next ten years based on the current assumptions in the MTFS (the blue line). The chart also shows the impact of varying some of the key assumptions under alternative scenarios, with a more optimistic projection shown as Scenario A (the green line) and a more pessimistic projection as Scenario B (the red line). Clearly in reality it would be unlikely that all the assumptions in each scenario would be realised at once, but as headlines these give an indication of the potential level of variability within the MTFS assumptions.



4.4.5 The key assumptions varied in each scenario (compared to those used in the MTFS for 2025/26 onwards) are summarised in the table below.

	Base assumption	Scenario A	Scenario B
Council tax base growth	0.50%	1.50%	0.00%
Council tax increase	2.99%	3.99%	1.99%
Business rates increase	2.60%	3.60%	0.00%
Pay inflation	2.00%	1.50%	3.50%
Contractual inflation – core	2.00%	1.50%	4.00%
Contractual inflation - specific contracts	2.90%	2.50%	5.00%
Emerging service pressures	£3m	£1.5m	£5m

4.4.6 It should be noted that in the absence of a distribution methodology for 2023/24 and beyond, any projections into the medium term are speculative and should be treated with caution.

THE COUNCIL'S RESPONSE

4.4.7 The Council's MTFS approach has three key strands:

- Managing demand;
- Maximising income generated locally; and
- Reducing costs.

4.4.8 In addition, in recognition of the ongoing effects of the coronavirus pandemic on the operation and financial position of the Council and on our residents and our businesses, the MTFS is aligned to the Council Plan's focus on supporting the most vulnerable.

4.4.9 The Covid-19 pandemic has been transformative and the Council's priority over the short and medium term will be on protecting our most vulnerable residents and supporting the borough towards a fair and sustainable future.

4.4.10 Compared to the UK, Solihull has historically higher levels of GDP output, higher productivity, above average job growth, above average wages, a higher proportion of high-growth firms, a better than average business survival rate and a workforce that is more likely to have higher qualifications. These strengths mean that the borough is relatively well-placed to weather any adverse financial and employment impacts from the economic shock caused by Covid-19.

4.4.11 However, the direct health impacts of Covid-19 have been unequally felt across the population, with infection and mortality rates higher in those aged over 80, those from black and minority ethnic backgrounds and those living in more deprived areas. Indirect health impacts include the potential benefits of lower air pollution, lower rates of other infectious diseases and fewer occupational injuries, but there are also concerns about the longer-term effects of the public health restrictions on mental health, child nutrition and physical activity levels. Health inequalities in the UK have widened over the last ten years, alongside the worsening of many of the social determinants of health, and the fall-out from the pandemic is expected to reinforce these trends. In Solihull, the communities most at risk from a further widening of the inequality gap are those in the most deprived neighbourhoods, particularly in North Solihull but also in parts of Elmdon, Lyndon, Olton, Silhill and Shirley.

4.4.12 Through the MTFS the Council has sought to safeguard the services it provides, particularly to those most vulnerable residents, by allocating additional resources to support children's services and key community-facing services. Taking on greater risk in our funding assumptions has enabled us to protect key services from budget reductions: a position supported by our strategic reserves.

4.5 Managing demand

4.5.1 Our borough has great strengths, including a resilient economy and high-quality places to live but also faces challenges: meeting the needs of our changing population, managing spending within constrained budgets and ensuring that growth generates opportunities for all.

4.5.2 Our Council Plan outlines our strategic and operating model for the Council, which makes best use of data to identify who is accessing our services, how and why. This includes customer mapping and segmenting the population into groups of key service users, with whom we work in different ways according to their needs.

4.5.3 As a local authority we provide a range of services, some of which are used by or available to every resident in the borough and others which are only used by a small number of people with specific needs. In designing our offer we have divided our services into three categories (universal, targeted and specialist), each with a different focus and a different proposal. Each of these categories is underpinned by support services which need to be equally efficient and focused.

4.5.4 We are continuing to develop these services based on the following principles:

4.5.5 Enabling independence is a theme that runs throughout these offers. This means encouraging and supporting residents to do as much as possible for themselves, looking out for those around them and coming together with others to tackle local issues. We do however recognise that for many individuals, their resilience has been shaken by the pandemic and that in the short term some residents will need more help through our targeted and specialised services.

4.5.6 We will also work creatively with partners to deploy our resources more effectively, each partner doing what they are best placed to do. Transparency, honesty and truth will underpin this partnership approach.

4.6 Maximising income generated locally

4.6.1 The second strand of the Council's approach is to maximise the income it generates from business rates and council tax.

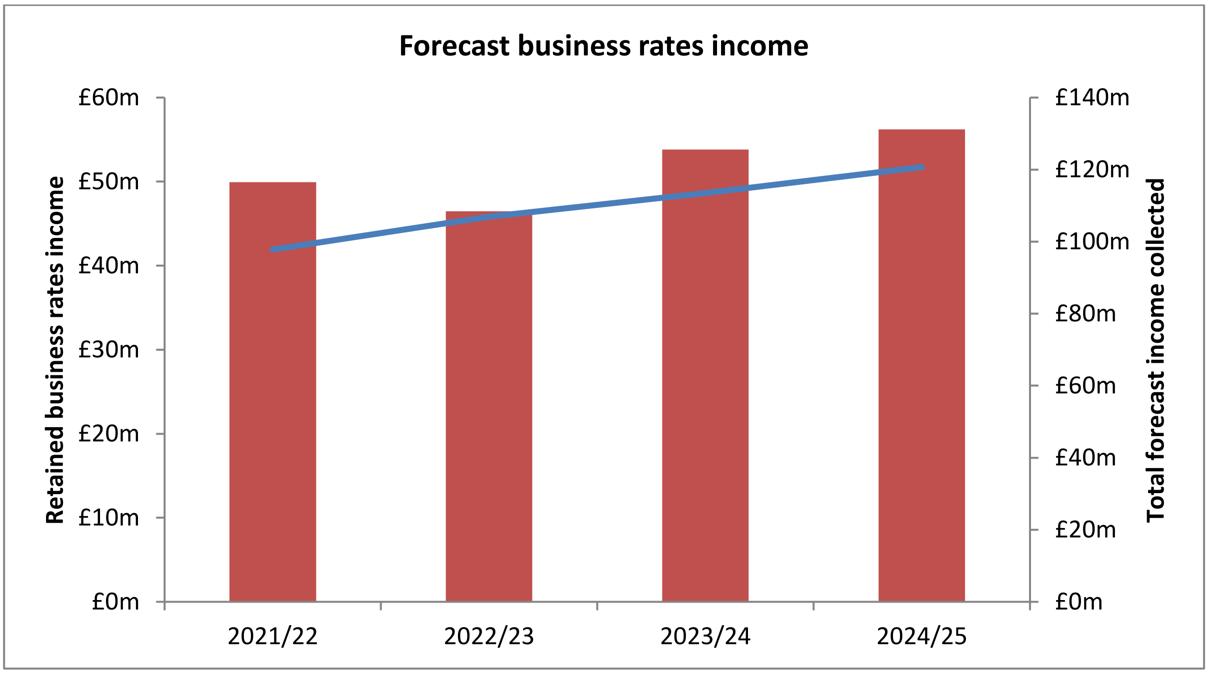
4.6.2 Solihull's unique concentration of strategic economic assets (the international airport, the National Exhibition Centre, Jaguar Land Rover, the business parks, the town centre, transport infrastructure and the environment/ green belt) give it a critical role in the regional economy – with analysis demonstrating that for every job these assets support in Solihull, there is another one in the West Midlands.

4.6.3 The Council is at the forefront of exciting plans to maximise the benefits of high-speed rail with the development of UK Central, a multi-million pound project which will deliver infrastructure and commercial improvements for the whole of the West Midlands. Coordinating this growth potential with investment and development at the NEC and the airport, together with investment in local and regional transport connectivity and a coordinated, long-term approach to skills will maximise benefits for the entire region and the UK as a whole.

4.6.4 We know that securing economic growth is not an end in itself, but is a means of achieving wellbeing, inclusion and shared prosperity – it is two sides of the same coin, a metaphor and principle we have put at the heart of the Council's policy making. We also want to manage economic growth to minimise the impact on the attractive living environment which is so important to our residents.

4.6.5 The MTFS assumes an underlying level of growth in our net business rates yield consistent with the government's assumptions for inflation, plus an estimate of the additional business rates income that would be generated from anticipated new developments in the borough over the period.

4.6.6 The graph below illustrates the forecast growth in business rates income over the period of the MTFS: the columns represent the total forecast rates collected in the borough while the line represents the income retained by the authority. Forecasts remain very sensitive to the impact of successful backdated appeals and there is an ongoing risk to the business rates base in the light of both the difficult trading conditions for sectors such as retail, hospitality and leisure, and the impact of continued uncertainty over Brexit, particularly on manufacturing.



4.6.7 Furthermore, as noted elsewhere, at this stage there is insufficient detail as to the design of the future business rates retention scheme to be able to forecast the impact on the MTFS with any accuracy which, combined with the impact of Covid-19 and Brexit on the national and local economy, means that these forecasts should be treated with some caution.

4.6.8 Backdated appeals continue to have a significant effect on our in-year projections of business rates income and present a significant risk to the assumptions in the MTFS.

4.7 Reducing costs

4.7.1 The final element of the Council's response is to continue to manage costs effectively. Historically low levels of funding, both from central government and through a relatively low Band D council tax, have required the Council to adopt innovative approaches to improving efficiency. In recent years the savings requirement has been driven by specific pressures in adults' and children's services rather than a more general need to balance spending to forecast funding levels, while for the updated MTFS the focus has been on recovering to a pre-Covid position, with costs managed within each service where possible.

4.7.2 The Council has a three-year budgeting approach, which means that each year the budget process is focused on balancing the indicative budget for the third year of the strategy (with the two earlier years having already been dealt with). This provides services with the stability and certainty they need and enables savings delivery to be properly planned, consulted upon and implemented. As a result of this approach, Solihull is in a resilient financial position despite the challenging climate for local government, with clear three-year plans set out to achieve a balanced budget up to 2024/25.

4.7.3 As outlined above, the budget process for 2024/25 did not require any new corporate savings to be identified to address the funding gap in the third year, but the MTFS includes savings approved in previous years. In addition, spending reductions totalling £18.4 million were identified within service areas across the period of the MTFS to mitigate emerging pressures.

4.7.4 A group of senior officers closely monitors the delivery of savings and planned mitigations and supports the management and mitigation of any anticipated shortfalls throughout the year. Changes to the financial planning assumptions which affect years one and two of the MTFS are managed through a budget strategy reserve, which also mitigates risks around some of the key assumptions underpinning the MTFS and contributes to the financial resilience of the Council.

4.7.5 That said, the one-year finance settlement has created some additional uncertainty around whether any further savings will be required in 2023/24 and 2024/25 once the funding envelope for those years is confirmed. This uncertainty is mitigated by the existence of the Council's budget strategy reserve, as outlined in section 5 below.

5. RISK MANAGEMENT AND RESERVES

5.1 Risk management approach

5.1.1 In setting the revenue and capital budgets, the Council takes full account of the known key financial risks that may affect its plans. The most significant financial risks on the corporate risk register are either being explicitly provided for in the 2022/23 budget or are covered by the budget strategy reserve, as shown in the table below.

Risk (extracted from the corporate risk register)	Mitigating action (extracted from the corporate risk register)	Provision through the MTFS
Risks to MTFS delivery due to pressures in children's services, social care reforms, the new Strategic Environment Contract (SEC) and the impact of Covid-19	Updated MTFS 2022/23 – 2024/25 balanced by the council tax increase and the business rates windfall	Specific investment to mitigate pressures in children's services and fund SEC Covid-19 funding contributed to reserves for use over the MTFS period ASC reserve available to mitigate financial risks associated with social care reforms Additional contribution to children's social care reserve to manage fluctuations in demand Unallocated reserves (budget strategy reserve) available if required

Risk (extracted from the corporate risk register)	Mitigating action (extracted from the corporate risk register)	Provision through the MTFS
Failure to meet statutory duties and deliver a balanced budget in the context of nationally recognised pressures facing Adult Social Care, including the impact of Covid-19	Implement MTFS plans with oversight of budget, performance & quality position via DLT and reporting to ARTOP and CLT as required	Share of social care grant Continuation of additional funding for demographic pressures Service reserve available to mitigate unfunded risks

5.1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) maintains an index of financial resilience for English councils which assesses each authority against a number of indicators, including levels of reserves, external debt and auditors' judgements, in order to illustrate each council's financial position relative to that of comparator authorities. The index was developed with the intention of highlighting areas of potential risk to councils' financial stability and informing the judgement of the chief finance officer on the robustness of budgets. CIPFA acknowledges that the index should not however be viewed in isolation and its interpretation will depend to a large degree on the local context specific to each authority.

5.1.3 The index is based largely on outturn figures reported through government returns, which means that there is a lag between spending decisions being made and the effect being visible in the index. The pandemic has had an impact on the latest publication, as the data relates to 2020/21 when authorities' patterns of income and expenditure would have been distorted by higher levels of grant funding and lower fees and charges income, as well as by the contribution of carried-forward grant funding into reserves at the year end.

5.1.4 Solihull's results suggest that for the majority of the indicators used the authority falls in the average to low risk category compared to our statistical nearest neighbours and other metropolitan districts. The index suggests that Solihull has relatively high levels of unallocated reserves (such as working balances and the budget strategy reserve) which it is using at a sustainable pace.

5.1.5 However, there are two measures where Solihull appears to be higher risk compared to both comparator groups: firstly relating to business rates growth and the potential impact on the Council of changes to the design of the business rates retention scheme, and secondly to spend on social care.

5.1.6 The social care indicator is the ratio of total spending on adults' and children's social care to net revenue expenditure, which has increased for both services since 2019/20. Solihull is now second to Rotherham on this measure in the metropolitan districts group, and second to Swindon in the nearest neighbours group. This indicator is further broken down between adult social care, where our spending is relatively high compared to other metropolitan districts, and children's services, where our spending is relatively high compared to our nearest neighbours.

5.1.7 CIPFA suggests that higher spend on statutory demand-led services means that there is less flexibility in a council's budget which therefore indicates greater risk. For Solihull, these indicators reflect the allocation of additional resources to adults' and children's services in recent years, in recognition of the particular demand pressures on social care. However, flexibility in the budget is maintained through the Council's three-year budget approach, supported by the budget strategy reserve, which allows the authority to respond to changes in financial planning assumptions over the course of the MTFS.

5.1.8 The relatively high level of unallocated reserves (e.g. the budget strategy reserve) maintained by the authority, as evidenced by the measures relating to reserves, also reflects the fact that the Council is aware of the business rates risk and has plans in place to mitigate it. It should also be noted that retained business rates income provides less than a third of the Council's funding, with the majority coming from council taxpayers – a more stable and predictable funding stream.

5.1.9 In addition, officers test the impact of varying key assumptions in the medium term financial strategy to assess the sensitivity of the indicative budget figures. This informs decisions about the level of balances needed to provide assurance as to the robustness of the budget estimates.

5.2 Reserves

5.2.1 The Council is required to maintain adequate financial reserves to meet the needs of the organisation. The reserves we hold can be classified as either working balances, which are held to cushion the impact of uneven cash flows or unexpected events, or as specific reserves which are earmarked for a particular purpose.

5.2.2 The Council will seek to optimise the use of its reserve balances in delivering priorities, making decisions on a corporate basis and observing opportunities to maintain an appropriate balance between short term expenditure and long term investment.

5.2.3 More specifically, the approach will be informed by:

- The need to maintain working balances to mitigate the key risks faced by the Council, as expressed in our corporate risk register;
- The requirement to hold some earmarked reserves to protect against specific known or potential liabilities, but kept to a minimum consistent with adequate coverage of those liabilities and reviewed annually as part of the budget process.
- A general assumption, to be applied flexibly subject to specific financial circumstances, that one-off resources will not be used to support on-going expenditure;
- The awareness that there is an opportunity cost of holding reserves (in that these funds cannot then be spent on anything else) – it is therefore critical that reserves continue to be reviewed each year to confirm that they are still required and that the level is still appropriate.

5.2.4 There are no plans to use working balances over the period covered by this strategy and as a result the anticipated balance at the end of each year is expected to remain at £6.0 million throughout.

5.2.5 However, as outlined above, there are considerable risks around a number of key assumptions underpinning the MTFS. The Council maintains a budget strategy reserve for the purpose of protecting against the non-delivery of targeted savings, manage any shortfalls against grant or business rates projections and provide a source of investment funding, for example to support managed growth, invest in prevention and early intervention and to finance capital projects.

5.2.6 The table below shows the forecast balance on the budget strategy reserve over the period.

	2022/23 £000	2023/24 £000	2024/25 £000
Anticipated balance as at 1 April	(8,495)	(10,453)	(10,226)
Contributions (to) / from	(1,958)	227	(850)
Anticipated balance as at 31 March	**(10,453)**	**(10,226)**	**(11,076)**

5.2.7 Together with the level of working balances, this reserve contributes to the financial resilience of the Council over the medium term.

5.2.8 The Council's earmarked revenue reserves are reviewed each year as part of the budget process. Any balances which are found to be no longer required are released to either mitigate in-year service pressures or to support the corporate savings requirement. A summary of the forecast position as at December 2021 is attached at Appendix D.

5.2.9 The Council also maintains capital reserves:

- The capital receipts reserve holds all receipts from the disposal of non-current assets, which can only be used to finance new capital investment or to repay debt.

- The major repairs reserve is held to meet the capital investment requirements of the Council's housing programme.

- The capital grants unapplied reserve holds capital grants without conditions, or where conditions have been satisfied but the grant has yet to be used to finance capital expenditure.

5.2.10 Taking into account the risks outlined above, the current and forecast level of reserves is considered adequate in the view of the Director of Resources and Deputy Chief Executive.

5.3 Contingencies

5.3.1 In addition to the business rates windfall contingency, the Council maintains separate contingencies, which represent working balances earmarked for specific purposes, for adult social care and public health.

6. CARBON REDUCTION

6.1 Background

6.1.1 Carbon reduction is a cornerstone of the global response to the climate change agenda and the UK government has set a legally binding target to reduce net emissions to zero by 2050. In October 2019, the Council pledged to be "net zero carbon" as an authority by 2030 and committed to setting annual carbon emission reduction budgets.

6.1.2 The basic approach to achieving this goal is firstly to reduce energy consumption, then switching to renewable energy sources. Once these changes have been made, any hard-to-eliminate emissions can be offset through the purchase of offset credits (an offset credit is created by removing the equivalent amount of carbon from the atmosphere).

6.1.3 The Council has set itself the following carbon emission reduction targets (measured against the baseline year of 2009/10):

- 45% reduction for 2020/21
- 50% reduction for 2024/25
- Net zero carbon by 2030

6.2 Progress to date

6.2.1 Following the switch to a zero carbon tariff for street lighting in October 2020, there are now two areas which together account for approximately 87% of the Council's emissions:

- Corporate properties, including offices, public buildings and operational areas;
- The strategic environment contract, including the collection and recycling of domestic waste and the management of parks and open spaces.

6.2.2 The majority of the remaining emissions comes from transport, including corporate vehicles and vehicles used by contractors on council services.

6.2.3 The Council has achieved the 2020/21 target, emitting 6,925 tonnes against the target of 8,857 tonnes: a reduction of 65% compared to the 2009/10 baseline. It was expected that the Council would meet the target, however it was an unusual year, with the temporary closure of leisure centres and the Civic Suite and the switch to a zero carbon tariff for street lighting. It is anticipated that the Council will also achieve the target for 2024/25, based on performance in 2019/20 and 2020/21.

6.2.4 The carbon budget for 2022/23 is summarised in the table below, compared to the actual and forecast outturn position for the two previous years.

	2020/21 outturn (tonnes)	2021/22 forecast (tonnes)	2022/23 budget (tonnes)
Corporate properties	3,477	4,665	4,440
Street lighting	459	0	0
Strategic environment contract	1,789	1,959	1,959
Other	1,200	1,200	1,200
Total	**6,925**	**7,824**	**7,599**

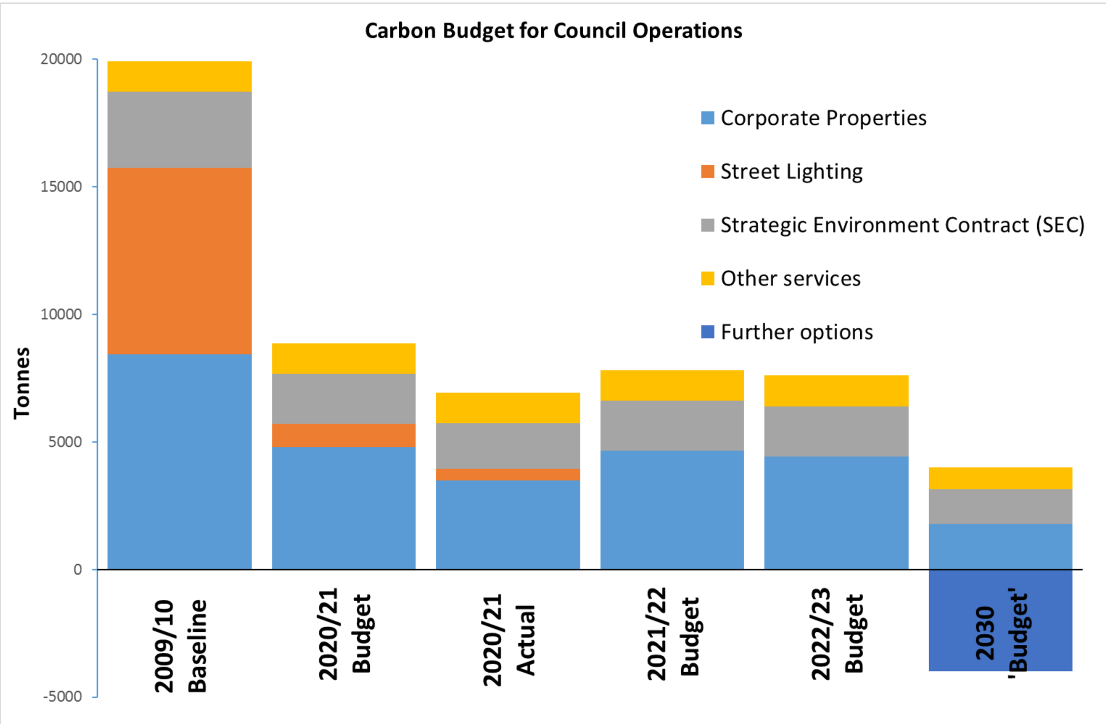
6.3 Target 'budget' for 2030

6.3.1 It is too early to meaningfully assess likely progress against the 2030 Net Zero Carbon Budget. The two voluntary targets above were set by reference to the 2009/10 baseline year. Because we have since agreed the new net zero carbon budget, the target reductions from 2021/22 will have to be increased more sharply in order to see a clear trajectory of reductions that are required year on year in order to achieve the ultimate goal of net zero carbon by 2030.

6.3.2 Planned actions for 2022/23 include:

- Review current targets and compare to national and global science-based targets;
- Ensure governance is in place with regular reporting, and consider how the carbon budget aligns with wider borough targets;
- Produce draft Zero Carbon Energy Plan and assess financial implications; and
- Produce draft Offsetting Plan with initial assessment of offsetting opportunities.

6.3.3 The chart below shows the progress to date and the projected position to 2030 across each of the main areas identified above. In line with the budget process these figures are reviewed and updated annually as plans are refined.



7. MTFS CYCLE

7.1 Process

Revenue

7.1.1 The revenue budget cycle begins in the summer when directorate leadership teams consider options for the forthcoming budget cycle in the light of the previous year's outturn position. At the same time, the assumptions underlying the projections in the MTFS are reviewed and updated where possible so that the cross-party Budget Strategy Group can agree a savings target for the third year of the MTFS. Senior officers work with their cabinet portfolio holders to develop budget proposals which are reported to the Budget Strategy Group for consideration in October and November.

7.1.2 The Budget Strategy Group's recommendations are shared with all members at a seminar in December, following which they are reported to scrutiny boards for more detailed consideration. Full Cabinet receive scrutiny feedback alongside the Budget Strategy Group recommendations to enable members to agree a final budget recommendation to Full Council in late February or early March. Following Full Council approval of the budget, council tax bills are issued to households in the borough in advance of the new financial year.

Capital

7.1.3 The prioritisation of capital projects and resource allocation within Solihull depends partly on the source of funding. This strategy recognises that the current funding arrangements in place at a national level require that, in some cases, resources are allocated directly to specific service areas and schemes. In these instances, service directorates are responsible for conducting option appraisals and deciding which projects deliver service outcomes whilst achieving value for money.

7.1.4 Where the Council has discretion over the allocation of resources, potential schemes are required to demonstrate how they will contribute to the achievement of council objectives and priorities before they are approved for inclusion in the programme. The detailed processes are summarised below.

7.1.5 With the exception of exemptions specified by statute, such as housing and school related disposals, capital receipts are treated as a corporate resource available to fund the corporate capital programme. Full Cabinet is responsible for deciding how corporate capital receipts are to be utilised in line with council objectives and the Corporate Capital Strategy.

7.1.6 Grant allocations from central government are provided via non ring-fenced capital support. Even though they are classified as non-ring fenced the allocation is targeted to deliver specific service priorities. As a consequence, Full Cabinet has agreed that these allocations will be earmarked to the relevant cabinet portfolio holder who that is then responsible for deciding which projects to fund from these resources. Unless the national framework changes it is intended that this methodology will continue for the next three-year period.

7.1.7 Throughout the year, service managers identify further capital schemes for inclusion within the approved capital programme. This strategy recognises that the majority of capital grants are allocated on the basis that specific outcomes are met and that in these instances the Council will not have the discretion to allocate these resources to other projects. However, where the Council does have the discretion or flexibility to allocate self-funded resources it is a requirement that the project must clearly demonstrate how it will lead to the achievement of the Council's objectives.

7.1.8 When these schemes are self-funded and have no impact on the corporate capital programme or any revenue or match funding implications for the Council, authority to approve the addition of a project to the capital programme is delegated to directors in conjunction with the Director of Resources and Deputy Chief Executive, up to a maximum value of £250,000.

7.1.9 Where a project does have implications for the corporate capital programme, match funding requirements or revenue implications, or where the scheme totals £250,000 or more, then approval from the relevant cabinet member will be required.

7.2 Consultation

7.2.1 The government expects that local authorities will be able to demonstrate that they have in place mechanisms to ensure that 'representatives of local people' are being appropriately informed, consulted or involved in services, policies or decisions that affect or interest them. In addition, local authorities are required under the Local Government Finance Act 1992 to consult representatives of business rate payers on their spending proposals.

7.2.2 Revenue budget proposals are shared with the unions and with local businesses, through the Confederation of British Industry, Solihull Chamber of Commerce and the Federation of Small Businesses, before any final decisions are made on the budget for the coming year.

7.2.3 The Council's three-year budgeting approach means that the approval of the budget each year represents approval in principle of the savings proposals that have been put forward for the period of the MTFS. However, in many cases these proposals are at a relatively early stage of development and require further work before their implementation can be finally approved, so consultation on individual proposals is undertaken at a later stage in the process where required, once more detail is available. This allows for more meaningful engagement with residents and service users and means that there is time to revise or replace a budget proposal if necessary, as a result of consultation and impact assessment. The Council considers that this focus on those proposals which particularly impact on service users and/or residents is the most effective approach.

7.3 Approval

7.3.1 The MTFS and supporting strategies are subject to approval each year by Full Council at the annual budget and council tax setting meeting in late February or early March.

7.3.2 The Treasury Management Strategy must be scrutinised by the Audit Committee each year before being reported to Full Council.

7.4 Monitoring and review

7.4.1 All approved capital projects have a nominated budget holder responsible for managing and monitoring the project against budget and delivering the agreed objectives.

7.4.2 Monitoring information relating to financial performance against both revenue and capital budgets is reported monthly to the Corporate Leadership Team and Directorate Leadership Teams (DLTs) and quarterly to Full Cabinet and the appropriate Cabinet portfolio holder. The reports highlight issues of financial significance and it is the responsibility of the budget holder/project manager and DLT to take remedial action when required.

7.4.3 For capital spending, this process enables adjustments to the programme in order to ensure budgets are not exceeded, and to allow resources that become available as a result of under spends or slippage to be redirected or re-phased.

7.4.4 In respect of treasury management, Audit Committee receives quarterly updates and Full Council receives a mid-year report amending prudential indicators as necessary and highlighting any policies which need to be revised. The annual treasury management report details the actual indicators compared to the estimates at the beginning of the year.

8. CONCLUSIONS

8.1.1 The medium-term challenge for the Council is to continue to keep pace with the needs of our residents and businesses as the borough emerges from the Covid-19 crisis period.

8.1.2 Our three-year budgeting approach and our budget strategy reserve give us the confidence that we can navigate the challenges ahead, while the measures outlined in this strategy seek to bolster the authority's sound financial base and provide the financial foundations to support the delivery of the Council's priorities.

9. GLOSSARY

Adult Social Care Precept
A flexibility introduced by the government in 2016/17 to allow local authorities to increase council tax, in addition to the general amount of council tax, to be spent entirely on adult social care services.

Annual Percentage Rate (APR)
An annual rate of interest charged for borrowing or earned through an investment.

Asset
An item that the Council has acquired or purchased and that has a monetary value. It can be a physical asset such as land and buildings or a right to an asset such as a copyright or licence to use IT software.

Business Rates
A charge on local businesses, at a rate set by the government, collected by local authorities. Under the West Midlands business rates pilot, Solihull pays 1% of the income collected to the fire and rescue authority and also pays a tariff to central government. The Council also pays a share of any growth since April 2016 to the WMCA. Prior to the introduction of the pilot, the Council would have paid 50% of the income collected to central government.

Capital Expenditure
Spending on items that are expected to provide benefit for at least a year (known as assets), such as roads and buildings.

Capital Financing Requirement (CFR)
This is the underlying need to borrow for a capital purpose. Essentially the Council has undertaken expenditure on capital items over time. Some expenditure is funded immediately from capital receipts and grants etc. The remaining balance is the CFR. This provides a measure of the Council's level of long-term debt used to finance capital expenditure.

Capital Receipts
Money received from the sale of assets, land or the repayment of loans. The Council is allowed to use capital receipts earned to fund capital expenditure.

Council Plan
The Council's key strategic document for identifying our vision, ambitions and priorities as a council. The current Council Plan is available at https://www.solihull.gov.uk/About-the-Council/The-Council-plan.

Council Tax
A tax paid by residents of the borough to the Council, based on the value of their property, to be spent on local services. The level of council tax income required is determined by the difference between the funding received from retained business rates and what the Council has set as a budget for the year.

Council Tax Requirement
The amount of council spending to be financed by council taxpayers, calculated as the budget requirement less income from retained business rates.

Counterparties
The persons or institutions entering into any financial contract are known as counterparties.

Dedicated Schools Grant
Schools are funded separately from other council services. The Council receives a Dedicated Schools Grant (DSG) direct from the government, which is paid over to schools.

Government Grants
Most government grants are service based and are specific to the services that they support (see also Revenue Support Grant).

Housing Revenue Account (HRA)
A statutory account that contains all expenditure and income relating to the provision of Council Housing for rent. The HRA is a ring-fenced account outside the general fund.

Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Investment Property
Interest in land and/or buildings which are held for their investment potential rather than for operational purposes.

Liquidity
The ability or ease to buy or sell a security, at a competitive price. The more liquid an asset, the easily it can be bought or sold.

Local Enterprise Partnership (LEP)
A partnership created to increase economic output, create jobs and stimulate growth and investment across the area. Solihull is a member of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP).

Medium Term Financial Strategy (MTFS)
A high-level plan for revenue and capital spending over a three-year period.

New Homes Bonus (NHB)
A scheme that provides local authorities with a non ring-fenced grant for each additional property or long-term empty property brought back into use.

Prudential Borrowing
The set of rules governing local authority borrowing. Borrowing must conform to the Prudential Code, the statutory code of practice for capital finance in local authorities, which requires that borrowing undertaken is affordable and prudential.

Prudential Indicators
A set of indicators required by the prudential code designed to evaluate financial decisions and aid decision making.

Public Works Loan Board (PWLB)
A statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury, which issues loans to local authorities.

Revenue Support Grant (RSG)
The main government grant which helps support council services. The amount of RSG is determined through a funding formula. Local authorities have received one-off allocations for RSG which for Solihull have been incorporated into the funding the Council is receiving through business rates under the West Midlands business rates retention pilot.

Sustainability and Transformation Partnerships (STP)
Under sustainability and transformation partnerships (STPs), which cover all aspects of NHS spending in England, NHS organisations have come together with local authorities and other partners to develop 'place-based plans' for the future of health and care services in their area.

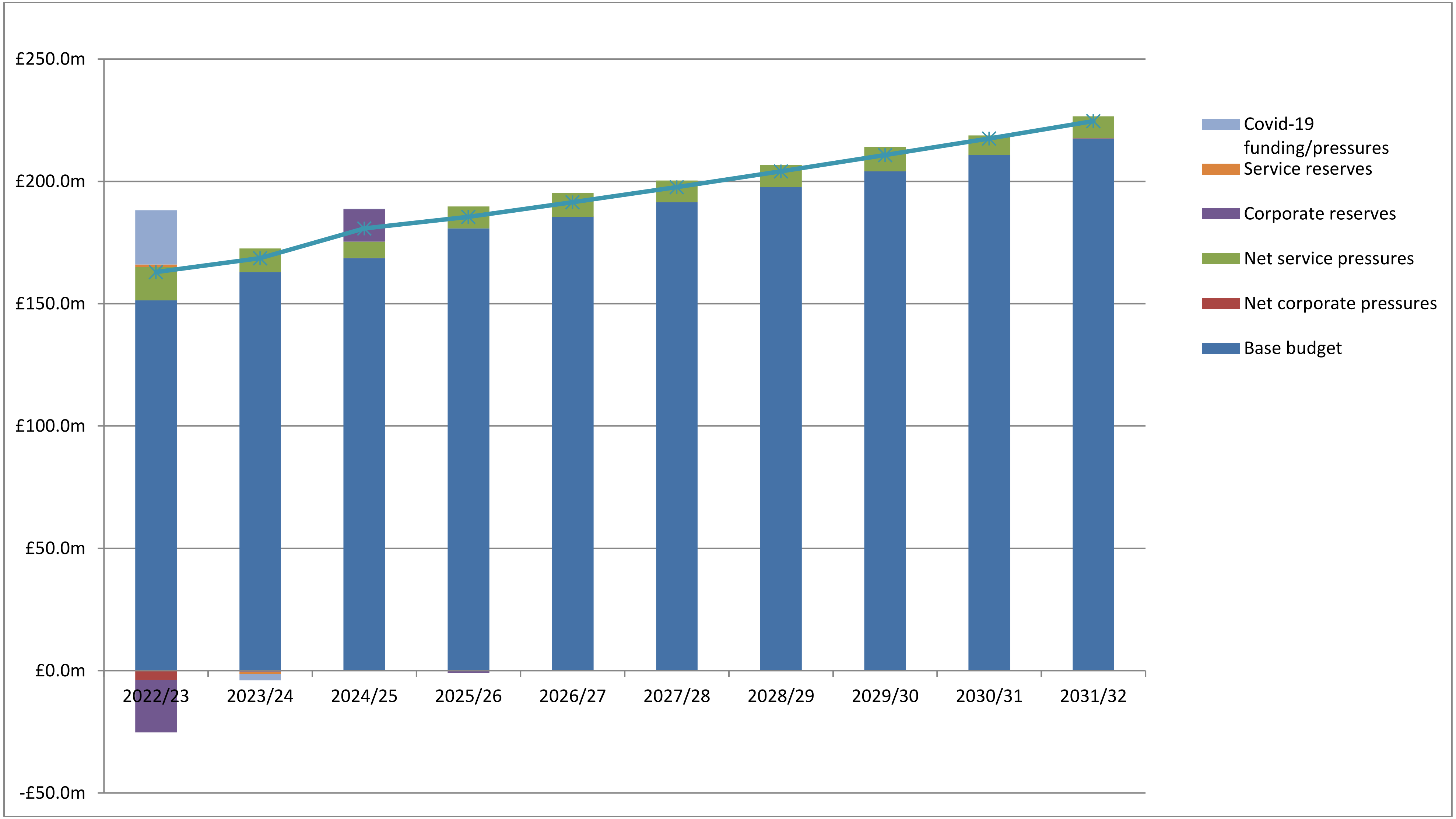
Tariff
Under the business rates retention scheme, each authority is set a funding baseline (intended to measure spending needs) and a business rates baseline (which represents the authority's ability to raise business rates income locally) by the government. As Solihull's funding baseline is higher than our business rates baseline, we pay the difference to the government as a tariff. This is used to fund top-up payments to local authorities whose funding baseline is lower than their business rates baseline. Our tariff has been increased to offset our increased share of business rates income under the pilot.

West Midlands Combined Authority
Under the government's devolution agenda, a number of local authorities have come together to create combined authorities to deliver services such as economic development and regeneration on a regional basis. The West Midlands Combined Authority (WMCA), which is made up of the seven West Midlands metropolitan districts plus a number of non-constituent members from the surrounding area, was established in June 2016 and took on the functions of the Integrated Transport Authority (Centro).

APPENDIX A – SUMMARY REVENUE BUDGET

	Proposed 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000
Base Budget	**151,372**	**163,967**	**169,706**
Corporate Commitments			
Levies	181	5	5
Treasury management - revenue required to support borrowing	125	180	45
Pressures and Policy Developments			
Adult social care net pressures	3,033	1,959	1,917
Children's services net pressures	6,892	90	728
Place-based services net pressures	1,424	(55)	1,926
Resources net pressures	(69)	968	(599)
Inflation and pensions	5,702	5,005	2,657
Revenue released from capital programme	(525)	275	(600)
Covid-19 pressures	(253)	(2,527)	180
Government Grants			
New Homes Bonus	128	(188)	0
Lower tier services grant	(14)	0	0
Social care grant 2022/23	(2,143)	0	0
Services grant 2022/23	(2,083)	0	0
Reversal of one-off Covid-19 grant	22,421	0	0
Savings			
Savings approved in previous years	(1,729)	1,450	0
Reserves			
Contribution to/ (from) children's social care reserve	1,000	(1,000)	0
Contribution to/ (from) business rates volatility reserve	(2,756)	(2,750)	0
Contribution to/ (from) Covid-19 grant reserve	(6,355)	(4,182)	0
Contribution to/ (from) business rates windfall	(8,630)	(7,660)	(7,261)
Contribution to/ (from) budget strategy reserve	5,830	2,258	850
Add back corporate reserves used in previous years	(9,584)	11,911	12,334
Net Budget Requirement	**163,967**	**169,706**	**181,888**
Business rates retained income	*(54,801)*	*(58,634)*	*(63,576)*
Anticipated contribution to business rates windfall	*8,959*	*10,007*	*11,848*
Net business rates	**(45,842)**	**(48,627)**	**(51,728)**
Council tax	(118,717)	(124,341)	(129,510)
Collection fund (surplus)/deficit 2020/21 (Covid-19)	3,730	3,952	0
Collection fund (surplus)/deficit other years	25,170	(33)	(650)
Contribution from business rates timing reserve	(28,308)	(657)	0
Total Resources	**(163,967)**	**(169,706)**	**(181,888)**
Assumed increase in general council tax	**1.99%**	**1.99%**	**1.99%**
Assumed increase in social care precept	**1.90%**	**1.00%**	**1.00%**

APPENDIX B – TEN YEAR REVENUE PROJECTIONS



APPENDIX C – TEN YEAR CAPITAL PROJECTIONS

Summary of Corporate Capital Programme 2021/22 to 2031/32												
Cabinet Portfolio	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	***£m***	**£m**	**£m**	**£m**	**£m**	**£m**
Adult Social Care and Health	*4.421*	2.970	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	**27.101**
Children, Education and Skills	*8.388*	9.925	4.916	2.900	2.900	2.900	2.900	2.900	2.900	2.900	2.900	**46.429**
Climate Change, Planning and Housing	*0.091*	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.091**
Environment and Infrastructure	*19.120*	31.421	30.476	35.706	33.850	5.100	5.100	5.100	5.100	5.100	5.100	**181.173**
Leisure, Tourism and Sport	*0.279*	0.296	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.575**
Resources	*46.140*	4.160	23.400	23.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400	**113.900**
Stronger and Safer Communities	*0.731*	5.337	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**6.068**
Total Cabinet Portfolios (Projection)	***79.170***	**54.109**	**60.982**	**64.196**	**41.340**	**12.590**	**12.590**	**12.590**	**12.590**	**12.590**	**12.590**	**375.337**
Housing Revenue Account	*23.834*	29.318	19.098	15.324	16.407	17.922	18.968	20.24	21.367	22.542	23.681	**228.701**
Total Council Capital Programme	***103.004***	**83.427**	**80.080**	**79.520**	**57.747**	**30.512**	**31.558**	**32.830**	**33.957**	**35.132**	**36.271**	**604.038**

APPENDIX D SUMMARY REVENUE RESERVES

Forecast as at February 2022

Cabinet Portfolio	Forecast balance as at 1 April 2022	Planned / Forecast (contribution)/use			Forecast Balance at March 2025	Forecast / Planned (contribution) / use beyond 2024/25	Forecast Remaining Balance
		2022/23	2023/24	2024/25			
	£000	£000	£000	£000	£000	£000	£000
Adult Social Care and Health	(4,371)	602	1,189	107	(2,473)	0	(2,473)
Children, Education and Skills (incl. DSG central reserves)	(1,545)	0	0	0	(1,545)	0	(1,545)
Climate Change, Planning and Housing	(1,387)	377	909	101	0	0	0
Environment and Infrastructure	(5,533)	1,843	797	2,893	0	0	0
Leisure, Tourism and Sport	(3,022)	1,097	586	192	(1,147)	0	(1,147)
Resources	(10,404)	1,446	890	96	(7,972)	0	(7,972)
Stronger and Safer Communities	(1,666)	685	461	520	0	0	0
Covid-19 - grants	(4,063)	2,268	1,795	0	0	0	0
Business rates	(22,802)	22,762	40	0	0	0	0
Adult Social Care and Public Health contingencies	(8,871)	3,087	2,683	0	(3,101)	0	(3,101)
Corporate reserves	(33,187)	3,875	1,564	(5,437)	(33,185)	1,468	(31,717)
Total	**(96,851)**	**38,042**	**10,914**	**(1,528)**	**(49,423)**	**1,468**	**(47,955)**

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