

APPENDIX D

1. REPORT TO BUDGET STRATEGY GROUP 21 NOVEMBER 2022

BUDGET STRATEGY 2024/25 & 2025/26 – STRATEGIC AND STRUCTURAL OPTIONS

1.1. Current financial challenges

- 1.1.1. Reports to the first two budget strategy group meetings have outlined the current scale and range of pressures that the Council is facing over the next Medium Term Financial Strategy (MTFS) period.
- 1.1.2. The overview report on this agenda provides the latest position in terms of the 'gap' that currently exists over the three years of the MTFS. As shown in that report, the gap in years 2 and 3 is significant and it is clear that more work is required to address this.
- 1.1.3. Given the unprecedented degree of uncertainty facing local authorities, it is proposed that the budget process focuses on the forecast position for 2023/24. It is anticipated that some of the current uncertainties, for example relating to government funding, inflation, service demand and business rates reform, will become clearer over the next year.

1.2. Strategic and Structural Options for 2024/25 & 2025/26

- 1.2.1. In the absence of such certainty, a number of areas have been identified which could have significant financial benefits that could be deployed in order to address the funding gap in the later years of the MTFS. The purpose of this paper is to set out such options, under a number of high level 'themes', for members to consider.
- 1.2.2. At this point it is not possible to provide figures for these proposals, but if the Budget Strategy Group considers them to be areas of work that they will support, then further scoping of the work will take place. It is proposed that the various work streams would be planned and phased in a way that will achieve the best impact overall.
- 1.2.3. Whilst the focus of this report is on how we might achieve further financial savings, any recommendations that come out of the work will not just be based on financial matters. Recommendations will be measured against Council priorities, through a framework that considers benefits, risks and the impact on residents, Council values and on our statutory duties.
- 1.2.4. The options set out in this report have been grouped under a number of 'high level' strategic themes. The high-level strategic themes are:

- Physical Assets (Land and Property)
- Digital
- Service delivery optimisation
- People

1.2.5. It is proposed that if the Budget Strategy Group endorses this programme of work, it will be overseen by a cross-council group of senior officers. Any proposals will then be considered by the Corporate Leadership Team, with delivery coordination through Directorate Leadership Teams where individual Directorate activity is also needed. Progress and recommendations will then be reported through Scrutiny, Cabinet and next year's Budget Strategy Group.

Physical Assets

1.2.6. This heading covers several strands, all of which are linked to the Council's current or future asset base, in the form of land or property, with the overall aim of ensuring that our overall approach to our physical assets for the future achieves a net benefit to the Council's MTFS.

Corporate Capital Programme review

1.2.7. The Capital Programme includes all the known current capital scheme commitments for the forthcoming three years with their associated phasing over those years and funding basis and amounts – made up of revenue and capital contributions and their respective sources.

1.2.8. The purpose of the review will be to scrutinise and challenge the priority and revenue impact of capital schemes and associated funding sources across the Council, particularly where that funding may be repurposed to help bridge the current gap on the revenue budget for the MTFS.

1.2.9. For example, it is anticipated that the review could identify schemes where revenue funding can be released due to slippage and/or changes in the scope of the scheme without impacting on the overall deliverability of the scheme, or where the current revenue funding can be replaced by alternative funding sources.

1.2.10. There may also be capital projects that no longer represent value for money because of current inflation and interest rates and it may be proposed that these projects are deferred to later years. This could provide a short-term benefit to the MTFS in 2024/25 and 2025/26.

Financial Priority based decision making

1.2.11. This links with the review of the capital programme in that this relates to our approach to approving projects/schemes and their respective business cases and potentially their prioritisation.

1.2.12. This is about widening the considerations in approving individual capital schemes, which currently focus on service priorities within a portfolio, to ensure that business decisions are taken in the context of the Council's

overall financial position. Such decisions should ensure that the wider financial implications and risks for the Council as a whole are considered, as well as the implications for the specific service.

Estates Strategy

- 1.2.13. Our operational Estates Strategy is to ensure the alignment of assets to need, ensuring sufficiency and efficiency in use.
- 1.2.14. The Council has a total of 401 non-domestic land and property assets that have a current value of £594 million, including operational assets.
- 1.2.15. The Council is experiencing a time of significant structural change in how property assets support business and public need. There is also an increasing responsibility, and burden of legislation, driving low carbon sustainability as well as inflationary increases in building costs.
- 1.2.16. Strategic Land and Property Services are responding to these challenges by centralising assets under our Corporate Landlord approach to drive operational efficiencies, rationalise the portfolio and enable coordinated decisions to be made on capital expenditure and achieving sustainability objectives.
- 1.2.17. Business planning workshops held with directorates across the Council have identified common themes around our future ways of collaborative working and an integrated approach to the needs of residents for both Council delivered services and One Public Estate partners, particularly driving the integrated Health outcomes agenda and community need.
- 1.2.18. The Estates Strategy and underlying asset framework review will identify assets that are either surplus and available for disposal or suitable for repurposing, as well as ensuring that the assets we retain can be maintained as efficiently as possible. As part of this approach, budgets and expenditure are being consolidated under the Corporate Landlord model which will enable Strategic Land and Property Services to have the whole picture of financial commitments in order to influence changes which can reduce those commitments overall.

Property Investment Strategy

- 1.2.19. The Council's Property Investment Strategy sets out the Council's approach to investing in land and property that advance its economic development, regeneration and place making objectives. To date the Council has invested £72.6 million under this strategy, funded entirely from Prudential Borrowing. After allowing for financing costs, the properties concerned are generating a good level of income to contribute to the MTFS.
- 1.2.20. As set out further in the Town Centre master-planning section below, the Council is well progressed in its procurement exercise to appoint a joint venture partner to work towards the redevelopment of Mell Square. Excluding this asset, there remain properties with a value at acquisition

of £36.1 million for which the Council could consider disposal. The sale values achieved at the time would be subject to market conditions and the proceeds would need to repay the debt incurred in funding the original acquisitions. However, due to the recent increases in interest rates, a discount would apply which would leave a net capital receipt for the Council to deploy.

1.2.21. It should be noted that the Council would need to work through a strategy to deploy any net receipts in such a manner as to free up a revenue budget (the further repayment of debt or by replacing capital projects currently funded from revenue for example). Some assets such as those on the High Street in Solihull currently deliver rents significantly in excess of the annual borrowing costs and that would also need to be managed so as not to leave a net revenue pressure.

1.2.22. The principle could be extended to other properties that were acquired or built outside of the Property Investment Strategy including the innovation centres at both Blythe Valley Park and Chelmund's Cross Village Centre.

Town Centre master-planning including the car parking strategy

1.2.23. Strategic property development projects underpin the UKC economic growth strategy for Solihull set out in the approved Town Centre Masterplan.

1.2.24. As consumer behaviour and working practices are changing post-pandemic, the way our town centres are used is changing towards a more service-led social hub, supporting how people want to live and work.

1.2.25. To remain vibrant, our town centres have to change, with buildings and spaces developed and adapted to meet current and future demand. In practice this means:

- Developing town centre residential to allow people to live, work and play locally;
- Creating modern spaces to nurture business and flexible working strategies;
- Supporting modal shift towards sustainable transport emphasising walking and cycling;
- Creating great public spaces and quality public realm where people can meet and socialise;
- Developing sustainable buildings to meet our carbon neutral objectives;
- Adapting our retail to meet the shift towards socialising, and promote the night-time economy;
- Promoting arts and culture within the town;
- Integrated public services.

1.2.26. We are leveraging our property ownership to support and drive these objectives with the following schemes, which will need to demonstrate how they will support the Council's MTFs as they progress through the various stages of their development:

- Westgate - a commercial site where we have designed a new Grade A sustainable 100,000 sq. ft. flagship office. The pandemic has affected the commercial office market but that is returning with some good interest in the development. The original business case showed that the Council would break-even at around 70% occupancy and that occupancy above this level would give a contribution to the MTFs.
- Mell Square - which has already been highlighted in the section above.
- Norwich House - acquired with Mell Square, with plans well progressed for a new town centre police station and collaborative office space, for delivery late 2023.
- Eastgate - our own council house site where we are working on plans to develop a new Arts and Culture community hub, right-size our future office provision (which would reduce our operating costs) and open up opportunities for other civic and residential development over time.
- Lode Lane depot - is within our Accelerated Housing programme, dependent upon our new Household Waste Recycling Centre and depot provision to be released for development.

Car Park Strategy

1.2.27. The Car Park Strategy, soon to be published, will need to be delivered in conjunction with the Town Centre masterplan and will be a collaboration between Strategic Land and Economy and Infrastructure, as the use and utilisation of our car parks is co-dependent upon the transport and access strategy that encourages modal shift to sustainable transport solutions.

1.2.28. A joint piece of work has been undertaken by WS Atkins to review our town centre development plans and associated car park provision.

1.2.29. The initial findings from the draft Atkins report are that all proposed development under the Solihull Town Centre Masterplan could be undertaken without providing new public car parking and that even with greater than anticipated levels of economic recovery only a 10% modal shift would be required to obviate the need for additional car park provision. These findings will be subject to further review and scrutiny.

1.2.30. The Economy and Infrastructure Directorate's report to the 2nd Budget Strategy Group covered the current and forecast pressures in relation to car parks which are clearly a concern in the short term. Our car parking strategy will need to ensure that our car park provision will fit with the

new shape of the Town Centre and our finance model will need to be adjusted accordingly.

Digital

- 1.2.31. The Council has a digital strategy for the period 2022-2027. Included within the strategy is a section called 'Our Delivery Roadmap' which outlines five key areas of technologies and capabilities that provide the biggest improvement to services or allow for efficiencies to be gained.
- 1.2.32. These areas will form the core focus of our projects and programmes over the life of the strategy as follows: Data analysis and dashboards; Collaborative working; Workflow and process improvement; Skills and training and Engagement and Inclusion.
- 1.2.33. One of the two key objectives of the Digital Strategy is to provide efficient and effective digital services which are cost effective and enable our workforce to focus on people who need in person support.
- 1.2.34. The second is to drive operational efficiency through better use of Digital Services, making services more efficient, less bureaucratic and a digitally skilled workforce who can exploit the opportunities the strategy brings.
- 1.2.35. To deliver efficiencies, the organisation will need to make choices based upon operational efficiency, embracing modern solutions and replacing ageing ones, i.e. a shift away from cash payments.
- 1.2.36. The Digital Strategy is an enabler that supports many of the Council's wider priorities and objectives. Across the Council and Solihull Community Housing we will look at how the Digital Strategy can help with building the future service offer around 'universal, targeted and specialist' services; to improve the customer experience and save money.
- 1.2.37. Cost reductions that can be delivered through digital deployment will be detailed at the individual Project level as part of the Digital Strategy Action Plan.
- 1.2.38. With our own digital offer internally to the Council and with our partner organisations, we will review current standards of Information Communications Technology (ICT) service provision across a whole range of areas. This will include allocating equipment and software licences based on a more targeted assessment of user requirements, reviewing telephony to reduce the use of landlines and "sweating assets" where possible – for example reducing the frequency of laptop replacement. The current ICT infrastructure model also needs to be updated to ensure it supports future system changes efficiently (for example, cloud-based systems require different infrastructure to local in-house systems), which will have a corresponding financial impact.

Service delivery optimisation

- 1.2.39. This theme covers various options in terms of service redesign, rationalisation, consolidation, review of major service contracts and the future of our traded services.

Redesign of customer services/contact options (face to face, by phone and digital)

- 1.2.40. Following on from and linking in with the above digital theme, across the Council and its subsidiary companies there are numerous ways in which customers engage with the Council: face to face, by phone, by email, through our Internet sites and through digital/virtual means.
- 1.2.41. There have been changes to customer contact delivery over the last few years arising from Covid-19, so there is the opportunity to build on those changes to see whether further consolidation is possible. The Council needs to review all of these current delivery options with a view to deciding whether there are alternative delivery models for customer contact delivery and associated costs, in terms of staff, buildings and overhead costs.
- 1.2.42. This review needs to be done in conjunction with the digital strategy to ensure that they are aligned to the plans for customer contact included within that.

Rationalisation, consolidation or combining specific services

- 1.2.43. Linked to the potential consolidation of customer services, there is also the opportunity to look at how we deliver 'similar' types of services across the Council and its subsidiary companies with a view to exploring whether, by consolidating, combining or rationalising those services, efficiencies can be made and duplication of work and effort eradicated.
- 1.2.44. One example is bulky waste collections where both the Council and Solihull Community Housing deliver this service separately.

Review of prevention and community support services

- 1.2.45. As outlined in the Council Plan, the current prevention offer spans Public Health, Communities & Partnerships, Children's Services and Adult Services. Work planned over the next 12 months will create a cohesive and defined prevention offer with shared goals and a clear, common way of describing what we are trying to achieve.
- 1.2.46. Through our partnership working through Solihull's Place Committee, Solihull Together, our Health and Well-being Board and the Safer Solihull Partnership, we will work together with a range of organisations: this is

key to our wider approach to prevention and to lever in wider investment to support prevention.

Prevention and demand reduction

- 1.2.47. The right approach to prevention can reduce short and long-term demand for services but is also reliant on the appropriate amount of investment in the first place.
- 1.2.48. There is good evidence for the impact of prevention on health and care measures, including potential 'savings to the public pound', however, preventative measures do not always result in cashable savings to the system or to the part of the system that made the investment, particularly if capacity within services is not released as demand falls.
- 1.2.49. A cross Council/external partners task and finish group has been set up to progress a Prevention Strategy and Action Plan to progress the work required.
- 1.2.50. One of the strands of work will involve utilising the various return on investment tools to assess the potential financial return on investment made by the Council and its partners in prevention services to ultimately reduce costs overall and reduce service demand/cost in the longer term.
- 1.2.51. A review of the various services across the Council which receive contributions from NHS partners for shared priorities would be beneficial to gain a better corporate understanding of the position. This would enable a more joined-up approach to these contributions with a view to maximising such funding on a more consistent basis.

Review/renegotiation of cross council major contracts

- 1.2.52. It is proposed to review contracts across the Council to cover the following areas.
- 1.2.53. Options for contract renegotiation will be explored to identify whether renegotiation could look to achieve more for the same, the same for less or alternative service delivery outcomes, all of which could ultimately lead to financial savings.
- 1.2.54. The make-up of the current tender evaluation criteria will be reviewed, e.g. the cost/quality assessment could be amended to potentially drive out efficiencies or savings.
- 1.2.55. The Council may need to consider the extent to which a contract extension may be more favourable when compared with a new tender process (where appropriate and allowable) as it may limit the Council's exposure to higher costs as a result of inflationary increases.
- 1.2.56. Contract management processes could be expanded to take account of the need to constantly review contract delivery and associated costs and

outcomes to ensure that the Council is only paying for what is included in the contract and what we 'need'.

- 1.2.57. Our current approach to securing social value can also be revisited to determine where this may be leading to an overall increase in cost and for the Council to decide what we can 'afford' when it comes to our social value expectations.
- 1.2.58. The Council needs to be exploring the extent to which we may have numerous contracts across the Council and our partner organisations which should be consolidated or where more collaboration is achievable. This is to ensure that we are achieving the maximum benefit from our purchasing power through combining requirements across a wider area of business, thus achieving economies of scale and more efficient partnership working.
- 1.2.59. Further, the Council can also explore the extent to which we should be taking advantage of national/regional frameworks which already exist rather than undertaking our own tender processes which can be time-consuming and could add further costs when the framework arrangements may well be sufficient for our needs.

Extend the use of Corporate Construction and Property Services contracts

- 1.2.60. Property Services have a number of corporate construction and property services contracts in place with suppliers, the biggest of which are our partnering contracts. The contracts mainly support ongoing property maintenance for the Council and its partners, but they do also support project work. At the moment, the use of these corporate contracts is not mandated and so there are examples of where work potentially in the scope of these contracts is being procured separately and completed by other suppliers. Therefore, the additional overhead benefits potential is not being secured.
- 1.2.61. By increasing the scope, volume and value of work going through these contracts, a greater contribution will be made to the Property Services overheads, such that it could generate a surplus for the Council. This would assume there was sufficient capacity available within the contract to undertake this additional activity.

Review of the future viability of trading activities across the Council

- 1.2.62. The most significant areas of commercial trading activity that take place across the Council include the Music Service, Catering Services, Property Services and Building Design Studio, as well as a number of smaller service areas within the Resources Directorate which have an element of their service that is 'traded'.
- 1.2.63. Across all of the above areas there are challenges of trading in the current environment resulting from the impacts of high inflation on food, materials, fuel and pay. This is compounded by the fact that there is

limited scope to increase overall income through price increases due to the nature of the service or the nature of the customer base and their ability to pay more for the service, especially in the current financial climate.

- 1.2.64. The above traded services typically receive no financial contribution from the Council, but they do pay towards corporate overheads so ceasing such services could cause pressures elsewhere.
- 1.2.65. A review of the Council's main commercial trading activities needs to be undertaken to encompass the wider viability of traded services over the medium term financial strategy period to ascertain what the pressure of continuing to trade will be versus the potential costs of discontinuing the operation, with any resulting reduction in costs/savings that would be delivered post cessation of the traded service.
- 1.2.66. A recommendation could then be made for each trading activity based on the above review.

People

- 1.2.67. Our colleagues across the Council and our subsidiary/partner organisations are our greatest assets. The following ideas acknowledge that if change and transformation is taking place across Council service areas, then the associated 'people' implications need to be considered.
- 1.2.68. Within the proposals that follow, we need to recognise the critical importance of attracting and retaining key skills and capacity across all of our functions.

Support services review arising from changes to core council services

- 1.2.69. The 2nd Budget Strategy group meeting presented mitigations and savings options across Directorates. Where there is a significant change being proposed to a service area, it is possible that following the implementation of that change there would need to be a corresponding change in the level of support service for that area.
- 1.2.70. Once Directorate mitigations and savings have been approved, it will then be appropriate to identify the potential for a matching support services reduction. Initially the impact on support services of changes proposed may be that additional work is required within HR, Finance and/or ICT but ultimately, after the change is delivered then there could be the potential for support services to be reduced accordingly.
- 1.2.71. However, it is also worth noting that the impact of Directorate pressures which have already been reported as part of the Budget Strategy on

support services also needs to be acknowledged. These pressures may place additional strain on support services.

- 1.2.72. There are also other options to explore in terms of inviting External or Internal Peer Reviews of our support services and associated costs.

Review of establishment to ensure it remains fit for purpose

- 1.2.73. Within all of the changes outlined above, we need to ensure that we maintain a stable but agile workforce, where we can direct our talent to priority areas and, where possible, achieve improvements in productivity and outcomes.

- 1.2.74. We will also take an in-depth look at our use of consultants/specialist advisors and other externally commissioned support roles to see what work we can carry out instead by enhancing our in-house capacity. A very recent example is the Council's Fair Cost of Care exercise, which was carried out in-house at a much lower cost than for those authorities that employed external consultants. We will also look at our services that are contracted out to see if any can be brought in-house.