

**Meeting date:** 13 February 2020

**Report to:** Full Cabinet



**Subject/report title:** Budget and council tax recommendation 2020/21

**Report from:** The Leader of the Council

**Report author/lead contact officer:** Councillor Ian Courts, Leader of the Council

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**Wards affected:**

- All Wards |  Bickenhill |  Blythe |  Castle Bromwich |  Chelmsley Wood |  
 Dorridge/Hockley Heath |  Elmdon |  Kingshurst/Fordbridge |  Knowle |  
 Lyndon |  Meriden |  Olton |  Shirley East |  Shirley South |  
 Shirley West |  Silhill |  Smith's Wood |  St Alphege

**Public/private report:** Public

**Exempt by virtue of paragraph:**

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**1. Purpose of Report**

- 1.1 This report should be read alongside the report of the Director of Resources and Deputy Chief Executive on the Budget Framework and Medium Term Financial Strategy for 2020/21 – 2022/23 under agenda item 9. The report makes a budget recommendation, as per paragraph 2.9 of agenda item 9 (page 62), and supports the recommendation that the updated Medium Term Financial Strategy and Corporate Capital Strategy be approved, as set out in paragraph 2.4 of agenda item 9 (page 61).
- 1.2 All the recommendations in the report of the Director of Resources and Deputy Chief Executive are included in section 2 below for completeness, so this report covers all the budget decisions that Cabinet is being asked to make.

**2. Decision(s) recommended**

- 2.1 Recommend a budget for 2020/21 of £159.077 million, including the forecast balances on the budget strategy reserve set out in paragraph 3.8 below, for approval by Full Council on 27 February.
- 2.2 Recommend the Medium Term Financial Strategy 2020/21 – 2022/23, as updated by this report, and the Corporate Capital Strategy, incorporating the Council's strategy on the flexible use of capital receipts, for approval by Full Council on 27 February.
- 2.3 Approve the contribution of £4.681 million from the budget strategy reserve in support

of the specific pressures outlined at paragraphs 3.16 to 3.19 of the report of the Director of Resources and Deputy Chief Executive elsewhere on your agenda, including the contributions to earmarked reserves detailed in the body of that report.

- 2.4 Approve the creation of new reserves and contributions as outlined at paragraphs 3.21 to 3.25 of the report of the Director of Resources and Deputy Chief Executive elsewhere on your agenda.
- 2.5 Approve the contribution of £1.052 million of available business rates windfall income to smooth fluctuations in projected retained business rates income outlined at paragraph 3.27 of the report of the Director of Resources and Deputy Chief Executive elsewhere on your agenda.
- 2.6 Approve the prudential borrowing requirements for the period of the MTFs, as set out at paragraph 3.35 of the report of the Director of Resources and Deputy Chief Executive.
- 2.7 Recommend the fees and charges proposed within each portfolio (Appendix F of the report of the Director of Resources and Deputy Chief Executive) for approval by Full Council on 27 February, including the amendment outlined at paragraph 3.3 below and shown at Appendix C.
- 2.8 Recommend that Full Council approve the proposed approach to carbon reduction budgeting, as outlined at paragraph 3.38 and detailed in the report to the Budget Strategy Group attached at Appendix G of the report of the Director of Resources and Deputy Chief Executive elsewhere on your agenda.
- 2.9 Recommend an increase in the level of the general council tax in 2020/21 of 1.90% for approval by Full Council on 27 February.
- 2.10 Recommend an increase in council tax for adult social care in 2020/21 of 2.00% for approval by Full Council on 27 February.
- 2.11 Recommend that Solihull's element of the council tax in 2020/21 is £1,411.00 (£1,285.53 for general council tax and £125.47 for adult social care).
- 2.12 Note the requirement for a recorded vote on the budget and the level of council tax at the Full Council meeting on 27 February, as set out in paragraph 3.12 below.

### **3. What is the issue?**

- 3.1 Elsewhere on the agenda there is a report from the Director of Resources and Deputy Chief Executive which summarises the budget process for 2020/21 and seeks a recommendation to go forward to Full Council. That report also recommends the Medium Term Financial Strategy Plan 2020/21 – 2022/23 (MTFS) and accompanying Corporate Capital Strategy to go forward to Full Council for approval.
- 3.2 I wish to thank all those members who have contributed to the budget process through the Budget Strategy Group, the members' seminar and the scrutiny sessions held in January. This budget and our medium term financial strategy provide for significant additional investment in our people and our place in proposals which have been supported by members through the course of the budget process.

- 3.3 Since the conclusion of the Budget Strategy Group process, the Cabinet Member for Environment and Highways has decided to increase the free parking period in Knowle car parks from one to two hours, with effect from April 2020. The updated charges are shown in Appendix C which, subject to approval, will replace the relevant page in Appendix F to the budget report of the Director of Resources and Deputy Chief Executive. Financial modelling undertaken by officers suggests that the loss of income as a result of this proposal will be in the region of £21,000 per annum. I am not expecting the car parking budget to find additional resources to mitigate this loss in income and so I am recommending that the cost of this proposed amendment be funded from the budget strategy reserve.
- 3.4 The budget report of the Director of Resources and Deputy Chief Executive highlights a risk in respect of the airport dividend. The Council has now received notification of the airport's draft budget which confirms that the ordinary dividend receivable by Solihull in 2020/21 will be £111,000 lower than budgeted. At this stage there is no indication of any impact in future years and so I am recommending that this one-off shortfall be funded from the budget strategy reserve in 2020/21.
- 3.5 As outlined in the budget report of the Director of Resources and Deputy Chief Executive, the MTFs assumes that the core element of the council tax charge will be increased by 1.99% in 2020/21, with the adult social care precept increasing by 2.0%. Following careful consideration of the Council's overall financial position, I am recommending a lower increase in the core council tax of 1.90%, taking the overall increase to 3.90% in 2020/21.
- 3.6 The final local government finance settlement, which was published on 6 February 2020, confirmed the announcements made in the provisional settlement with no changes for Solihull. The table below summarises the impact of my recommendations and also shows the effect of the provisional Environment Agency levy.

	2020/21 £'000	2021/22 £'000	2022/23 £'000
	One-off	One-off	Ongoing
<b>Net additional (saving to) / use of budget strategy reserve per cabinet report</b>	<b>0</b>	<b>0</b>	<b>(772)</b>
Amendment to car park charges in Knowle	21	21	21
Reduction in airport dividend receivable	111	0	0
Reduction in core council tax increase to 1.90%	95	99	103
Lower increase in Environment Agency levy	(4)	(4)	(4)
<b>Revised net additional (saving to) / use of budget strategy reserve</b>	<b>223</b>	<b>116</b>	<b>(652)</b>

- 3.7 There is a favourable variance in 2022/23, meaning that the budget assumptions are £652,000 ahead of the savings targets, which is included in the MTFs as a contribution to the budget strategy reserve. It should be noted that the pay award for 2020/21 has yet to be confirmed and this figure provides some protection against the risk that the pay award will exceed the budgeted 2%.
- 3.8 The forecast balances on the budget strategy reserve, taking into account the movements shown in the table at paragraph 3.6, are shown in the table below.

	<b>March 2020 £'000</b>	<b>March 2021 £'000</b>	<b>March 2022 £'000</b>	<b>March 2023 £'000</b>
<b>Revised forecast balance</b>	7,096	10,146	7,454	9,306

- 3.9 Appendix A provides an updated breakdown of the revenue budget that is given in Appendix A of the Medium Term Financial Strategy. Appendix B updates the table in section 3.29 of the budget report from the Director of Resources and Deputy Chief Executive to reflect the impact of my recommendations.
- 3.10 Because of the Council's strategic three year budgeting approach, most of the savings proposals before members tonight will not need to be implemented until April 2022. This means that I am able to assure members that any savings that have significant service implications will not be implemented without further reports to the relevant scrutiny boards and decision sessions, and will be subject to detailed consultation if appropriate.
- 3.11 I am pleased that, despite the pressures we continue to face, the proposals before members tonight will deliver a balanced budget over the period to 2022/23, with sufficient reserves, in the view of the Director of Resources and Deputy Chief Executive, to manage the anticipated budget risks over the medium term.
- 3.12 I would also remind members that the Council has adopted the practice of recorded votes, in accordance with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014. The Full Council minutes will therefore record how each member present voted on any decision relating to the budget or council tax.
- 4. What options have been considered and what is the evidence telling us about them?**
- 4.1 As outlined in the report of the Director of Resources and Deputy Chief Executive.
- 5. Reasons for recommending preferred option**
- 5.1 In arriving at a council tax recommendation, there is a balance to be struck between the potential impact of a higher increase on council tax payers and of a lower increase on the services delivered to residents. The maximum increase the Council could implement in 2020/21 would be 3.99% (1.99% for general council tax and 2.00% for the adult social care precept).
- 5.2 On the basis of the current figures there will be a favourable variance of £652,000 in 2022/23.
- 5.3 I therefore have confidence that the lower increase of 3.90% that I am recommending is both prudent and sustainable.

## 6. Implications and Considerations

6.1 How the proposals in this report contribute to the delivery of Council Plan priorities:

Priority:	Contribution:
Securing inclusive economic growth.	The budget and MTFS address all of the Council's priorities, with additional resources provided specifically in support of this priority through the business rates windfall.
Planning & delivery for Solihull's low carbon future (to include biodiversity implications).	The budget and MTFS address all of the Council's priorities and, as outlined in Appendix G of the report of the Director of Resources and Deputy Chief Executive, the Council is developing its approach to carbon budgeting aligned to the MTFS process.
Managing demand and expectation for public services.	The budget and MTFS address all of the Council's priorities, with some specific additional investment to support the exploitation of digital technology.
Developing our approach to services for adults and children with complex needs.	The budget and MTFS address all of the Council's priorities, with significant additional resources provided to both adults' and children's services over the next three years.
Making the best use of our people and physical assets.	The budget and MTFS address all of the Council's priorities, with funding for prudential borrowing to support the refurbishment of office accommodation.

6.2 Consultation and Scrutiny:

6.2.1 As outlined in the report of the Director of Resources and Deputy Chief Executive.

6.3 Financial implications:

6.3.1 As outlined in the body of the report.

6.4 Legal implications:

6.4.1 As outlined in the report of the Director of Resources and Deputy Chief Executive.

6.5 Risk implications:

6.5.1 As outlined in the report of the Director of Resources and Deputy Chief Executive.

6.6 Equality implications:

6.6.1 As outlined in the report of the Director of Resources and Deputy Chief Executive.

**7. List of appendices referred to**

- 7.1 Appendix A: Updated Appendix A to Medium Term Financial Strategy 2020/21 – 2022/23.
- 7.2 Appendix B: Updated summary budget table to replace table at paragraph 3.29 of agenda item 9.
- 7.3 Appendix C: Updated page for Environment & Highways portfolio fees and charges in relation to car parking.

**8. Background papers used to compile this report**

- 8.1 None

**9. List of other relevant documents**

- 9.1 None