

Meeting date: 9th January 2023

Report to: Resources and Delivering Value Scrutiny Board

Report title: MTFs Update – Budget Strategy 2023/24 – 2025/26

Report from: The Director of Resources and Deputy Chief Executive

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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:

1. Executive Summary

1.1 Each scrutiny board in January will receive a report outlining the budget proposals identified within their respective portfolios for the period from 2023/24 to 2025/26. The positions outlined in these reports, which have been endorsed by the Budget Strategy Group, are summarised in the table below.

Directorate	2023/24 £'000	2024/25 £'000	2025/26 £'000
Adult Social Care	0	2,910	3,089
Children’s services	8,669	8,640	7,314
Economy and Infrastructure	0	1,425	1,064
Resources	(5,610)	(1,212)	(2,327)
Public Health	0	0	0
Total net funding pressure	3,059	11,763	9,140

1.2 The report outlines the forecast budget position in respect of this portfolio in more detail, explaining the pressures identified over the period to 2025/26 and the actions proposed to mitigate them.

1.3 Key pressures highlighted in the report include:

- Non delivery of saving targets in the main relating to the efficient use of council assets and the further exploitation of efficiencies relating to the new social care information system
- Staffing pressures across a number of services within the Resources Directorate
- Rental income pressures

1.4 The main proposals to mitigate these pressures include:

- A re-alignment of services and budgets within the Resources Directorate.
- This will include charging some project management resources direct to the projects they are supporting, rather than these being a cost to the Resources Directorate.
- There will also be efficiency reviews and service developments to generate additional income in the Economy and Infrastructure Directorate.

Further Resources mitigations may also come from providing full corporate support to the cross-cutting budget proposals.

1.5 In addition, there are a number of savings proposed in this portfolio which would contribute towards the overall corporate position. The savings identified fall into four broad themes:

- Estate Strategy
- Efficiencies, income and transformation
- Digital
- Maximising technical accounting adjustments

1.6 The report also draws members' attention to some particular risks relevant to the portfolio's budget position, including:

- Demands on the Resources Directorate are likely to increase as proposals to reduce costs or make savings all need to be supported and monitored for delivery purposes.
- Interest and Inflation rates will have implications for treasury management.
- The Business Plan and Dividend levels for Birmingham Airport are currently unknown.
- The cost of living crisis is impacting various areas such as Income and Awards, Catering, ICT, rising corporate energy costs and the corporate rental income pressures.
- Recruitment and retention of staff.

1.7 At its meeting in February, Full Cabinet will be asked to approve the fees and charges for each portfolio alongside the budget proposals. This report includes details of the proposed fees and charges for 2023/24.

- 1.8 Finally, the report highlights forecast funding gaps for the period from 2023/24 to 2025/26, as reported to the Budget Strategy Group and Members' Budget Seminar. As noted in the report, a fourth meeting of the Budget Strategy has been scheduled for January to consider the updated position following the conclusion of some outstanding matters.
- 1.9 Feedback on the budget proposals included within this report will be reported to the Resources and Delivering Value Scrutiny Board and Full Cabinet next month.

2. Decision(s) Recommended

- 2.1 Note the pressures and mitigating actions set out in Appendix A and the savings proposals set out in Appendix B and agree any comments to be fed back to the Resources and Delivering Value Scrutiny Board and Full Cabinet in February 2023.
- 2.2 Consider the schedule of fees and charges proposed for 2023/24, as attached at Appendix C, and agree any comments to be fed back to the Resources and Delivering Value Scrutiny Board and Full Cabinet in February 2023.

Report Title: MTFS Update – Budget Strategy 2023/24 – 2024/25

1. Matters for Consideration

Resources Portfolio

- 1.1 Appendix A sets out the current realised pressures facing the portfolio and the proposed mitigations, including links to the Council's priorities.
- 1.2 The Resources Directorate element of the portfolio is dealing with some challenging savings targets. By 2025/26 the pressure related to non-delivery of savings targets are estimated to be £300,000 per year, comprising £150,000 for the new social care information system, £100,000 for workforce planning and £50,000 for the exploitation of Oracle BI efficiencies.
- 1.3 Strategic Land & Property has a £151,000 pressure per year relating to the on-going rental income pressure for Touchwood. It is not anticipated that there will be any recovery of the Touchwood position by 2025/26 due to the retail sector pressures and ongoing reduced rent levels.
- 1.4 Human Resources (HR) are experiencing staffing pressures and a loss of income from traded services (e.g. academies payroll). By 2025/26 HR aims to realign its service leaving an ongoing pressure of £105,000.
- 1.5 Business Intelligence has a pressure of £68,000 per year relating to posts that are currently funded from capital project which will revert to revenue funding.
- 1.6 Communications has a pressure of £59,000 per year due to additional communication activity within the service.
- 1.7 Income and Awards currently has a staffing pressure due to a backlog from the pandemic and the extension of the Age UK contract. These pressures are expected to be mitigated by 2025/26. The £41,000 Age UK contract will be a pressure until the contract expires in September 2024. The Northgate offsite processing contract for benefits is due to end in October 2022 and the associated savings provide a mitigation to the Age UK Contract.
- 1.8 To mitigate against the above pressures on an on-going basis there will be a re-alignment of services and budgets within the Resources Directorate to achieve a balanced position. This will include charging some project management resources direct to the capital projects they are supporting, rather than these being a cost to the Resources Directorate. For 2023/24 this would equate to £991,000, for 2024/25 £855,000 and for 2025/26 £683,000.
- 1.9 Further Resources mitigations may also come from providing full corporate support to the cross-cutting budget proposals.
- 1.10 Within the Economy and Infrastructure Directorate a review is planned of the Bereavement and Registration Service. This is expected to deliver an on-going saving of £101,000 from 2024/25.
- 1.11 At Woodlands Cemetery the current cremator is currently operating at near full

capacity and it is proposed to install a second cremator to service additional demand. This is also likely to include mercury abatement equipment to capture emissions of mercury into the environment and reduce current costs of offsetting these emissions. Feasibility work for this proposed expansion is currently underway. It is expected that the additional cremator will be self-financing and could then generate a further £40,000 a year additional surplus income.

- 1.12 A review is also underway of the Communities and Partnerships staffing structure which delivers priorities within Climate Change, Planning and Housing, Communities and Leisure, Partnerships and Wellbeing and Resources portfolios. This is expected to deliver an on-going saving of £50,000 from 2023/24.
- 1.13 All of the proposed mitigations will enable a balanced position for the Economy and Infrastructure Directorate for 2022/23 and 2023/24. Beyond this there are still net pressures of £1.425 million one off in 2024/25 and £1.064 million on-going from 2025/26 which are contributing to the overall Council funding gap.

Savings

- 1.14 The Resources Directorate has identified £9.149 million savings over the MTFs period as detailed in Appendix B. This is made up of one-off savings of £5.610 million in 2023/24, £1.212 million in 2024/25 and £1.450 million in 2025/26 and ongoing savings of £877,000 in 2025/26. These savings, which would contribute towards the overall budget position, have been grouped into four key themes.
- 1.15 The Estate Strategy includes reducing the cleaning specification across corporate buildings, reviewing the use of Sans Souci and adapting the Moat Lane security arrangements. The value of savings is £894,000 between 2023/24 and 2025/26 (£318,000 p.a. ongoing).
- 1.16 Efficiencies and transformation savings, which total £668,000 between 2023/24 and 2025/26 (£244,000 p.a. ongoing), include:
- Bringing legal services to subsidiaries in-house
 - Support change/improvement work in the Solihull Home First transformation programme
 - Realign court costs income budgets
 - Reduce budget for discretionary council tax / business rates support to match current levels of demand
 - Increase trading activity and expand salary sacrifice schemes
- 1.17 Digital savings include a reduction in printing, postage and staff travel costs linked to hybrid working. The value of savings is £87,000 between 2023/24 and 2025/26 (£29,000 p.a. ongoing).
- 1.18 Maximising Technical Accounting Adjustments includes Treasury Management savings from the Council's under-borrowed position subject to the risk of interest rate changes, a reduction in the severance reserve and replacing the use of reserves applied to capital schemes with prudential borrowing (ongoing borrowing costs will need to be factored into budgets). The value of savings is £7.500 million between 2023/24 and 2025/26 (£286,000 ongoing).

Risks and key assumptions

- 1.19 Under CIPFA's Financial Management Code, the authority must demonstrate that it understands its prospects for financial sustainability, including the potential impact of key risks on its budget plans.
- 1.20 Key risks relevant to the budget proposals within this portfolio are summarised below.
- 1.21 Demands on the Resources Directorate are likely to increase as proposals to reduce costs or make savings all need to be supported and monitored for delivery purposes.
- 1.22 Services within the Resources directorate such as Finance, HR, ICT and Business Intelligence are required to support the changes needed to adapt the Council's delivery model to achieve the planned budget savings. All the cross-cutting proposals will require significant capacity from the Resources directorate.
- 1.23 Interest and Inflation rates will have implications for treasury management.
- 1.24 The Business Plan and Dividend levels for Birmingham Airport are yet unknown.
- 1.25 The Resources Directorate is experiencing issues with the recruitment and retention of staff.
- 1.26 The Cost of Living Crisis is impacting various areas:
- Income and Awards could see a decrease in income collection, an increase in discretionary scheme and Council Tax Reduction Scheme applications and an increase in financial inclusion advice. The extent to which council tax and business rate collection levels will be impacted is unknown. The anticipated council tax support caseload is likely to increase and will result in a direct cost to the Council.
 - The aging of outstanding debt is increasing which gives rise to the risk of payment default and potential write offs.
 - ICT is facing increasing costs for licensing and hardware purchases.
 - Catering is experiencing food cost inflation and pay settlements which are significantly more than is covered by increases in free school meal grants or by increasing the price per meal. There is a real question about whether the service can remain viable.
 - Economic pressures are weighing heavily on the retail sector with a general anticipation of further business failures because of the combined impact of energy cost rises and reductions in consumer spending from the cost of living crisis. This could impact future rental income projections.
- 1.27 In Economy and Infrastructure Directorate the cemetery at Woodlands is expected to reach capacity in around eighteen months. The current MTFS includes funding to purchase additional land to continue to offer burials and Bereavement Services also hold a reserve for one off service investment which can be used to help progress these plans. However, there is a risk that the time required to acquire and bring the land into use could be longer than it takes for Woodlands to become full. This would result in a period of reduced income.

Fees and charges

1.28 As part of the Council's fees and charges policy, the charges levied by the Council need to be approved annually as part of the budget setting process. A schedule of fees and charges relevant to this scrutiny board is attached at Appendix C to this report. These fees and charges take into account the guidance set out in the Council's policy and have been reviewed in the light of the pressures faced by the Council and with reference to current and forecast inflation.

2. What options have been considered and what is the evidence telling us about them?

2.1 In developing the budget proposals for review by the Budget Strategy Group, the directorate leadership teams worked with the cabinet portfolio holders to establish the scale of the pressures and identify mitigating actions within each service area. Background information was provided for each cabinet portfolio to give the Group further context for the consideration of the budget proposals.

2.2 The indicative budgets for the services relating to this scrutiny board are attached at Appendix D, together with an overview of the projected reserves position. This information will assist members in considering the budget proposals included in this report. However, it should be noted that these figures are provisional and likely to change.

3. Reasons for recommending preferred option

3.1 As outlined in section 1 above, the recommendations of the Budget Strategy Group are based on the consideration of the particular financial constraints and service delivery context of each individual service area.

3.2 The Group endorsed the inclusion in the updated MTFS of the net savings summarised in this report and detailed in Appendix B. The net impact of the position across all the portfolios, together with increases in funding for inflationary pressures and other corporate items, is a forecast funding gap for each of the three years, as shown in the table below.

	2023/24 £'000	2024/25 £'000	2025/26 £'000
Net forecast funding gap	1,307	14,804	11,420*

* Net of one-off savings of £1.947m

3.3 The Budget Strategy Group agreed to meet for a fourth time in January to consider final changes to the MTFS assumptions, including the impact of the provisional finance settlement, announced before Christmas, and final forecasts for business rates income and the council tax base. The Group will then agree a budget recommendation to be made to Full Cabinet in February.

4. Implications and Considerations

4.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>People and Communities:</p> <ol style="list-style-type: none"> 1. Improving outcomes for children and young people in Solihull. 2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 3. Take action to improve life chances and health outcomes in our most disadvantaged communities. 4. Enable communities to thrive. 	<p>The MTFS provides the financial framework which supports the delivery of the Council Plan. The high level implications of the proposed pressures, mitigations and savings for the Council's priorities are indicated in the tables in the appendices</p>
<p>Economy:</p> <ol style="list-style-type: none"> 5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres. 6. Maximising the opportunities of UK Central and HS2. 7. Increase the supply of affordable and social housing that is environmentally sustainable. 	<p>The MTFS provides the financial framework which supports the delivery of the Council Plan. The high level implications of the proposed pressures, mitigations and savings for the Council's priorities are indicated in the tables in the appendices</p>
<p>Environment:</p> <ol style="list-style-type: none"> 8. Enhance our natural environment, improve air quality and reduce net carbon emissions. 	<p>The MTFS provides the financial framework which supports the delivery of the Council Plan. The high level implications of the proposed pressures, mitigations and savings for the Council's priorities are indicated in the tables in the appendices</p>
<ol style="list-style-type: none"> 9. Promote employee wellbeing 	<p>The MTFS provides the financial framework which supports the delivery of the Council Plan. The high level implications of the proposed pressures, mitigations and savings for the Council's priorities are indicated in the tables in the appendices</p>

4.2 Consultation and Scrutiny:

4.2.1 The budget proposals were shared with all members at a seminar in December 2022 and each scrutiny board is now asked to consider the proposals which relate to their cabinet portfolios in more detail.

4.2.2 Consultation with the public will take place on specific proposals where appropriate. The budget recommendations outlined here have been shared with the unions and

feedback will be presented to the Resources and Delivering Value Scrutiny Board on 2 February and Full Cabinet on 9 February.

4.3 Financial implications:

4.3.1 In order to set a balanced budget, the authority's limited resources need to be targeted at the Council's priorities and any unfunded service pressures will have to be met from corresponding reductions in spending.

4.4 Legal implications:

4.4.1 The budget proposals were developed with regard to legal implications where applicable.

4.5 Risk implications, including Risk Appetite:

4.5.1 Failure to deliver the MTFS is currently rated as a net nine risk on the Council's corporate risk register. The report to Full Council in February will need to demonstrate how this risk has been mitigated.

4.6 Equality implications:

4.6.1 The budget proposals will be screened for 'due regard' to equality and, where appropriate, will be subject to a Fair Treatment Assessment before implementation.

4.7 Linkages to our work with the West Midlands Combined Authority (WMCA), Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

4.7.1 The budget proposals are consistent with existing joint working arrangements with partners.

5. List of appendices referred to

5.1 Appendix A: Pressures and Mitigating Actions 2022/23 to 2025/26

5.2 Appendix B: Savings Proposals 2023/24 to 2025/26

5.3 Appendix C: Proposed Fees and Charges 2023/24

5.4 Appendix D: Indicative Service Budgets 2023/24

6. Background papers used to compile this report

6.1 None

7. List of Other Relevant Documents

7.1 None