

Meeting date: 18 January 2021
Report to: Economic Development and Managed Growth Scrutiny Board



Subject/report title: MTFS Update – Budget Strategy 2021/22 – 2023/24

Report from: The Director of Resources and Deputy Chief Executive and the Director of Economy and Infrastructure

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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. Purpose of Report

1.1 To seek comments on the budget proposals identified for 2021/22 to 2023/24 within the Climate Change, Planning and Housing and Growth and Infrastructure Delivery cabinet portfolios, to go forward to the Resources and Delivering Value Scrutiny Board and the Full Cabinet in February 2021.

2. Decision(s) recommended

- 2.1 Note the pressures and mitigating actions set out in Appendix A and agree any comments to be fed back to the Resources and Delivering Value Scrutiny Board and the Full Cabinet in February 2021.
- 2.2 Consider the budget proposals outlined in the report and agree any comments to be fed back to the Resources and Delivering Value Scrutiny Board and the Full Cabinet in February 2021.
- 2.3 Consider the schedule of fees and charges proposed for 2021/22, as attached at Appendix B, and agree any comments to be fed back to the Resources and Delivering Value Scrutiny Board and the Full Cabinet in February 2021.

3. Matters for Consideration

- 3.1 The focus of the budget strategy this year has been on reset and recovery in the light of the wide-ranging impact of the Covid-19 pandemic. To that end, cabinet portfolios have not been asked to propose savings to meet a corporate target, but instead have identified options for mitigating service pressures, which were considered by the Budget Strategy Group at three meetings in October and November.
- 3.2 As part of their work, the Budget Strategy Group considered some specific pressures and agreed to recommend the permanent realignment of budgets within the Children's Services and Skills and Economy and Infrastructure portfolios, at a cost of £4.050 million per annum from 2023/24. In addition, the Group received updates on the financial impact of Covid-19 on future years' budgets, and agreed to include £10.353 million of projected costs and associated grant funding in the updated MTFS.
- 3.3 The government has confirmed that regional pilots of 100% business rates retention will continue into 2021/22. It is anticipated that the participating authorities will once again benefit from some temporary windfall income in 2021/22 as a result, which it is proposed would be contributed to a business rates windfall contingency as in previous years.
- 3.4 As the actual amounts receivable in respect of each year will not be confirmed until after the outturn position is reported, no commitment can be made in respect of the proposals for the 2020/21 windfall resources until June 2021. However, the Budget Strategy Group agreed to endorse the use of £2.250 million of the forecast windfall funding to top up reserves in the Children's Services and Skills and Economy and Infrastructure portfolios.

Budget proposals

- 3.5 As in previous years, the strategy is to manage any movement in the first two years of the MTFS as one-off adjustments, using the budget strategy reserve to smooth the profile of the funding pressures so that there is no impact on the savings targets already being delivered for 2021/22 and 2022/23.
- 3.6 The updates to the MTFS considered by the Budget Strategy Group, including the estimated impact of relevant announcements in the Spending Review, resulted in an ongoing funding gap for 2023/24 of £2.738 million. At the time of the Members' Seminar, significant uncertainty around future funding levels remained, with the announcement of the provisional finance settlement not expected until mid-December and the tax base and business rates forecasts yet to be finalised. It was therefore agreed to schedule a fourth meeting of the Budget Strategy Group for 11 January, once further clarity was available, to recommend a strategy for addressing the funding gap, and the outcome of this meeting will be reported to the Full Cabinet for consideration on 11 February.
- 3.7 This will not affect the pressures and mitigations detailed at Appendix A, on which the scrutiny board is asked to provide comments for consideration by the Resources and Delivering Value Scrutiny Board on 8 February. The overall position will then be

reported to the Full Cabinet on 11 February, when members will be asked to agree a budget recommendation to go forward to the Full Council on 25 February.

Service Pressures and Mitigations

- 3.8 It was reported to the Budget Strategy Group that a number of areas within the Economy and Infrastructure Directorate were facing significant financial challenges prior to Covid-19 which had then been compounded by new pressures emerging as a result of the pandemic. To manage the financial position in 2020/21 unrelated to Covid it is proposed to use directorate reserves of up to £1.250 million to balance the budget, with a recommendation as outlined in 3.4 to replenish those reserves from the business rates windfall for 2020/21. The Budget Strategy Group then agreed to recommend the permanent realignment of budgets through the MTFs from 2021/22.
- 3.9 This includes financial challenges within the scope of this scrutiny board which are detailed below. Those within the Environment and Highways, Stronger and Safer Communities and Leisure, Tourism and Sport portfolios will be considered by the Stronger Communities and Neighbourhood Services Scrutiny Board on 20 January.

Planning Design and Engagement

- 3.1.1. In recent years this area has seen a reduction in income during the period of updating the Local Plan which has particularly impacted upon Development Control. Historic trends indicate that at the point that a Local Plan is adopted there will be a significant increase in planning applications. The latest local plan is set to agree development on a scale beyond previous plans so in the longer term should offset current shortfalls in income. In the short term this pressure is being managed through additional one off funding already built into the current MTFs and use of the Planning income reserve.
- 3.1.2. In addition to existing financial challenges, the impact of Covid-19 on income streams within Planning, Design and Engagement has been significant. Income has reduced from planning applications, building control and land charges as developments and house moves were paused with Covid restrictions. These income streams are now slowly recovering but uncertainty regarding the future of the economy is continuing to have an impact. Funding is being claimed where possible from the government's income loss relief scheme.
- 3.1.3. It is considered that the recovery is likely to be gradual over the period of the MTFs and there could be a long lasting ongoing impact on this income as it is closely linked to the overall strength of economy and the housing market in particular. This is difficult to predict with accuracy but income levels will continue to be monitored and in the event that demand is permanently reduced, the service will look to reduce costs in line with the reduction in income. The additional demand as a result of the Local Plan being adopted may offset the impact of Covid-19.

Growth Programmes

- 3.1.4. Growth Programmes have seen a reduction in rental income from Chelmund's Cross Enterprise Centre through the Covid-19 pandemic with fewer businesses requiring touchdown and meeting facilities. This is expected to continue to some extent in future years as businesses may continue to rely on remote meeting solutions.

Climate Change

- 3.1.5. The Council has an ambitious climate change agenda. Where possible external funding has been maximised to deliver this with activity through the UKC Infrastructure investment programme. This restricts the activities staff can undertake and given the increasing importance of this agenda it is considered that there should be an extended core team of staff to take this forward.

Economic Development

- 3.1.6. The economic development agenda in Solihull is nationally significant, including UK Central, HS2, Jaguar Land Rover, Birmingham Airport, North Solihull and town centre regeneration and tourism opportunities through the Commonwealth Games. It is considered that the current resource to deliver this agenda is insufficient.
- 3.1.7. To create necessary capacity to progress agendas on both climate change and economic development a restructure proposal is being developed, expected to cost in the region of £300,000. It is recommended that this is met in the short term through a one off investment from the £2 million Place Making Fund in 2021/22, with permanent additional funding in the MTFS from 2022/23.

Fees and charges

- 3.10 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 for this scrutiny board is attached at Appendix B 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.

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

- 4.1 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.
- 4.2 The indicative budgets for the services relating to this scrutiny board are attached at Appendix C, together with an overview of the projected reserves position. This information will assist members in considering the budget proposals put forward as part of this process.

5. Reasons for recommending preferred option

- 5.1 As outlined in section 4 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. In determining its recommendations the Group sought to balance the requirements of each service area within the forecast funding envelope set out by the updated MTFS.

6. Implications and Considerations

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

Priority:	Contribution:
<p>Economy:</p> <ol style="list-style-type: none"> 1. Revitalising our towns and local centres. 2. UK Central (UKC) and maximising the opportunities of HS2. 3. Increase the supply of housing, especially affordable and social housing. 	<p>The MTFS provides the financial framework which supports the delivery of the Council Plan.</p>
<p>Environment:</p> <ol style="list-style-type: none"> 4. Enhance Solihull's natural environment. 5. Improve Solihull's air quality. 6. Reduce Solihull's net carbon emissions. 	<p>The MTFS provides the financial framework which supports the delivery of the Council Plan.</p>
<p>People and Communities:</p> <ol style="list-style-type: none"> 7. Take action to improve life chances in our most disadvantaged communities. 8. Enable communities to thrive. 9. Sustainable, quality, affordable provision for adults & children with complex needs. 	<p>The MTFS provides the financial framework which supports the delivery of the Council Plan.</p>

6.2 Consultation and Scrutiny:

6.2.1 The budget proposals have been shared with all members at a seminar in December 2020 and each scrutiny board is now asked to consider the proposals which relate to their cabinet portfolios in more detail.

6.2.2 In response to questions raised at the members' seminar, the Director of Resources and Deputy Chief Executive explained that:

- (a) It is considered unlikely that the business rates windfall for 2020/21 will be less than the £2.250 million proposed use to top up service reserves, as outlined in paragraph 3.4 above, but no commitments will be approved until the windfall is confirmed in June 2021;
- (b) The direct impact of Brexit on the Council was not expected to be significant in the short term. The Council is working with GBSLEP, WMCA and Government to access the opportunities through the UK Government Prosperity Fund which will replace existing EU funding streams.

6.2.3 The Budget Strategy Group has agreed that consultation with the public will take place on key specific savings proposals. There are no savings proposals as such this year,

but 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 8 February and the Full Cabinet on 11 February.

6.3 Financial implications:

6.3.1 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 budget reductions elsewhere.

6.4 Legal implications:

6.4.1 The budget proposals attached at Appendices A to C were developed with regard to legal implications where applicable.

6.5 Risk implications:

6.5.1 Based on the information provided, it is officers' opinion that the significant risks associated with failure to deliver the medium term financial strategy have been identified and assessed

6.6 Equality implications:

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

7. List of appendices referred to

7.1 Appendix A: Economy and Infrastructure Directorate Pressures and Mitigating Actions 2021/22 to 2023/24

7.2 Appendix B: Proposed Fees and Charges 2021/22

7.3 Appendix C: Indicative Service Budgets 2021/22

8. Background papers used to compile this report

8.1 None

9. List of other relevant documents

9.1 None