

RESOURCES AND DELIVERING VALUE SCRUTINY BOARD

29 January 2020

MINUTE EXTRACT:

BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 – 2022/23

The Deputy Chief Executive and Director of Resources presented the report to the Scrutiny Board.

Members were advised that the report before the Scrutiny Board detailed the following:

- Pressures and mitigating actions for all Council portfolios.
- New Savings Proposals.
- Summary of feedback from Scrutiny Boards, having considered the Budget Framework for their respective portfolio areas (from which there were no significant matters arising).
- Update on the Medium Term Financial Strategy (MTFS) 2022/23.
- Capital Strategy.
- Council's Fees and Charges Schedule.
- New Carbon Emissions Reduction Budget.
- Fair Treatment Assessment of the Budget.

Highlights arising from the Budget Framework report were drawn to the attention of Members in respect of the following areas:

- Updates to the MTFS considered by the BSG.
- Additional information had since been received by the Council with regard to additional grant for Adults and Children's Services of £3.297M in 2020/21.
- The Better Care Fund would be increased by 3.4% above inflation, equating to additional funding of £248,000 for Adult Social Care.
- A recalculation for retained Business Rates had taken place.
- A risk relating to Birmingham Airport International dividends had been identified (as previously reported above).
- The Cabinet Member for Resources had approved the tax base for 2020/21.
- A shortfall in the dividends expected from the Coventry and Solihull Waste Disposal Company (although this was set against a very high benchmark).
- A continuing shortfall in the Education Services Grant.
- Adjustments to assumptions around pensions and inflation, increasing the 2022/23 savings target by £110,000.

The cumulative effect of the above on the original Budget Framework savings proposal of £1.431M resulted in an amended savings figure of £1.7M, which would go forward for the consideration of Cabinet in February 2020.

However, Members attention was drawn to the favourable variance in 2022/23, which led to budget assumptions being £772,000 ahead of savings targets. This was included in the MTFs as a contribution to the budget strategy reserve alongside the £1.2M of one-off savings in 2022/23.

In terms of the overall budget strategy protecting against risk, a number of allocations were made against the budget strategy reserves for children's and social care, High Needs Block of the Dedicated Schools Grant (DSG) and severance. It was reported that the budget proposals required a number of Revenue reserves to be created and allocated over a period of time.

Attention was drawn to the potential business rates windfall, specifically that it was a collective regional business rate pilot scheme across the West Midlands. Should the forecast for the pilot scheme come to fruition, by March 2021 the windfall contingency would be £15.032M. The Council would not commit any of the funding from the business rate pilot until the money had been secured.

The resulting Budget in 2020/21 was reported to the Scrutiny Board as standing at £159.172M. The budget figures assumed a Council Tax increase of 3.99%. Members were advised that this position was subject to change should there be any new announcements included in the final local government finance settlement. The detail in the report before the Scrutiny Board had been shared with the Trade Unions for comment and further discussion.

The Chairman welcomed the robustness of the three year budget process, which has provided for stability and forward planning, and commended the Deputy Chief Executive and Director of Resources for the manner in which the Council's finances continued to be managed in a financially prudent manner.

Members of the Scrutiny Board subsequently submitted questions regarding the Budget and Medium Term Financial Strategy 2020/21 – 2022/23, which in summary included the following matters:

A Member of the Scrutiny Board welcomed the addition of the Carbon Reduction Budget (CRB) in the Budget Framework and supported additional funding being allocated to it.

A question was raised regarding the £8billion West Midlands Combined Authority (WMCA) funding programme, specifically concerning how much of the programme funding was actually secured and being delivered to CA member authorities. Members were advised that the CA had an approved budget of £8billion, which the CA had established. A number of the CA projects were confirmed as being subject to Business Cases and further discussions with Government, especially around the devolution agenda. However, the Scrutiny Board was also advised that Solihull MBC had received £100million of funding from the CA to date and that the authority would not have the same level of business rate income without the CA being in place.

A Member queried the reference in the report to *'The arrival of high speed rail in the region in 2026 represents an opportunity which Solihull in partnership with the WMCA is keen to maximise'* and noted that the HS2 project may not be delivered until 2031, if at all. It was queried whether in the scenario that HS2 did not proceed, would the CA continue to passport funding to Solihull MBC for development of the UK Central (UKC) zone and what would the consequences be for the Council's MTFS, business rates and financial plans. Members were advised that future business rates were not built into funding streams at the current time and therefore would not have any bearing. It was not considered to be the case that if HS2 did not proceed then UKC would not be developed further. Members were advised that when the original UKC strategy was established in 2013 it set out a range of scenarios, some of which envisaged HS2 happening, but it was also established that significant above trend growth could be achieved through investment across Solihull and around the UKC hub locality. It was confirmed that the Council was already receiving investment which was not predicated on HS2. It was confirmed the CA continued to wish to see its strategic economic plan delivered. Members were advised Solihull as a borough had attained a reputation as an area in which inward investment led to significant economic returns, which were also advantageous for the wider CA region.

In response to questions querying the Council's ability to meet its carbon emissions targets by 2030, the Scrutiny Board was informed that the Council would be reviewing its Estate portfolio and would be making greater use of solar panels, low carbon heating and improved insulation technologies (to help deliver the zero carbon objectives). Members were further advised that although planning to deliver the carbon emissions target had already commenced, the projected figures detailed in the report did not take account of the Council's developing strategies designed to address zero carbon and air quality objectives. It was confirmed the Carbon Reduction Budget would be reviewed annually as part of the wider Budget Framework review and its progress reported as part of the annual budget setting process.

In response to a Member's question on whether the Adult Social Care Directorate had sufficient resource to maintain an on-going service, the Scrutiny Board was informed that an annual review was undertaken of the service pressures and on-going / one-off mitigations, which had been detailed in the report before the Scrutiny Board. The report also detailed Adult Social Care and Health *Movement and Amendments to Approved Savings*. It was confirmed that an on-going service would be maintained and that some of the Directorate's reported saving targets were being brought forward.

With regard to the Birmingham International Airport dividend position, it was confirmed that a reduction of 584K was forecast in 2019/20, rising to £1.617M in 2020/21, which was an adjustment made to a previous projected figure. Projections for the dividend forecast over the next ten years were that they would consistently rise, which by 2022/23 were predicted to exceed the projection detailed in the current plan.

Concerning the newly established Place Based Investment Fund, Members sought confirmation as to whether the remit and terms of reference for the funding had already been established. It was confirmed that the BSG had requested for £2M of the business rate windfall to be set aside for place investment in Solihull to support continued development of the borough as a premium location in which to live, work and visit. Detailed investment plans for specific locations in the borough had yet to be agreed, although a number of themes had been identified. Allocation of the Place Budget would be subject to future Full Cabinet approval.

A Member of the Scrutiny Board drew attention to the Trade Union detailed response to the Budget Framework proposals, specifically with regard to the Council's carbon offset proposals. The Member expressed the hope that such arrangements were kept to an absolute minimum and used only where there were no other viable solutions available. It was confirmed that such a position had already been recognised and accepted by the Council. It was further noted that as technology improved the requirement to off-set would be reduced and that the carbon off-setting figure would diminish accordingly.

Having considered the report, the Resources and Delivering Value Scrutiny Board:

RESOLVED:

- i. To note the updated budget position as outlined in the report and the new savings proposals and amendments to previously approved savings detailed in Appendix B;
- ii. To note the comments arising from the Scrutiny Boards as detailed in Appendix C;
- iii. To note the proposal to contribute £4.681M from the budget strategy reserve in support of the specific pressures outlined in paragraphs 3.17 to 3.20 of the report;
- iv. To note the proposal to create new reserves as outlined at paragraphs 3.22 to 3.25 of the report;
- v. To note the draft updated Medium Term Financial Strategy and Efficiency Plan (MTFS) and Capital Strategy, as attached at Appendices D and E to the report;
- vi. To note the fees and charges proposed within each portfolio and detailed in Appendix F (available on-line);
- vii. To note the recommended update to the management agreement with Solihull Community Housing (SCH) as outlined at paragraph 3.39 in the report;
- viii. To note the recommendation to Full Council in respect of the Council's approach to carbon reduction budgeting, as outlined at paragraph 3.40 and detailed in the report to the Budget Strategy Group detailed in Appendix G; and,

- ix. To consider and note the strategic Fair Treatment Assessment, as attached at Appendix H in the report.

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