APPENDIX C

MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2023/24

CONTENTS

FOREWORD

I am pleased to introduce Solihull Council's updated Medium Term Financial Strategy (MTFS), which covers the period from 2021/22 to 2023/24. 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.

This MTFS was prepared against the backdrop of the global coronavirus pandemic, which continues to demand an unprecedented response both locally and nationally. I am proud of the role the Council continues to play in providing local leadership and supporting the most vulnerable in our community throughout these challenging times.

Furthermore, local government faces continuing uncertainty over future funding, with local authorities once again receiving a one-year settlement for 2021/22 and the wider economic impact of the end of the transition period for the UK's departure from the European Union being as yet unclear. Delays to the planned reform of local government finance mean that the impact of the Fair Funding review and associated changes to the business rates retention scheme are yet to be confirmed. Future funding arrangements are also expected to address the pressures caused by increasing demand and complexity of need in both adults' and children's services, a challenge faced across the country.

The Council has formulated a recovery plan focusing on the needs of people, business and place, and is taking the opportunity to reset how we work as a Council, using what we've learnt to do things differently and better in the future. We are also mindful that the need to respond effectively to the Climate Emergency hasn't gone away and is indeed more urgent than ever. To this end we ensured our recovery plan considered climate change and opportunities to 'bounce back better' to ensure we can continue to work towards achieving our ambitious carbon reduction targets and transition to a low carbon, sustainable borough.

In recognition of the "recover and reset" approach, the focus of this year's review of the MTFS has been on providing support to those service areas most affected by the pandemic, rather than on requiring savings to be made across the Council. As a result, this MTFS allocates funding to mitigate the short term impact of Covid-19, while permanently realigning budgets for services under particular pressure.

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.

A little over a year ago, an independent peer review undertaken through the Local Government Association concluded that Solihull is a sound and well-run council with strengths including vibrant communities, passionate and committed staff and elected members, strong financial management and good partnerships. Our response to Covid-19 continues to draw on these strengths and our MTFS supports the Council Plan in providing a secure financial platform from which to navigate the challenges of the coming years.

Finally, this MTFS represents the culmination of much work from the cross-party Budget Strategy Group and officers across all directorates, and I would like to thank all those involved

Councillor Ian Courts
Leader of the Council

1. EXECUTIVE SUMMARY

1.1.1 The Council's medium term financial strategy 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 period to 2023/24, 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 is 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 Spending Review postponed until 2021 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 2021/22 is £150.828 million, funded 74% from council tax and 26% 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 2020/21 to 2030/31 has a projected value of £566 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.

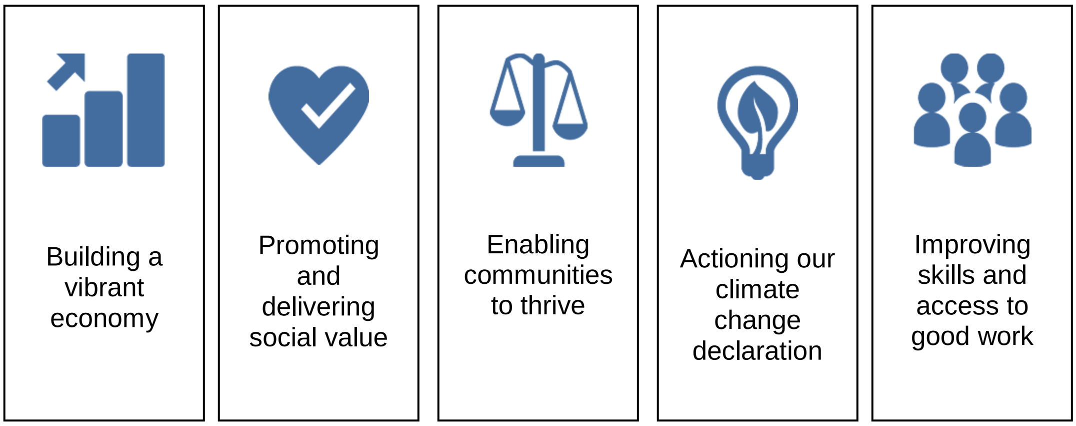
1.1.8 The Council is also planning for a net zero carbon future and has developed a process for carbon budgeting as part of the financial budgeting cycle, as outlined in section 7.

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

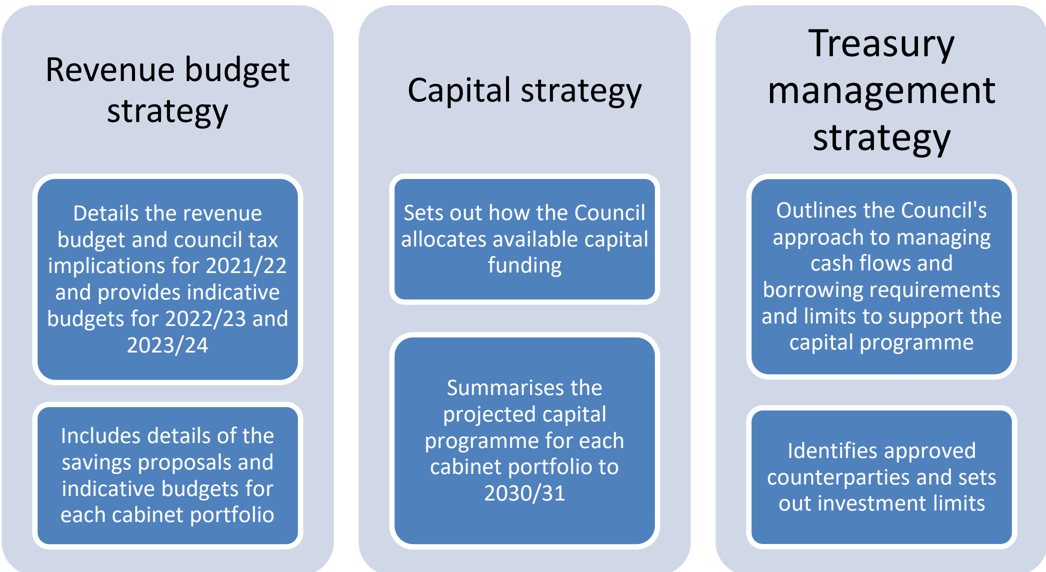
2.1.1 The strategic direction for the authority is set by the Council Plan, which was reset in April 2020. The Council Plan is based on an analysis of the borough's strengths, challenges and opportunities, and was influenced by local priorities, input from public consultation, government policies, performance information and external inspections. The 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. Our five building blocks of inclusive growth are shown below.



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 savings proposals for all years and no funding gaps;
- 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, but despite the agreement of a deal on the UK's future trading and security relationship with the EU, the effects at both a national and local level are likely to emerge gradually over the coming years.

2.1.9 When the MTFS for 2020/21 to 2022/23 was published it was expected that the Fair Funding Review into local government finance would conclude during 2020 and that a three year spending review would set out the funding envelope for the sector as a whole, enabling local authorities to plan their finances with a degree of certainty around future funding levels. However, these plans have been delayed by the emergence of Covid-19 and the resulting focus on efforts to restrict the spread of the virus and mitigate the impact on the economy, which has meant the publication of a single-year spending review for the second successive year. Once again, therefore, projections beyond the first year of the MTFS are based on uncertain assumptions. This strategy therefore assesses some of the key risks to the MTFS projections and considers the sensitivity of key cost drivers over a longer term period.

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 has been severe, with wide-ranging restrictions on economic and social activity and substantial rises in public deficit and national debt. According to the Office for Budget Responsibility (OBR), the UK economy has been hit relatively hard by the virus and UK GDP is set to fall by 11% in 2020 – the largest fall since 1709. OBR forecasts in November 2020 suggested that receipts in 2020 would be £57 billion lower, and spending £281 billion higher, than last year. [1]

3.1.2 The economic outlook remains highly uncertain and depends to a great extent on the trajectory of the virus and the policy and social response. The OBR central forecast is based on the assumption that restrictions will remain until the spring and that the UK will return to pre-virus levels of economic activity at the end of 2022. Furthermore, the potential impact across different sectors of the new trading relationship with the EU has not yet crystallised and compounds this uncertainty.

3.1.3 Solihull's economy is relatively well-placed to weather the impacts, but 40% of local jobs are in sector clusters likely to be experiencing falling demand: non-food retail, hospitality, leisure and tourism, construction and building technologies, passenger and freight transport and automotive manufacturing and supply chain. At the end of October 2020, 74.1 per 1,000 working age residents in Solihull were furloughed, compared to 57.5 per 1,000 across England and 55.5 for the West Midlands. In November 2020, 7,700 people in Solihull were unemployed and claiming benefits. At 6.0%, the claimant rate in the borough is lower than the national (6.4%) and regional (7.3%) average. However, at ward level this picture is more mixed, with a claimant rate of 12.6% in the three regeneration wards in the north of the borough and 4.5% in the rest of the borough.

3.1.4 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.

3.1.5 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 0.3% in November 2020, will remain lower than the Bank of England's target of 2.0% in the medium term.[2] The MTFS assumes general inflation of 1.2% in 2021/22, 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 1.6% in 2021/22. In 2021/22 these contracts account for over £18 million of the Council's expenditure.

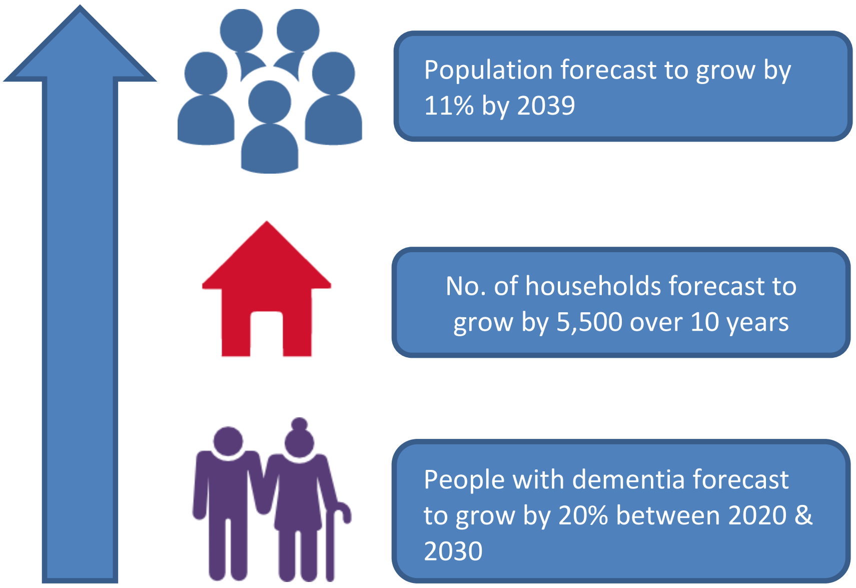
[1] Office for Budget Responsibility, 2020. *Economic and fiscal outlook November 2020*
[2] Ibid.

3.1.6 Employee costs represent the biggest area of the Council's spend and so pay inflation is a significant cost for the authority. As part of the Spending Review, the Chancellor announced a freeze on public sector pay in 2021, with the exception of increases of £250 for the lowest paid workers. Pay awards for the local government sector are not set by central government but are instead negotiated between local government employers (represented by the National Joint Council) and the trade unions. The unions are expected to submit the National Pay Claim in late January/early February, and this will commence the pay negotiation process for 2021/22. At this stage therefore, the MTFS includes an estimate of the cost of a £250 increase for the lowest paid workers but given the uncertainty does not include any allowance for a general pay award. Should a pay award be made during the year, the in-year cost would be funded from the budget strategy reserve with the ongoing impact built into the MTFS from 2022/23.

3.2 Rising demand for our services

3.2.1 The population of the borough has increased at a much slower rate than nationally over recent years but is expected to grow by around 11% by 2038. 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.

3.2.2 Office for National Statistics projections suggest that the relative ageing of Solihull's population will continue and that by 2039 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.



3.2.3 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 the National Living Wage continue to represent a major risk to local authority finances.

3.3.2 These long-standing pressures have been exacerbated in 2020 by higher operational costs relating to Covid-19, which are expected to increase in 2021/22 as the provision of free personal protective equipment for the care sector comes to an end. In addition, there is the longer-term impact of the Covid-19 infection on individuals, as well as the wider social restriction and isolation measures on population health, including 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 where this is possible. Others may prefer to be supported by family members rather than paid carers coming into homes to provide support. At present it is still difficult to determine how these changes will 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.

3.3.3 To date these risks have been mitigated through the use of specific Covid-related grants, temporary government funding and portfolio reserves, but it is difficult to develop a longer term strategy to address such risks in the context of continued uncertainty around future funding arrangements for adult social care.

3.3.4 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. 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. Previous MTFS funding of £500,000 per annum was agreed up to the end of 2022/23 which has now been built in permanently from 2023/24. This is a recurrent pressure driven by increased lifespans for people with multiple and complex needs and will remain under review to determine if the agreed MTFS funding continues to match the demand over the coming years.

3.3.5 In addition to the above, emerging pressures include care for the over 85 age group, given that support needs for older people increase with age. In the last 5 years there has been a 9% rise in this demographic and could give rise to an ongoing increase in the order of 2.2% per year over the coming years which, when the potential pressures of Covid-19 are also considered, seems unlikely to be manageable without further pressure on the base budgets.

3.3.6 Another area of concern is mental health. The work on the potential surge in mental health needs resulting from Covid-19 wider impacts indicates a 28% increase in community mental health referrals who need complex mental health support. The Council is legally required to provide this type of support and there would be risks to the individual, and potentially other people, if it were not provided.

3.3.7 Covid-19 has had a significant impact on people’s mental health across the general population, alongside significant numbers of people with pre-existing conditions that have deteriorated, and others who have developed severe symptoms. Support and preventative services are being developed by redesigning services within existing budgets and the additional costs resulting from the changes outlined in 3.3.6 relate to the anticipated net increase resulting from those who will still become more seriously ill.

3.3.8 Support for carers is another area of concern with a significant increase in the number of unpaid carers being experienced nationally as a result of the pandemic, as well as an increase in the amount of care existing carers are providing. This significant increase is anticipated to be reflected in the local picture too.

3.3.9 The potential pressures outlined in 3.3.5 to 3.3.8 are not mitigated for in the current MTFS proposals. Use of one-off funding, including reserves, could potentially cover such pressures in the short term, but not on a recurrent basis.

3.3.10 The government has acknowledged that the growing demand for adult social care services is placing increasing pressure on council budgets. The long-awaited green paper on adult social care has yet to be published but in the meantime the 2020 spending review confirmed that social care grant funding totalling £4.784 million received in 2020/21 would continue into 2021/22 – 50% of this funding has been allocated locally to adult social care. In addition, the Chancellor announced further funding of £589,000 for both adults’ and children’s services in 2021/22, £0.295 million of which has been allocated to the Adult Social Care and Health portfolio. This funding will be used to support the emerging pressures that have been detailed above, but does not provide a sustainable funding source for future years.

3.3.11 The government has also decided to allow local authorities to levy a precept on adult social care of up to 3% over the years 2021/22 and 2022/23. The Council is proposing to increase the precept by 1.0% in each of the two years, bringing the total additional income generated from the precept to £9.7 million in 2022/23.

3.3.12 The MTFS already includes substantial funding for adult social care, approved in previous years, and requires no new savings from the service. Additional resources generated through the increase in the adult social care precept will be used to provide additional permanent, sustainable funding within the portfolio towards the emerging pressures that have been identified above.

3.3.13 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.

3.3.14 The Better Care Fund (BCF) is a budget to help local places improve the integration of health and care services that are currently commissioned by the NHS and local authorities. The conditions associated with the Better Care Fund 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 continuation of the BCF at existing levels.

3.4 Children's Services

3.4.1 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. In addition to funding identified in previous years to the children's social care reserve and the SEND service, the updated MTFS provides additional ongoing funding for children's placements of £1.2 million in 2021/22, rising to £2 million by 2023/24. In addition, it is intended to top up the children's social care reserve by £1 million in 2021/22, should the 2020/21 business rates windfall allow.

3.4.2 The issue of complexity and supply in relation to placements requiring specialist residential care has become critical. The availability of placements has been further constrained by the pandemic and delays in the court process have contributed to the increase in children in care. The average cost of our 20 most expensive placements is now £5,781 per week, compared with £3,385 three years ago. It is difficult to determine at this stage whether there will be a longer-term impact as a result of Covid-19.

3.4.3 However, we currently do well with both the volume and timeliness of our adoptions and other court orders (that bring an end to a child being looked after) and the weekly cost of placements across a range of provision compares favourably to our benchmark authorities and there is no evidence that we take children into care whom we should not. Our approach to addressing this pressure includes close monitoring of the most expensive placements, arrangements to step clients down from residential to fostering placements where possible and work on a new regional secure unit. In addition, part of the grant funding received in 2020/21 is being used to develop connected carer arrangements. The continuation of the social care grant into 2021/22 will also support our frontline social care services.

3.4.4 The increasing demand for Education, Health and Care Plan assessments and the requirement for annual review continues to place significant pressure on the Statutory Assessment and Review Team (StART) and the Education Psychology Service. Additional resourcing for this process is being funded from continuing social care grant.

3.4.5 The key issue with the SEND transport service is the level of SEND demand and the resultant impact on transport costs. With pressures on our internal placements (particularly around autism), transport to provision outside of the borough remains problematic but we also transport within the borough so this too needs addressing. There are a number of actions underway to develop our internal capacity as part of the work on the High Needs Block recovery plan as noted below.

3.4.6 School improvement is an emerging challenge which it is anticipated will be worsened by the impact of Covid-19 restrictions on schools. In recent years our performance compared to national benchmarks has declined, with 16% of schools currently judged as requiring improvement and one classed as inadequate. Reductions in staffing levels in the school improvement team have affected the support the team is able to provide to schools which need it.

3.4.7 The High Needs Block of the Dedicated Schools Grant (DSG) has been under significant pressure, resulting in a net adverse variance of £5.934 million in 2019/20. The main factors underlying this position relate largely to the combination of rising demand, increasingly complex needs and a shortage of specialist provision.

3.4.8 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 the revised plan was approved by Cabinet in November 2020.

3.4.9 Children's Services require £1 million annually from retained grant and schools to support statutory education services under the National Funding Formula (NFF) arrangements. The Solihull Schools Forum must approve this annually as required in the NFF regulations and this was agreed in December 2020. However, continued academisation will see further reductions to this funding which are outside the control of the Council. As such, the MTFS includes a sum to reflect the loss of funding based on the academisation of a group of aided schools from April next year.

3.4.10 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.

3.5 The Place

3.5.1 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 economic development has put pressure on the highways network to the extent that additional repairs and maintenance spending is now required. At the outset of the budget process for 2021/22 it was clear that some of the budgets within the Economy and Infrastructure directorate were unrealistic. The MTFS therefore provides additional funding of £0.583 million in 2021/22, rising to £2.050 million per annum by 2022/23, to realign these budgets on a permanent basis. In addition, Cabinet will be asked in June 2021 to consider topping up directorate reserves by up to £1.250 million from the business rates windfall, should funding levels allow.

3.5.2 The restrictions imposed on everyday life as a result of the pandemic have had a particular effect on income streams for a range of services including leisure centres, car parking, planning and the Core theatre. In 2020/21 the government provided funding through an income loss relief scheme to mitigate part of these losses and the estimated impact of the scheme's extension to June 2021 has been reflected in the MTFS.

3.5.3 However, it is anticipated that for some income streams the impact will be long-lasting and there may be permanent pressures to be addressed in future years. In particular, reduced customer numbers prior to the pandemic had created an underlying pressure on car parking income. The long-term impact of the pandemic is likely 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 needs to 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 would offset the lost revenue from the car parks.

3.5.4 In June 2020, Full Cabinet approved the allocation of £2 million from the anticipated business rates windfall to create a new place-making fund in order to support the promotion, sustainability and resilience of Solihull as an attractive place to live and do business. The fund, which is controlled by Full Cabinet, can be used for:

- Promotion of the borough, including tourism
- Town centre resilience, specifically supporting the High Street
- Environmental protection and climate change, aligning Solihull’s strategy with that of the combined authority
- Monitoring to ensure that the attractiveness of the borough is maintained and maximised.

3.5.5 An allocation of £200,000 has been made from this fund to support Council initiatives and the activities of key stakeholders within towns and local centres as part of the ongoing ‘high street’ recovery activity from the impact of Covid-19. This will supplement the national support that has been made available to businesses.

3.5.6 The Council has an ambitious climate change strategy. 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 a core team of staff to take this forward. In addition, the directorate is leading on the economic development agenda in the borough which is nationally significant, encompassing UK Central, HS2, Jaguar Land Rover, Birmingham Airport, North Solihull and town centre regeneration and tourism opportunities through the Commonwealth Games. Funding of £300,000 per annum, initially from the Council’s place-making fund and subsequently from the MTFS, will be used to create capacity to progress both the climate change and economic development programmes.

3.5.7 A significant element of the capital programme sits within the Growth and Infrastructure Delivery cabinet portfolio, the majority of which relates to programmes associated with the UKC project. 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 high-profile regional projects such as the Birmingham 2022 Commonwealth Games and the Coventry 2021 City of Culture.

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% from April 2021, with the revised scheme incorporating funding previously made available through the revenue support and public health grants, but this has been delayed as a result of the coronavirus pandemic. Further details of the government's intentions in respect of local government funding are expected to emerge during 2021.

4.1.4 As part of the wider review of local government funding, the baselines to redistribute resources between local authorities through the business rates retention scheme are expected to be reset from 2022/23 based on a new assessment of relative needs and resources. The updated methodology will be informed by the government's Fair Funding Review which has been ongoing since 2017. It is anticipated that the effect of the resulting reset of baselines in the business rates retention scheme will be to shift resources away from councils such as Solihull which are considered to be relatively affluent, 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 2021/22, 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 For the purposes of the business rates retention pilot, the government has guaranteed that the region will not be any worse off than it would have been under the existing financing arrangements, under a principle referred to as "no detriment". However, this guarantee applies only at a collective level and so should a situation arise where one or more of the member authorities finds themselves financially disadvantaged as a result of their involvement in the pilot, the remaining pilot authorities would be required to make good the financial position of their West Midlands counterparts before invoking "no detriment" support from the government. The risk that this presents to the Council's MTFS is mitigated by windfall income received by the member authorities as a result of the way in which the Ministry of Housing, Communities and Local Government (MHCLG) measures business rates growth, which could be used to contribute towards the "no detriment" position of any of the member authorities if required.

4.1.7 The level of windfall income realised each year of the pilot depends on the business rates outturn position for each authority. In theory, any requirement to contribute towards the "no detriment" position of any of the other pilot authorities could reduce the windfall income available to the remaining authorities to nil. Because of this uncertainty, Full Cabinet agreed to contribute any windfall income to a reserve. Current estimates are that Solihull's windfall for 2020/21 could be in the region of £3.8 million, but the final figure will not be confirmed until summer 2021 after the business rates outturn position is reported for each of the pilot authorities.

4.1.8 In addition, the Council expects to receive funding through the government's tax loss relief scheme to offset the business rates losses resulting from Covid-19, and the element relating to the windfall is forecast to be £4.0 million. The impact of the residual deficit on the windfall income will be managed from emergency Covid-19 funding. The windfall income is not built into the MTFS and as such no expenditure can be incurred against this funding until the outturn position is confirmed at the end of year. However, as part of the 2021/22 budget process proposals to utilise the forecast 2020/21 windfall income if it materialises were endorsed by the Budget Strategy Group.

4.1.9 The table below shows the forecast windfall income and proposed future allocations as at February 2021.

	2020/21 £'000	**2021/22 £'000**
Forecast windfall income for the year	(3,874)	(6,739)
Windfall share of forecast local tax income guarantee grant (Covid-19)	(4,029)	0
Use of Covid-19 emergency funding to meet the windfall share of the residual forecast deficit	(1,294)	0
Proposed use – top up children's social care reserve	1,000	0
Proposed use – top up Economy and Infrastructure reserves	1,250	0
Proposed use – creation of business rates volatility reserve	6,947	0
Balance	**0**	**(6,739)**

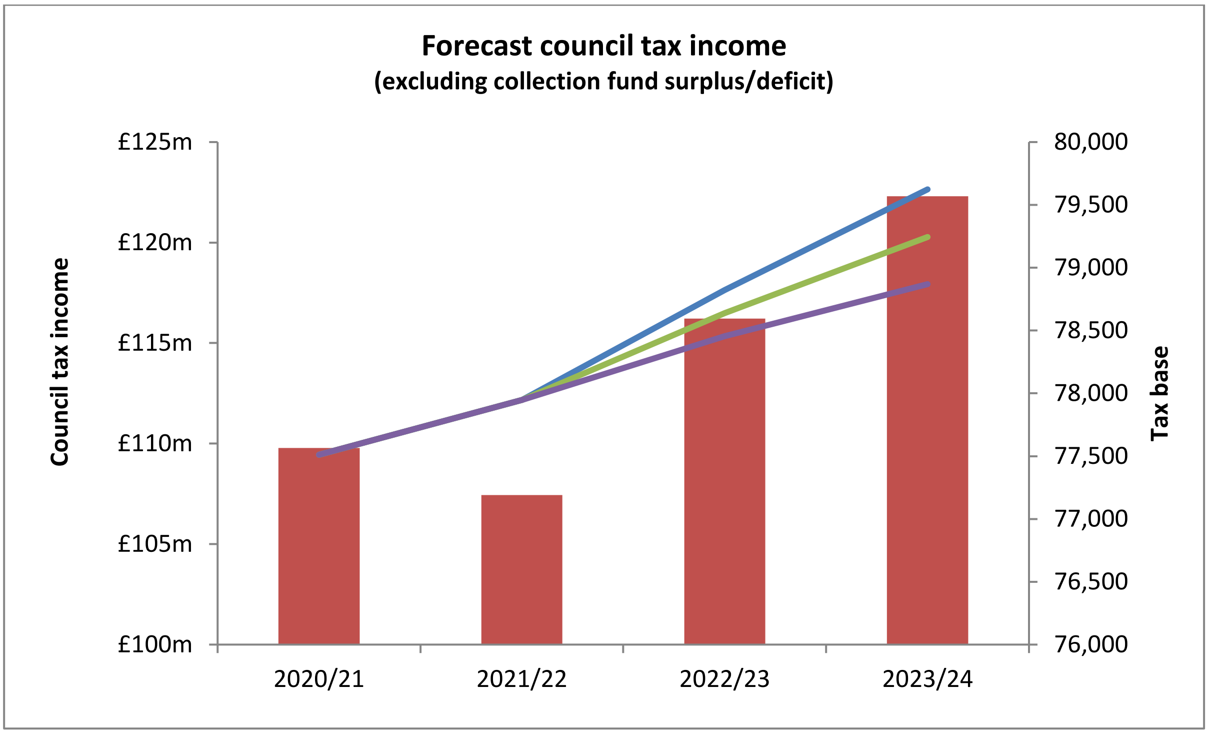
Council tax

4.1.10 Council tax remains the most significant source of income for Solihull, funding 74% of the net revenue budget in 2021/22. 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, and the economic fall-out from the pandemic may mean the caseload remains high for some time. The MTFS assumes a gradual recovery by 2023/24.

4.1.11 The higher than expected cost of local council tax support in 2020/21, combined with the impact of lower than usual levels of collection activity due to the pandemic, have resulted in a forecast deficit on council tax collection in 2020/21. Any surplus or deficit on the collection fund would usually be reflected in the budget for the following year, but because of Covid-19 local authorities are being required to spread the element of the deficit that specifically related to 2020/21 over three years, with the government funding 75% of this amount through the local tax income guarantee grant. Both the spreading of the deficit and the grant funding are included in the MTFS, with the remaining cost of the deficit funded from the Council's general Covid-19 grant.

4.1.12 The government has confirmed that the referendum threshold for increases in core council tax will be 2.0% in 2021/22, with a further increase of up to 3.0% over 2021/22 and 2022/23 allowed in respect of the adult social care precept. 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 2022/23 and 2023/24. For illustrative purposes, an increase of 1% in council tax equates to just over £1 million of income (based on the 2021/22 tax base).

4.1.13 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). In order to illustrate the effect of lower increases in council tax in 2022/23 and beyond, 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

4.1.14 The Council's most recent Accounting Statement detailed a total of £15 million of government grants received in 2019/20 that were not ring-fenced to specific services, largely accounted for by business rates grants, Covid-19 emergency funding 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.

4.1.15 In 2020/21 the government provided substantial funding via specific grants to local authorities 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 to grants ring-fenced for particular purposes, this funding included general emergency grant and income loss relief grant, with a further grant to compensate authorities for business rates and council tax losses also confirmed. The Council's commitments against these grants are being closely monitored by senior officers and the funding not required until later years has been contributed to reserves in order to be released over the period of the MTFS in line with the anticipated profile of Covid-19 pressures.

4.1.16 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 2021/22), 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 £1.5 million in 2021/22, including legacy payments relating to 2018/19 and 2019/20. The future of the NHB scheme beyond 2021/22 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, including the repayment of the unused RSG top-slice.

4.1.17 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 to 2020/21 and again to 2021/22. The MTFS assumes that an amount equivalent to the 2021/22 share continues to be received from 2022/23 onwards in transitional funding as part of the Fair Funding Review.

4.1.18 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 the 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 2020/21 the government provided additional rates reliefs for those businesses particularly affected by the pandemic, with the cost to local authorities funded from section 31 grant. This grant (totalling £53 million for Solihull) was contributed to a reserve in 2020/21 in order to fund the related share of the business rates deficit in 2021/22 and this is shown at the bottom of the MTFS on page 39.

Ring-fenced grants

4.1.19 The Council received £224 million of revenue grants from government that were ring-fenced to specific services in 2019/20. The majority of the specific grants received by the Council are in respect of education services: £109 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.

4.1.20 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 2021/22 have yet to be announced. 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. Should the business rates retention scheme be changed from 2022/23 as previously indicated, it is anticipated that local authorities' public health responsibilities will be included in the revised scheme.

4.1.21 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. No funding allocations for either the BCF or iBCF have been published for the years beyond 2021/22 but the MTFS assumes that this income will continue at existing levels.

4.1.22 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 £21.9 million. One project extension request, for grant of £0.5 million, has been submitted for approval.

4.1.23 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

4.1.24 The Council received over £122 million per annum in income from fees and charges in 2019/20. This 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).

4.1.25 Income from fees and charges was severely affected by the restrictions imposed as a result of the coronavirus pandemic. Many of the Council's fee-earning services have been closed for substantial periods over the course of 2020/21 and other services, notably car parking and planning, experienced significant falls in demand. The government introduced a scheme whereby councils could claim government funding to offset an element of such income losses and this has been extended to cover the first quarter of 2021/22. Looking further ahead, 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

4.1.26 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 2020/21, the target rate of return on investments is 0.75%, which will be monitored throughout the year. As at 31 December 2020, the Council held investments totalling £81 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 £14 million in capital grants and contributions in 2019/20, 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 Wildlife Ways, 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 Compared to recent years, the projected three year forecast will deliver minimal capital receipts. However, forecast receipts in 2020/21 ensure a cumulative surplus in available capital funding.

	2021/22 £m	2022/23 £m	2023/24 £m
Forecast cumulative surplus	4.933	4.690	3.665

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.

Prudential borrowing

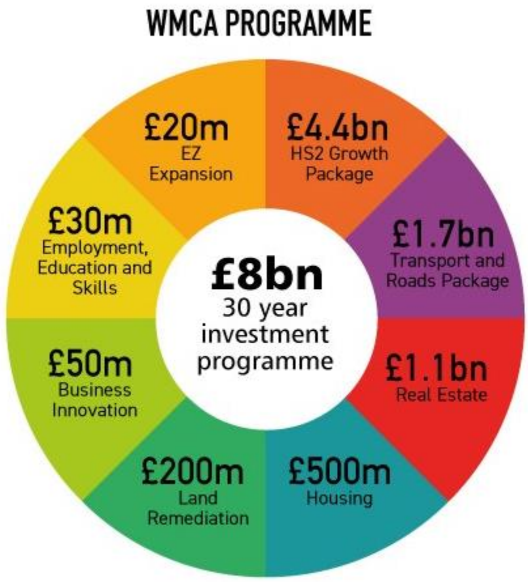
4.2.11 Prudential borrowing provides some flexibility in relation to funding for the capital programme. It has been used to support the delivery of major projects such as the North Solihull Regeneration programme, the new care home at Tanworth Court and ICT projects.

4.2.12 The current MTFS includes £412,000 of additional revenue funding over the period, to support prudential borrowing of £7.1 million in respect of property services and ICT projects. 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 Since the WMCA was established it has secured two devolution deals that will see the wider region receive £1.8 billion of government funding over the next 30 years. The Strategic Economic Plan (SEP) sets out the WMCA's vision and explains how the WMCA will use its devolved powers to strengthen the region and improve the quality of life for those who live and work in the West Midlands. The figure below shows the breakdown of the WMCA's 30-year investment programme, £636 million of which is direct investment into Solihull. By March 2022, membership of the WMCA will have provided around £200 million of investment in the borough.



4.3.3 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. The interchange station and Hub at UK Central in Solihull will provide an international gateway with seamless integration between HS2, Birmingham Airport, the NEC and rail and metro services, within a carefully designed and environmentally responsive development. Membership of the WMCA is delivering funding to enable Solihull to deliver priorities such as the UK Central Hub faster than would otherwise have been possible. We are seen as a key economic driver for the region given our location, economic assets and high-quality environment. The Urban Growth Company (UGC) is a special purpose delivery vehicle created specifically to allow the full economic potential of the Hub to be realised, including promoting and coordinating the required infrastructure.

4.3.4 However, two of the funding streams originally anticipated by the WMCA – the mayoral precept and the supplementary business rate – have not been introduced. At this stage there are significant funding expectations in the investment programme but the funding streams to support these in full have not been identified. The approval process for new funding and change requests can also be lengthy and Full Cabinet has approved in principle that the Council can incur expenditure of up to £5 million at risk in respect of UK Central projects, on the assumption that the WMCA will eventually approve reimbursement. This spend at risk is backed by the business rates windfall reserve.

4.3.5 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.

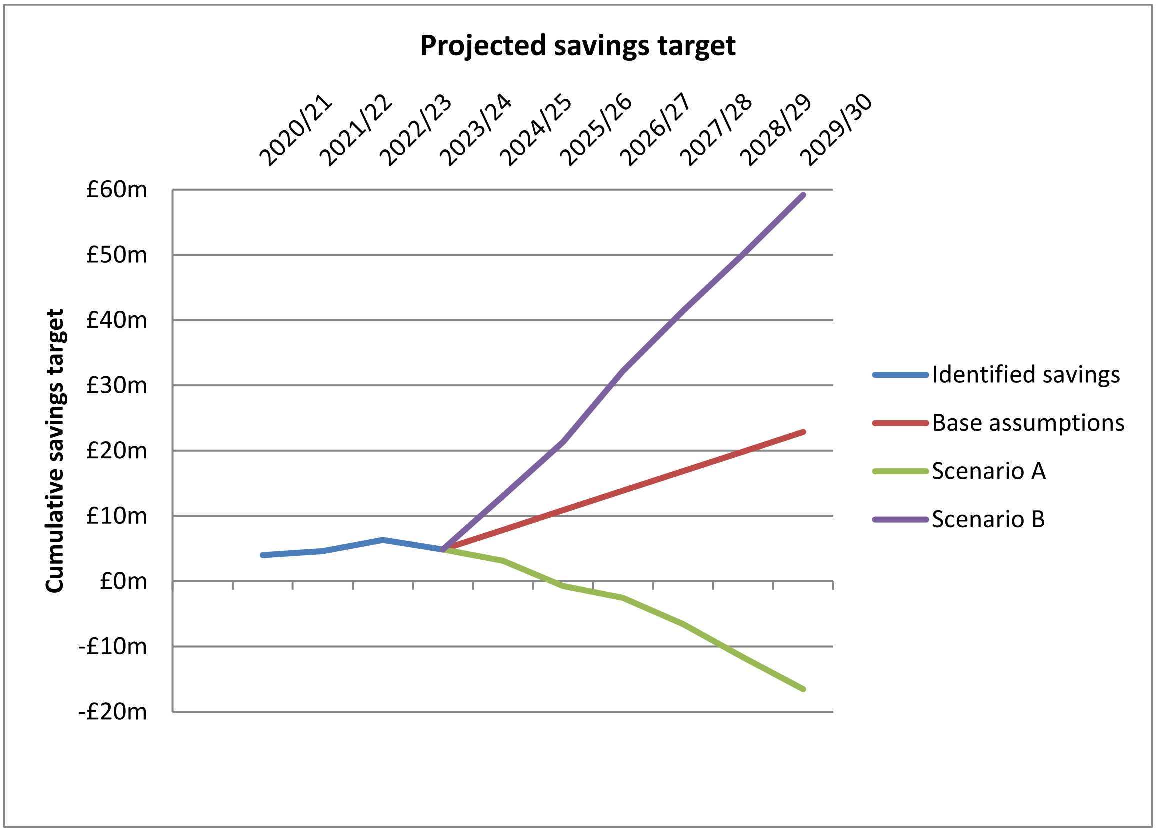
4.4 Revenue funding gap

4.4.1 The Council has also 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 three years to 2023/24, with no new savings required corporately in 2023/24. 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 savings identified to date and the projected cumulative savings requirement over the next ten years based on the current assumptions in the MTFS. 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 purple 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) 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	1.90%	3.50%	0.00%
Pay inflation	2.00%	1.00%	3.00%
Contractual inflation – core	2.00%	1.50%	3.00%
Contractual inflation - specific contracts	3.20%	2.00%	4.00%
Contractual inflation – children's placements & transport	2.30%	1.30%	3.30%
Emerging pressures	£3m	£1.5m	£5m

4.4.6 It should be noted that in the absence of a spending review and a distribution methodology for 2022/23 and beyond, any projections into either the medium or longer term are speculative and should be treated with caution. This is compounded by the ongoing uncertainty over national economic forecasts for the period.

4.4.7 In the short term, the evolution of the coronavirus pandemic continues to represent a challenge to the Council's MTFS. The MTFS is based on the broad assumption that the restrictions associated with the management of Covid-19 would be eased from April 2021. As part of the budget process, the financial impact of a more extended period of recovery were modelled, which suggested that a delay of three months would add one-off costs in the region of £0.8 million, while a delay of six months would add around £1.7 million compared to current estimates. It is anticipated at this stage that these costs could be met from government grant.

THE COUNCIL'S RESPONSE

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

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

4.4.9 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 focus of the MTFS this year is aligned to the "recovery and reset" strategy set out in the Council Plan.

4.5 Recovery and reset from Covid-19

4.5.1 The Covid-19 pandemic is transformative and the Council's priority over the short and medium term will be on recovery across the economy, health and all client services. An end date for the easing of restrictions and a return to normalcy is still uncertain, but it is anticipated that the rollout of the vaccination programme will allow the easing of public health restrictions from the spring.

4.5.2 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.

4.5.3 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 current crisis 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.

4.5.4 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 and by focusing on recovery to a pre-Covid position. 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.

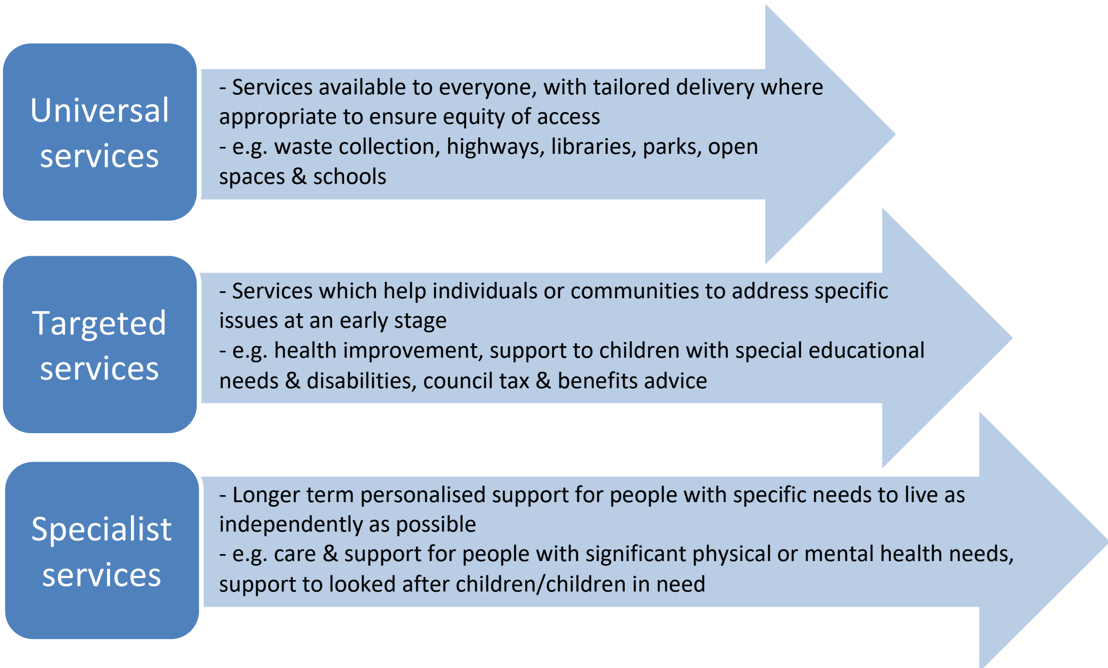
4.6 Managing demand

4.6.1 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.

4.6.2 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.

4.6.3 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 for the future 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.

4.6.4 Over the next two years, we will continue to develop these services based on the following principles:



4.6.5 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 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.

4.7 Maximising income generated locally

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

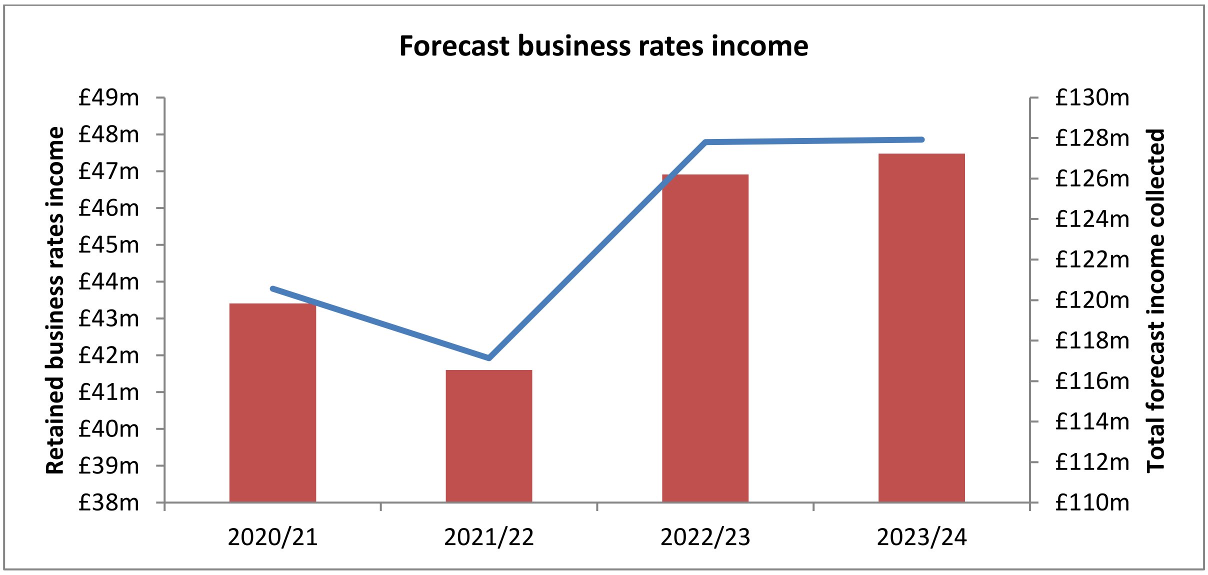
4.7.2 Solihull's unique concentration of strategic economic assets (the international airport, the National Exhibition Centre, Jaguar Land Rover, the business parks, the town centre, transport infrastructure and the environment/ green belt) give it a critical role in the regional economy – with analysis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

4.7.3 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.

4.7.4 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.

4.7.5 The Council's annual forecast of the business rates income it will collect, as reported to central government in the NNDR1 return, forms the basis of the payments the Council will make to the West Midlands Combined Authority (WMCA) and the fire authority for their share of business rates income. For future years the MTFS assumes an underlying level of growth in our net 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.

4.7.6 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. The fall in forecast net retained income in 2021/22 reflects the estimated impact of Covid-19 on some of the borough's key sectors. 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.



4.7.7 In recognition of the difficulty in accurately forecasting retained business rates income in the current climate, it was agreed as part of the 2021/22 budget process to use the balance of the 2020/21 business rates windfall, after funding top ups to reserves in children's services and the Economy and Infrastructure directorate, to create a new business rates volatility reserve. This reserve will be used to manage differences between actual and projected retained business rates income and will be released should it not be required.

4.7.8 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 on the national and local economy, means that these forecasts should be treated with some caution.

4.7.9 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.

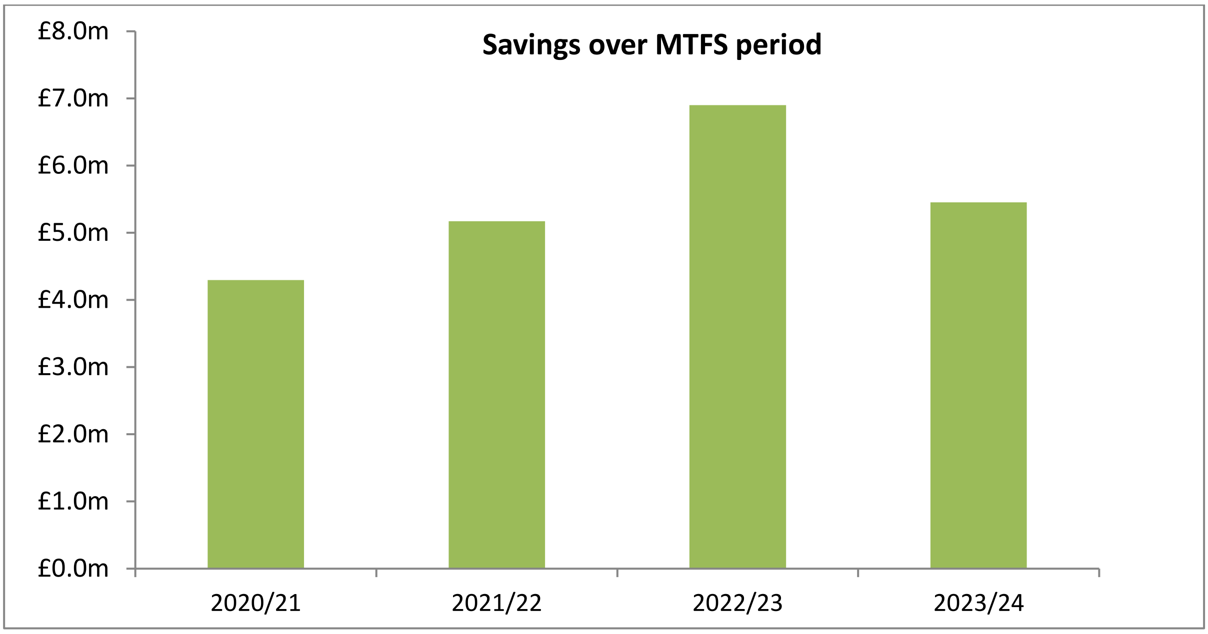
4.8 Reducing costs

4.8.1 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.

4.8.2 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 2023/24.

4.8.3 As outlined above, the budget process for 2023/24 did not require any new savings to be identified to address the funding gap in the third year, but the MTFS includes savings approved in previous years.

4.8.4 The chart below shows cumulative ongoing savings of £5.5 million (net of the reversal of temporary savings) approved in previous years for the period from 2020/21 to 2023/24.



4.8.5 In addition, a group of senior officers closely monitors the delivery of savings 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.

4.8.6 That said, the delay to the expected three year spending review has created some additional uncertainty around whether any further savings will be required in 2022/23 and 2023/24 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 are either being explicitly provided for in the 2021/22 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
Failure to maximise Solihull's potential/interests as part of the West Midlands Combined Authority	Forecast spend and cash flow regularly monitored by SMBC finance team; quarterly funding claims made to WMCA; working with the WMCA on funding options; continued support and development of how the WMCA operates; working with the WMCA on UKC funding options	Spend at risk in respect of UK Central projects is backed by the business rates windfall contingency on the basis of future reimbursement from the WMCA

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 national budget cuts, Brexit and pressures in Adults' and Children's Services and Covid-19	Budget risks protected through Budget Strategy Reserve; business rates windfall; three year budget delivery monitored by CLT; scrutiny of Covid-19 pressures by ARTOP; government funding for Covid-19; recovery plan for DSG deficit	Specific investment to mitigate pressures in children's services, new business rates volatility reserve, Covid-19 funding contributed to reserves for use over the MTFS period plus unallocated reserves (budget strategy reserve and business rates windfall) available if required
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	Ongoing engagement with those with care & support needs and carers; engagement with care providers; implementation of national statute and guidance relating to Covid-19; local policy and guidance established where necessary; regular oversight of budget, performance and quality position; utilisation of national funding; review of regular reporting arrangements; facilitating market development	Share of additional social care grant funding Continuation of additional funding for demographic pressures
Failure to achieve a balanced budget in the context of unprecedented pressures in children's services, which could significantly limit the delivery of other services for children	Financial Recovery Plan; robust commissioning and procurement; development of Edge of Care service; application for additional free school for children with autism and related conditions; introduction of family drug and alcohol court; agreement of sixth form places for SEND children	Share of additional social care grant funding Funding in place through budget strategy reserve to provide capacity to deliver the recovery plan Additional contribution to children's social care reserve to manage fluctuations in demand

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 against a background of sustained pressures on the sector, 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. This is particularly pertinent this year as the index is largely based on 2018/19 data, yet the context within which councils are operating has changed significantly since then.

5.1.4 Solihull's results, compared to our statistical nearest neighbours and other metropolitan districts, suggest that for the majority of the indicators used the authority falls in the average to low risk category. 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 an average pace, and this is reflected in the reserves sustainability indicator for which the Council has the lowest risk score of the group.

5.1.5 The index does however suggest a relatively high level of risk in respect of business rates growth for Solihull compared to both our statistical nearest neighbours and other metropolitan districts. This indicator is calculated as growth in retained income as a percentage of the business rates baseline, and the implication is that high levels of business rates growth may not be sustainable or may suggest over-reliance on business rates income. As previously noted in budget reports, the Council is keenly aware of the risk of resource redistribution as a result of the government's ongoing review of local government funding and has attempted to assess the potential impact through the modelling of business rates income for the MTFS. The level of unallocated reserves and the new business rates volatility reserve held by the authority also provides some mitigation against this risk. 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.

5.1.6 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 working 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.

	2021/22 £000	2022/23 £000	2023/24 £000
Anticipated balance as at 1 April	(9,655)	(10,256)	(13,429)
Contributions (to) / from	(601)	(3,173)	589*
Anticipated balance as at 31 March	**(10,256)**	**(13,429)**	**(12,840)**

** to fund one-off pressures*

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 2020 is attached at Appendix D [note at this stage this does not reflect the 2020/21 budget recommendations in respect of reserves].

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.

6.1.2 In the first carbon budget reported in last year’s MTFS, the following carbon emission reduction targets were set:

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

6.2 Progress to date

6.2.1 Work to date has focused on the three areas which together account for approximately 90% of the Council’s emissions:

- Street lighting on all roads managed by the Council;
- 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 remaining 10% of our emissions comes from transport, including corporate vehicles and vehicles used by contractors on council services.

6.2.3 Actual progress against the 2020/21 budget will be assessed in summer 2021 but the Council is expected to exceed this target as emissions in 2019/20 had reduced to 10,314 tonnes, a 48% reduction compared to the baseline year of 2009/10.The forecast for 2020/21 is a further reduction of 1,457 tonnes to 8,857 tonnes, which will take the overall reduction to 55.5%.

6.2.4 This will also represent over-achievement against the 50% target reduction by 2024/25. Further actions planned, including the switch to a zero-carbon tariff for street lighting, will see a further reduction achieved ahead of the target year.

6.2.5 This reduction is largely the result of the Light Emitting Diode (LED) replacement scheme arising from the Street Lighting Strategy. In addition, we have predicted a year on year reduction of 3% for corporate properties in line with previous year’s actuals, however there is likely to be some further impact from Covid-19 and the lower occupancy levels of corporate properties.

6.2.6 The carbon budget for 2021/22 is summarised in the table below, compared to the actual and forecast outturn position for the two previous years.

	2019/20 outturn (tonnes)	2020/21 forecast (tonnes)	2021/22 budget (tonnes)
Corporate properties	5,128	4,810	4,665

	2019/20 outturn (tonnes)	2020/21 forecast (tonnes)	2021/22 budget (tonnes)
Street lighting	1,990	888	0
Strategic environment contract	1,996	1,959	1,959
Other	1,200	1,200	1,200
Total	**10,314**	**8,857**	**7,824**

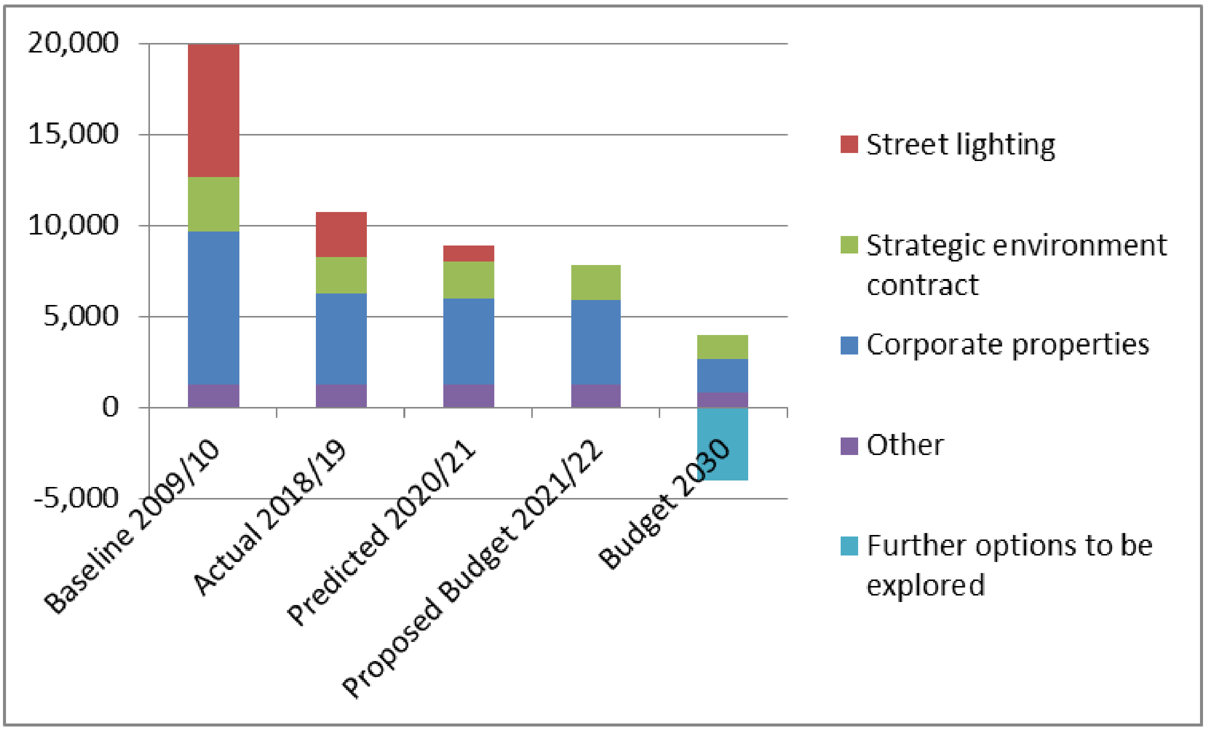
6.3 Target 'budget' for 2030

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 Phase 1 of our approach is based on the following hierarchy of actions:

- Reduce the energy consumption of council operations through efficiency or service redesign, including through the Council's new electric vehicle strategy;
- Investigate and develop the Council's ability to generate our own energy, e.g. heat networks;
- Buy green tariffs for 'grid supplies' – this has been done for street lighting but other contracts are also being considered;
- Buy carbon offsets for any remaining emissions.

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.



6.3.1 Phases 2 and 3 of our plans involve setting annual carbon reduction budgets, creating additional capacity to resource the climate change agenda and identifying "invest to save" projects.

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 proposals against the savings target 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 savings 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 weathers the impacts of Covid-19.

8.1.2 The Council is keen to maximise the benefits to our communities of the creation of the West Midlands Combined Authority and the opportunity that brings for more money and powers for the region and for Solihull. Our ambitious UK Central programme and the integration of services with our public sector partners in the borough will add further strength to our comprehensive approach to managing resources in Solihull.

8.1.3 We know that Solihull has a relatively high council tax base and as such relatively less reliance on central government support, and we know that our collection rates for council tax and business rates income are among the best in the country. Other aspects of local authority finances are less straightforward to analyse but the data that is available does not indicate any areas of financial weakness.

8.1.4 The measures outlined in this strategy seek to give the authority a sound financial base and provide a solid platform from which the Council can deliver its 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 will pay 1% of the income collected to the fire and rescue authority and will also pay a tariff to central government. The Council will also pay 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-Solihull/Solihull-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 tax payers, 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 for 2021/22 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.

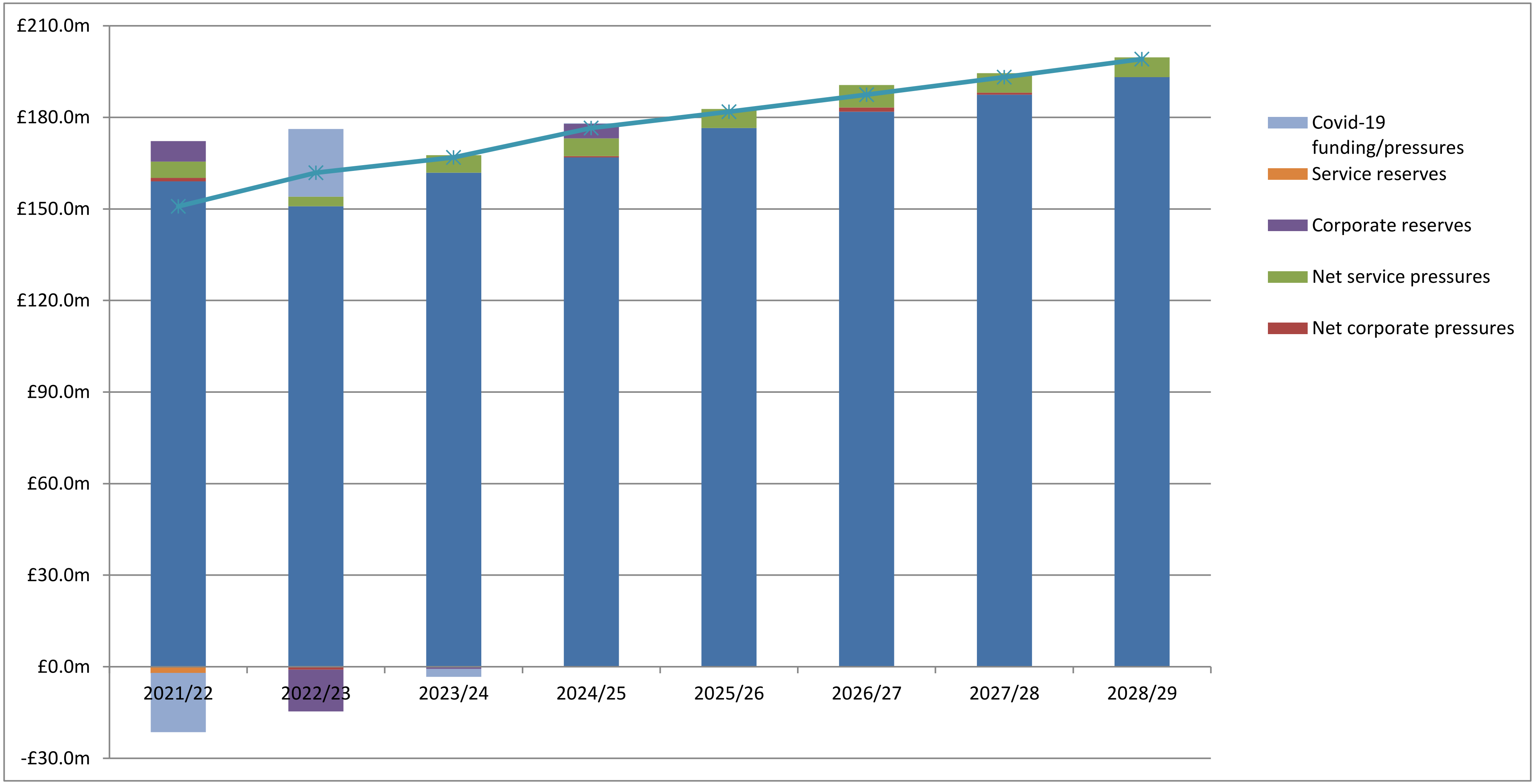
Tariff
Under the business rates retention scheme, each authority is set a funding baseline (intended to measure spending needs) and a business rates baseline (which represents the authority's ability to raise business rates income locally) by the government. As Solihull's funding baseline is higher than 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 for 2021/22 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

Summary revenue budget 2021/22 to 2023/24	2021/22 £000	2022/23 £000	2023/24 £000
Base Budget	**159,077**	**150,828**	**161,856**
Levies	27	5	5
Treasury management - revenue required to support borrowing	412	0	0
New Homes Bonus	857	(1,166)	(44)
Lower tier services grant	(191)	191	0
Covid-19 grant	(22,421)	22,421	0
Covid-19 pressures	3,050	(253)	(2,527)
Adult social care net pressures	2,480	1,829	1,734
Children's services net pressures	197	665	200
Place-based services net pressures	533	1,073	0
Resources net pressures	1,255	(462)	968
Inflation and pensions	1,430	2,095	3,963
Savings approved in previous years	(589)	(1,729)	1,450
Reversal of temporary contribution to children’s social care reserve	(2,045)	0	0
Contribution to/ (from) Covid-19 grant reserve	14,366	(7,233)	(4,182)
Contribution to/ (from) business rates windfall	(6,386)	0	0
Contribution to/ (from) budget strategy reserve	601	3,173	(589)
Contribution to severance reserve	1,000	0	0
Subtotal corporate reserves	9,581	(4,060)	(4,771)
Reversal of corporate reserves used in previous year	(2,825)	(9,581)	4,060
Net Budget Requirement	**150,828**	**161,856**	**166,894**
Business rates retained income	*(48,660)*	*(47,787)*	*(47,858)*
Anticipated contribution to business rates windfall	*6,739*	*0*	*0*
Net business rates	**(41,921)**	**(47,787)**	**(47,858)**
Council tax	(112,172)	(117,630)	(122,648)
Council tax deficit 2020/21 (Covid-19)	408	408	407
Business rates deficit 2020/21 (Covid-19)	56,794	3,544	3,545
Contribution from business rates reserve (timing differences)	(53,333)	(40)	(40)
Council tax (surplus)/deficit (other years)	309	(351)	(300)
Business rates (surplus)/deficit (other years)	(913)	0	0
Total Resources	**(150,828)**	**(161,856)**	**(166,894)**
Assumed general council tax increase	1.99%	1.99%	2.99%
Assumed increase in adult social care precept	1.00%	1.00%	0.00%

APPENDIX B – TEN YEAR REVENUE PROJECTIONS



APPENDIX C – TEN YEAR CAPITAL PROJECTIONS

Summary of Corporate Capital Programme 2020/21 to 2030/31												
Cabinet Portfolio	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**	**2030/31 £m**	**Total £m**
Adult Social Care and Health	1.891	4.223	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	**25.824**
Children, Education and Skills	6.739	10.170	5.575	2.900	2.900	2.900	2.900	2.900	2.900	2.900	2.900	**45.684**
Climate Change, Planning and Housing	0.101	0	0	0	0	0	0	0	0	0	0	**0.101**
Environment and Highways	10.552	13.592	25.729	22.798	8.700	4.100	3.700	3.700	3.700	3.700	3.700	**103.971**
Growth and Infrastructure Delivery	4.393	5.072	8.189	18.526	10.336	0	0	0	0	0	0	**46.516**
Leisure, Tourism and Sport	0.043	0	0	0	0	0	0	0	0	0	0	**0.043**
Resources	30.310	56.152	16.400	2.900	2.400	2.400	2.400	2.400	2.400	2.400	2.400	**122.562**
Stronger and Safer Communities	0.355	0.474	5.000	0	0	0	0	0	0	0	0	**5.829**
Total Cabinet Portfolios (Projection)	54.384	89.683	63.083	49.314	23.826	11.590	11.190	11.190	11.190	11.190	11.190	**350.530**
Housing Revenue Account	20.091	25.724	19.794	17.198	15.524	16.407	17.922	18.968	20.240	21.367	22.542	**215.777**
Total Council Capital Programme	**74.475**	**115.407**	**82.877**	**66.512**	**42.050**	**27.997**	**29.112**	**30.158**	**31.430**	**32.557**	**33.732**	**566.307**

APPENDIX D SUMMARY REVENUE RESERVES
Forecast as at February 2020

Cabinet Portfolio	Balance as at 1 April 2020	Planned / Forecast (contribution)/use			Forecast Balance at March 2023	Forecast / Planned (contribution) / use beyond 2022/23	Proposed as part of 2023/24 MTFS	Forecast Remaining Balance
		2020/21	2021/22	2022/23				
	£000	£000	£000	£000	£000	£000	£000	£000
Adult Social Care and Health	(999)	(1,802)	714	(71)	(2,159)	172	0	(1,986)
Children, Education and Skills	(695)	270	0	0	(425)	110	0	(314)
Climate Change, Planning and Housing	(2,760)	386	398	387	(1,589)	1,589	0	0
Environment and Highways	(6,434)	2,380	1,278	682	(2,094)	2,094	0	0
Growth and Infrastructure Delivery	(740)	107	0	0	(634)	533	100	0
Leisure, Tourism and Sport	(2,042)	(368)	1,202	496	(712)	482	0	(230)
Resources	(17,188)	2,341	2,091	2,033	(10,722)	1,414	750	(8,558)
Stronger and Safer Communities	(1,229)	(109)	376	226	(735)	735	0	0
Contingency Funding – Adult Social Care and Public Health	(7,452)	1,129	612	0	(5,711)	0	0	(5,711)
Corporate reserves (incl. treasury management, budget strategy reserve and windfall)	(14,590)	(13,604)	4,139	4,559	(19,496)	2,875	0	(16,621)
Total	**(54,130)**	**(9,270)**	**10,810**	**8,312**	**(44,277)**	**10,004**	**850**	**(33,420)**