Medium Term Financial Strategy
2024/25 to 2026/27

Solihull Metropolitan Borough Council

CONTENTS

FOREWORD

I am pleased to introduce Solihull Council's updated Medium Term Financial Strategy (MTFS), which covers the period from 2024/25 to 2026/27. 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 budget process has been particularly demanding. Funding pressures continue to rise across our services, against a backdrop of severe resource constraints. Despite an increase in the social care grant in this year's finance settlement, the outlook for local government funding beyond 2024/25 remains uncertain. We continue to lobby the government, on our own behalf and with others across the sector, for longer term reform.

However, despite the gloomy picture across local government, we have been able to identify additional resources through the MTFS process to support the continued recovery and improvement in children's services over the medium term, on top of the significant investment made in the 2023/24 budget.

As elected members, we must balance consideration for the impact of council tax increases on our residents with the need to maintain investment in the vital services we provide. We are taking a range of actions across all our services to mitigate costs in order that we can reallocate funding to support our priorities. Although inflation has fallen from the peaks reached last autumn, we know many of our residents continue to struggle with the cost of living and we continue to work with partners to support those who need our help.

Solihull's track record of strong financial management has stood us in good stead this year, enabling us to present a balanced budget for 2024/25. However, the scale of the financial challenge over the medium term is such that we know we need to do things differently in the future. The MTFS sets out how we have been able to use some one-off resources, including reserves that are no longer required, to buy us the time we need to review our operating model in order to drive out significant savings for 2025/26 and 2026/27.

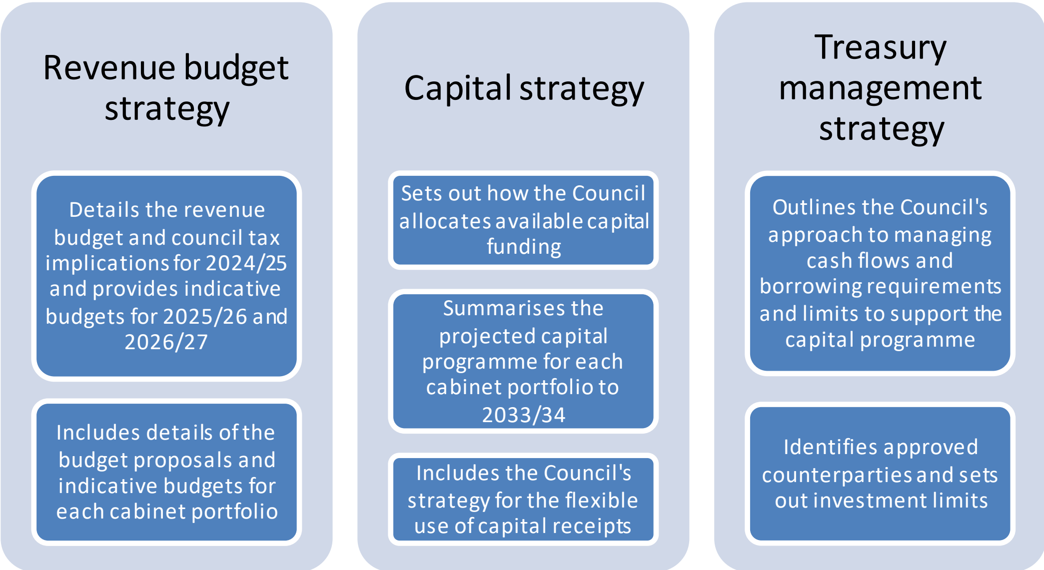
The strategy also sets out to maximise the capital funding which is available to the authority from a range of different sources and targets those resources at key investment projects which support the delivery of our priorities across the Council's services.

I am proud of our Council and of our borough. Our ambitious approach to our economy, our bold environmental programme, vibrant communities, passionate and committed staff and elected members and good partnerships provide a firm footing for the delivery of the Council Plan, and this MTFS sets out the resourcing to support that plan.

Councillor Ian Courts
Leader of the Council

1. INTRODUCTION AND OBJECTIVES

1.1.1 The strategic direction for the authority is set by the Council Plan, which was last fundamentally reset in July 2020 and is updated annually. 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:



1.1.2 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.

1.1.3 For many years, the core principles underlying the medium term strategy have been that:

- The Council will seek to maintain a sustainable financial position over the course of the planning period.
- 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 on those activities which contribute most to improved outcomes for local people.

1.1.4 The MTFS supports the medium-term policy and financial planning process at the heart of setting revenue and capital budgets. For many years, the main objectives of this strategy have been:

- 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.
- To set a sound financial planning framework to underpin the effective financial management of the Council.

1.1.5 The combination of unprecedented economic conditions and demand on council services have meant that the Council has had to depart from some of the key principles outlined in 1.1.3 and 1.1.4 in order to deliver a balanced budget for 2024/25. The review of the operating model described in 4.1.2 will aim to realign the Council's financial arrangements within the fundamental principles described above.

2. COST DRIVERS

2.1 The economy

2.1.1 Economic conditions, both locally and nationally, are a key factor in the cost of the Council's services:

- Demand for a range of services (such as social care, council tax support, homelessness, housing, drug and alcohol services and domestic abuse) increases when the economic climate is challenging.
- Council tax income is affected by rates of housebuilding in the borough.
- Business rates income is affected by business closures, contractions and relocations.
- Income from sales, fees and charges (e.g. for planning applications, car parking and other discretionary activities) is lower when residents are facing cost of living pressures.
- Inflation affects the cost of delivering council services, impacts on the Council's ability to deliver major capital investments and puts upward pressure on pay costs. Increases in the national living wage, while having a limited impact on the Council's own pay budget, affect the cost of services provided by third parties, particularly in adult social care.

2.2 Demographic change

2.2.1 Population growth puts pressure on universal services, such as transport and public service infrastructure. In addition, certain sectors of the population are growing faster than others, putting pressure on social care and education services in particular:

- Solihull's ageing population is higher than the national average and numbers of older people are expected to increase faster than the increase in the general population.
- Adults with long term health conditions and disabilities are living longer, which is increasing the number of people being supported at any one time.
- The number of children moving into the borough's schools has also increased, with over 5,000 in-year admissions in the last two years, putting pressure on school places and increasing transport costs.

2.2.2 In addition, we are seeing increased complexity of need in all adult age groups and across the children we support through education and social care services. The Council is experiencing year-on-year increases in requests for Education, Health and Care Plans and high-cost specialist education placements out of the borough and, following the pandemic, there has been a particular increase in the number of children requiring support for behavioural and mental health difficulties.

2.3 Service design

2.3.1 How services are delivered clearly has an impact on cost and this is the focus of many of the mitigations included in the MTFS. It will also be a critical aspect of our response to the future budget challenge.

2.3.2 Children's services continue to face unprecedented pressures as the Council continues its improvement journey and establishes our preventative offer. The Council supports a relatively large number of children and costs, particularly for the most complex cases, remain high. The cost of turning around a service rated "inadequate" is inevitably high, but it is anticipated that once our preventative offer, in particular, is well-established, numbers will start to fall with costs reducing accordingly.

2.4 Other external factors

2.4.1 There are a number of other factors outside the Council's control which can affect our costs, whether directly or indirectly:

- Increasingly, the government is introducing new expectations and statutory responsibilities for local authorities - recent examples include updates to the Statutory Youth Offer, increased housing regulation and new requirements around the disposal of items containing persistent organic pollutants.
- The intensification in the inspection regime, for example in adult social care and Special Educational Needs and Disabilities (SEND) represents an increased – and unfunded – administrative burden for local authorities.
- Pressures on other public services can also affect local government – for example, increased waiting lists and delayed access to health services can increase demand for social care and budget shortfalls elsewhere may reduce the resources available for joint-funding arrangements or partnership activity.

3. RESOURCING

3.1 Revenue

3.1.1 Solihull's revenue spending is funded from two main sources:

- Council tax, which funds 67% of the net revenue budget in 2024/25. The MTFS assumes growth in the council tax base, at a slower rate than in previous years. The level of increase ultimately recommended to Full Council each year will be determined through the budget process, but for planning purposes the MTFS assumes a 4.99% increase in 2025/26 and 2026/27.
- A share of business rates income: as part of the West Midlands Trailblazer devolution deal, the seven West Midlands metropolitan districts will continue to retain 99% of business rates growth for a period of ten years from 2024/25. It is anticipated that the baselines used to measure business rates growth will be reset towards the end of the MTFS period, and an estimate of the impact will be built into a future iteration of the MTFS when there is more certainty on both the timing and how the reset will be implemented.

3.1.2 The MTFS also assumes funding from a number of non ring-fenced grants:

- £20 million in funding in 2024/25 for government policy decisions affecting business rates income. The value of these grants represent the cumulative impact of government policy decisions since 2013/14 and will vary each year depending on the business rates reliefs announced, until the business rates system is reset.

- The New Homes Bonus (NHB) grant is based on the number of new properties built and the number of long-term empty properties brought back into use in an area. Solihull will receive NHB payments totalling £0.578 million in 2024/25.
- The 2024/25 Services Grant allocation of £0.211 million represents an 83% reduction on the amount received in 2023/24. This reduction had not been anticipated.
- Social care grant (for both adults' and children's services), which will increase from £12.051 million to £16.012 million in 2024/25 (excluding rolled-in funding). The element relating to children's services has been built into the MTFS to offset part of the cost of the additional investment in the service.

3.1.3 The Council also receives a significant amount (£246 million in 2022/23) in grants ring-fenced to specific services, around half of which relates to education services. Other significant grants include the Public Health grant, which is intended to support local authorities in their statutory duty to improve the public health of their populations. 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. For the purposes of the MTFS, most specific service grants are shown as having a net nil budget, as the income is matched against an equivalent amount of forecast expenditure.

3.1.4 Other important funding streams include income from sales, fees and charges. Such 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). The general principle for discretionary charges is that they should cover the cost of providing a service rather than generate a profit.

3.1.5 The Council also receives income from its investments. 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 2024/25, the target rate of return on investments is 5.00%, which will be monitored throughout the year. As at 31 December 2023, the Council held investments totalling £38 million, having made a pension prepayment in April 2023 of £67m.

3.1.6 The Council presents its revenue budgets as net of specific grants and other income.

3.2 Capital

3.2.1 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 programme, which is funded from prudential borrowing and receipts from the disposal of assets; and
- the self-funded programme, which is supported by grant allocations and any revenue or third-party contributions.

3.2.2 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 enhancement of council properties and ICT projects. The current MTFS includes £117,000 of additional revenue funding over the period to support prudential borrowing. As the capital programme is updated, any new prudential borrowing requirements will be determined and built into the MTFS as required. As part of the 2024/25 budget process, it was agreed to replace around £4.7 million of revenue contributions to the capital programme with prudential borrowing in 2023/24 and 2024/25, and an estimate of the associated costs is included in the net figures built into the MTFS, to be updated as these proposals are finalised.

3.2.3 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.

3.2.4 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.

3.2.5 Local authorities have the flexibility, recently extended to March 2030, to use capital receipts to fund the revenue costs of transformational activity. The Flexible Use of Capital Receipts Strategy, which is part of the Corporate Capital Strategy, outlines the Council's proposals over the MTFS period, which will see around £3.6 million of capital receipts used in this way in 2023/24.

3.2.6 Increasingly, large capital projects are dependent on external grants, specific government funding or partnership arrangements. Examples in the capital programme include HS2 infrastructure works, Solihull town centre heat networks and the Kingshurst town centre project. 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 2024/25 these budgeted revenue contributions will be replaced with prudential borrowing in order to release additional resources for the MTFS.

3.2.7 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.

4. THE COUNCIL'S RESPONSE

4.1 Savings challenge

4.1.1 The table below shows the annual movement in forecast income and expenditure over the period of the MTFS, and the resulting funding gap.

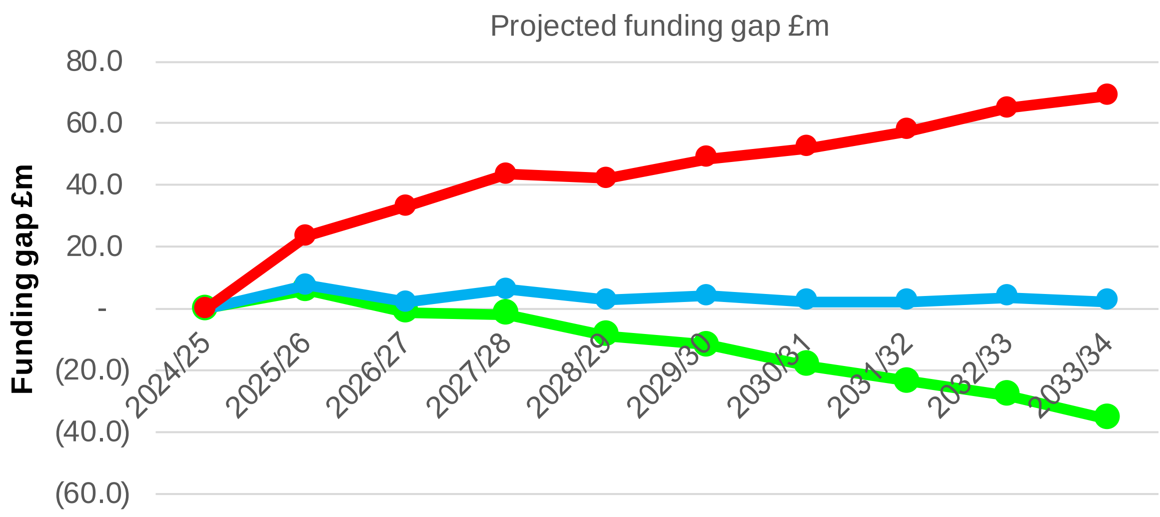
	2024/25 £'000	2025/26 £'000	2026/27 £'000
Expenditure			
Funding commitments	7,410	6,822	(45)
Inflation	6,681	5,733	7,629
(Use of)/contribution to corporate reserves/ contingencies	(3,539)	3,714	0
Reversal of prior year use of/(contribution to) corporate reserves/contingencies	(3,609)	3,539	(3,714)
Reversal of prior year one-off savings	4,398	6,383	1,500
Savings identified	(7,630)	(3,788)	0
	3,711	**22,403**	**5,370**
Income			
(Increase)/decrease in grants	(3,057)	(281)	7,354
(Increase)/decrease in council tax income	(6,813)	(7,677)	(7,688)
(Increase)/decrease in retained business rates income	6,159	(6,981)	(3,056)
	(3,711)	**(14,939)**	**(3,390)**
Savings to be identified	**0**	**7,464**	**1,980**

4.1.2 As shown in the table above, the scale of the ongoing challenge requires a fundamental review of the Council's operating model. This work will be far reaching and will be led by a board of senior officers, made up of the Chief Executive, the Deputy Chief Executive and the Director of Resources, which will report through to the Leader of the Council and other Cabinet members, as necessary. The work of the board will commence in March 2024 and will aim to make some recommendations in advance of the 2025/26 budget process commencing but the MTFS already includes some initial savings targets for specific themes. Progress towards these and the remaining targets will be monitored closely during 2024/25.

4.1.3 Pending the realisation of recommendations arising from this strategic review process, the Council has identified a number of technical and accounting mitigations to manage the combination of the current in-year position and the forecast position for 2024/25, including the use of corporate reserves, swapping revenue funding in the capital programme with borrowing and using capital receipts to fund revenue expenditure on transformational projects.

4.2 Key assumptions and sensitivities

Looking ahead to the longer term, the chart below shows the projected funding gap over the next ten years based on the current assumptions in the MTFS (the blue line). 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 red 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.



4.2.1 The base and scenario assumptions for the final two years of the three year MTFS (2025/26 and 2026/27) are informed by OBR forecasts and local intelligence. For the remainder of the ten year MTFS, standard assumptions are used as shown in the table below. The key assumptions varied in each scenario from 2027/28 onwards (compared to those used in the MTFS) are summarised in the table below.

		Assumptions for 2027/28 onwards		
	2024/25 budget	Base assumption	Scenario A	Scenario B
Council tax base growth	-	0.50%	0.75%	0.00%
Council tax income increase	-	2.99%	4.99%	1.00%
Business rates income increase	-	1.00%	2.00%	0.50%
Pay inflation	£111.0m	2.00%	1.50%	3.00%
Contractual inflation – core	£24.7m	1.80%	0.50%	3.00%
Contractual inflation - specific contracts	£19.6m	2.50%	1.00%	4.00%
Sales, fees and charges inflation	£10.5m	2.00%	3.00%	0.50%
Emerging service pressures	-	£3.0m	£2.0m	£7.0m

4.2.2 There are significant uncertainties in many of the assumptions in the MTFS and so any projections are speculative and should be treated with caution.

5. RISK MANAGEMENT AND RESERVES

5.1 Risk management approach

5.1.1 In setting the revenue and capital budgets, the Council takes account of the known key financial risks that may affect its plans. The most significant financial risks on the corporate risk register are either being explicitly provided for in the 2024/25 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**
Risks to MTFS delivery due to pressures in children's services, social care reforms and inflationary pressures	Strict monitoring of budget delivery by CLT Budget strategy reserve Regular lobbying of government for further funding Some service specific reserves are in place Budget Strategy Group considered proposals for 2024/25 budget Budget recommendation will be made to Full Council in February 2024	Significant additional funding for children's services Allowance for inflation based on OBR forecasts. Unallocated reserves (budget strategy reserve) available if required
Failure to achieve a balanced budget in the context of unprecedented pressures, which could significantly limit the delivery of other services for children	Future funding agreed as part of MTFS Financial recovery plan overseen by Director of Children's Services and reporting to the Chief Executive and Leader of the Council Monthly children's social care financial modelling	Significant additional support to children's services agreed through MTFS process
Failure to meet statutory duties and deliver a balanced budget in the context of nationally recognised pressures facing Adult Social Care	Implement MTFS plans with oversight of budget, performance & quality position via DLT Financial management oversight by ASC finance manager	Additional funding from increase to social care grant and new grant funding streams Adult social care precept providing secure ongoing funding stream Continuation of additional funding for demographic pressures

5.1.2 In addition to the specific financial risks shown in the table above, there is a risk that from 2026/27 the Council will be required to meet the cost of the deficit on Dedicated Schools Grant (DSG) budgets from general fund resources. The deficit, which largely relates to pressures against the High Needs Block as a result of rising numbers of pupils with Education, Health and Care Plans, increased to £16.4 million at the end of 2022/23 and is forecast to increase to £26.8 million by the end of 2026/27. Regulations introduced in 2020 and extended in December 2022 enable local authorities to ring-fence the deficit and carry it forward each year in an unusable reserve, to be recovered from future DSG income. However, the statutory override that permits this is set to end in March 2026. Unless the government acts to further extend the statutory override or otherwise address the funding of accumulated deficits across the sector, these deficits will impact on councils' general fund budgets from 2026/27. Given the scale of this issue, with deficits estimated to exceed £1.9 billion nationally, it is likely that some government intervention will be necessary. In the meantime, the Council continues to engage with the Department for Education on the management and mitigation of the forecast deficit, through the department's Delivering Better Value programme.

5.1.3 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, most notably relating to reserves, debt and interest payable and relative spend on social care, in order to illustrate each council's financial position relative to that of comparator authorities. The index was developed 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.

5.1.4 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. The latest version of the index, which only includes statistical nearest neighbours as a comparator group, shows the following for the measures considered most relevant by CIPFA:

- Reserves: Solihull falls in the average to low risk category compared to our nearest neighbours in respect of the level of reserves and the change in earmarked reserves. The index suggests our use of unallocated reserves was higher than average in 2022/23, which may reflect the temporary use of the budget strategy reserve as part of the MTFS.
- Social care ratio: the index suggests that spend on adult social care as a proportion of net revenue expenditure is lower than average compared to our nearest neighbours, while spend on children's social care is the highest in the group. The latter reflects the significant increase in funding allocated to support the improvement journey in children's services, but it should be noted that these measures are fairly crude and much more detailed benchmarking is utilised in the Council to assess relative performance in both adults' and children's services.
- Debt and interest payable: the index suggests that levels of gross external debt are average for the comparator group but that interest payable as a proportion of net revenue expenditure is above average at 6.3%.

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 The Council's approach to reserves is set out below. In order to set a balanced budget for 2024/25, the Council has had to temporarily deviate from some of these principles. The review of the operating model described in 4.1.2 above will seek to restore the Council's financial position such that these principles can be reinstated.

5.2.4 Over the medium to longer term, the Council's 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.

5.2.5 In line with the approach outlined above and with government expectations that councils should use reserves to manage pressures, all earmarked revenue reserves were reviewed as part of the 2024/25 budget process and as a result a number of reserves were identified that could be released either in full or in part. This release of reserves will support the MTFS and allow time for more fundamental changes to service delivery to be planned to achieve ongoing savings for future years. It is not anticipated that there will be significant reductions in reserves beyond these proposals over the period of the MTFS. A summary of the forecast position as at January 2024 (including the reserves usage recommended through the MTFS process) is attached at Appendix D.

5.2.6 However, as outlined above, there are considerable risks around a number of key assumptions underpinning the MTFS and lower reserves balances do limit an authority's flexibility to respond to unforeseen pressures. Against this risk, the Council maintains a budget strategy reserve for the purpose of protecting against the non-delivery of targeted savings and the risk of inflation (including the pay award) being higher than forecast, to manage any shortfalls against grant or business rates projections and to provide a source of investment funding, for example to support managed growth, invest in prevention and early intervention and to finance capital projects. The balance on the budget strategy reserve is forecast to be £7.5 million throughout the period of the MTFS.

5.2.7 In addition, 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. These unallocated reserves contribute to the financial resilience of the Council over the medium term.

5.2.8 The Council also maintains capital reserves:

- The capital receipts reserve holds all receipts from the disposal of non-current assets, which can be used to finance new capital investment, to repay debt or to fund the revenue costs of transformation projects under the Flexible Use of Capital Receipts Strategy.
- 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.

5.2.9 The Chief Executive was the Section 151 Officer up to 21 January 2024 at which point the budget process had been completed. He has taken the findings of CIPFA's financial resilience index into account, together with the MTFS itself and the information provided through the budget and scrutiny process, and has provided assurances to the new Director of Resources in order for the Director of Resources to reach his conclusion under section 25 of the Local Government Act 2003 that, for the financial year 2024/25, he is satisfied with the robustness of the revenue estimates and the adequacy of the proposed financial reserves. Further work is needed to be able to give this assurance for future years.

6. CARBON REDUCTION

6.1 Background

6.1.1 In October 2019, the Council pledged to be "net zero carbon" as an authority by 2030 and committed to setting annual carbon emission reduction budgets. The basic approach to achieving this goal is firstly to reduce energy consumption, then switching to renewable energy sources. Once these changes have been made, any hard-to-eliminate emissions can be offset through the purchase of offset credits (an offset credit is created by removing the equivalent amount of carbon from the atmosphere).

6.2 Progress to date

6.2.1 The carbon budget for 2024/25 is summarised in the table below, compared to the actual and forecast outturn position for the two previous years and to the 2030 target. The refuse collection vehicles operated under the strategic environment contract have been using HVO biofuel since the second quarter of 2022/23, leading to emissions reductions below the expected budget.

	2022/23 outturn (tonnes)	2023/24 budget (tonnes)	2024/25 budget (tonnes)	2030 target (tonnes)
Corporate properties	2,594	2,200	2,500	1,200
Leisure contract	1,283	1,400	1,400	1,400
Strategic environment contract	593	1,959	200	200
Other	1,140	1,200	1,140	840
Climate Change Investment Plan – options to be identified	0	0	0	(3,640)
Total	**5,610**	**6,759**	**5,240**	**0**

6.3 Target for 2030

6.3.1 It is anticipated that the Council will achieve the target for 2024/25, based on performance to date. The Council has made good progress towards the 2030 target, mostly achieved by progress in two key areas: switching to a zero-carbon tariff and low carbon fuels. However, addressing the Council's gas dependency for heating buildings and bereavement services is going to be more difficult due to viability of alternatives and decommissioning timelines and, based on current proposals, to be net zero in 2030 would require the purchase of carbon offset credits. The Council has developed a climate change investment plan to achieve the net zero target, prioritising projects which would improve the sustainability of the Council and the wider borough. Given the wider financial context for the authority, officers are exploring external funding opportunities to support the delivery of this plan.

7. CONCLUSIONS

7.1.1 The Council is committed to holding children and young people at the heart of all we do, promoting their wellbeing and helping them to achieve their potential. This MTFS provides the financial resources required to fund our improvement journey whilst also seeking to protect other key services on which our residents and businesses depend.

7.1.2 The Council has been able to set a balanced budget for 2024/25 but the combination of unprecedented economic conditions and demand on council services means that the indicative budgets for 2025/26 and 2026/27 currently include savings targets that have yet to be identified, in a departure from the Council's usual three-year budgeting approach. As outlined in the strategy, the review of the Council's operating model in 2024/25 will seek to address the ongoing challenges on a permanent basis in order to support the delivery of the Council's priorities.

8. 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 Trailblazer devolution deal Solihull will continue to pay 1% of the income collected to the West Midlands Fire and Rescue Authority and also to pay a tariff to central government. The Council also pays a share of growth to the West Midlands Combined Authority.

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-the-Council/The-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.

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.

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.

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.

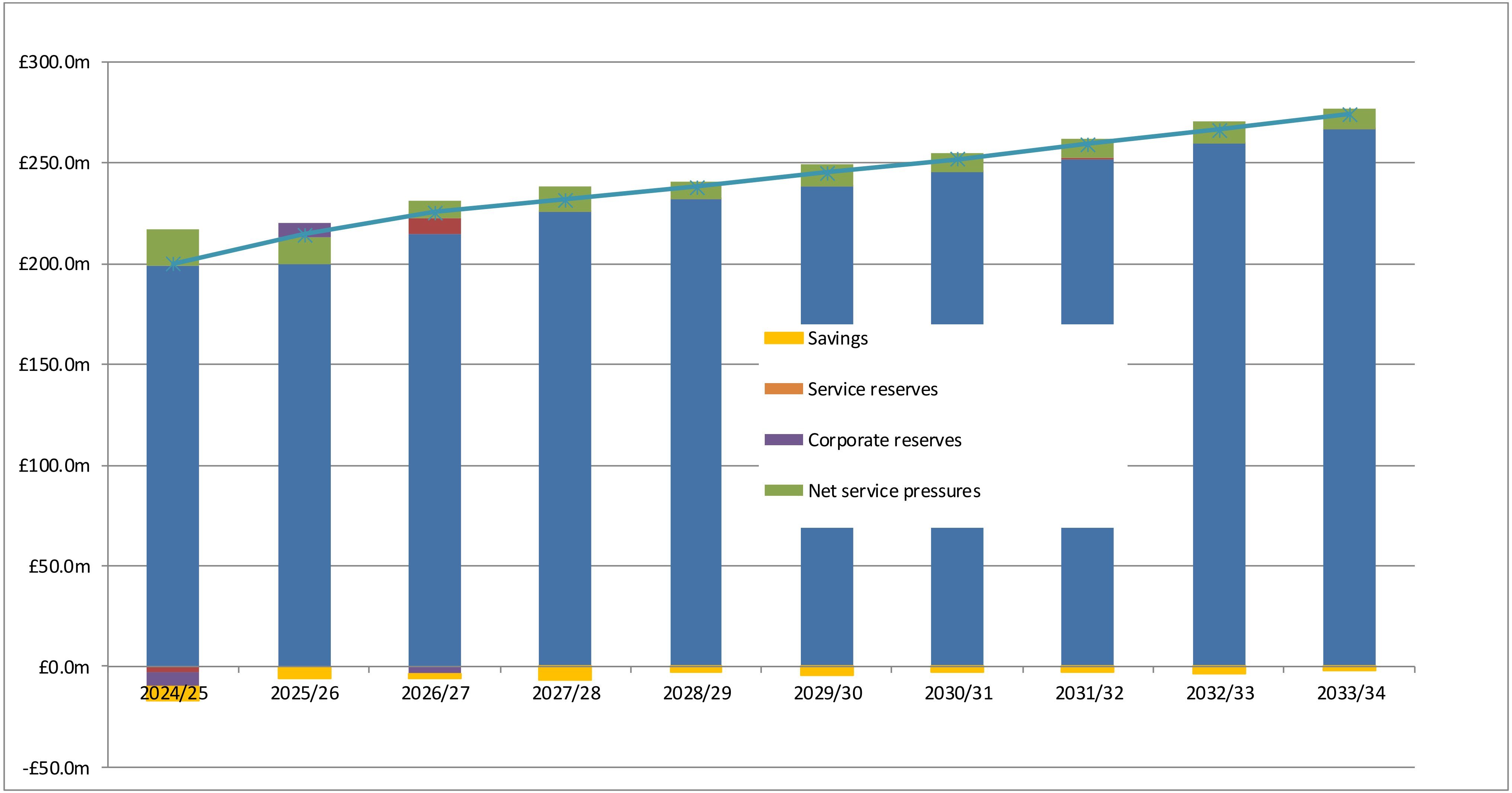
Prudential Indicators
A set of indicators required by the prudential code designed to evaluate financial decisions and aid decision making.

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.

APPENDIX A – SUMMARY REVENUE BUDGET

	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Base Budget	**199,250**	**199,904**	**214,562**
Corporate Commitments			
Levies	222	186	190
Treasury management - revenue required to support borrowing	45	(108)	0
Pressures and Policy Developments			
Adult Social Care & Public Health net pressures	2,140	(96)	222
Children's services net pressures	6,748	(1,903)	(827)
Place-based services net pressures	4,400	3,030	1,759
Resources net pressures	(5,880)	5,718	(1,383)
Inflation and pensions	6,681	5,733	7,629
Government Grants			
Core spending power grant funding	904	228	350
Social care grant	(3,961)	(509)	7,004
Savings			
Savings approved in previous years	4,398	(165)	1,500
Strategic and structural savings	(1,497)	(423)	0
Service redesign savings	0	(3,000)	0
Joint-funding contributions	0	(200)	0
Technical and accounting options	(5,798)	5,798	0
Technical and accounting options approved in prior years	(600)	850	0
Savings to be identified	0	(7,734)	(1,986)
Reserves			
Contribution to/ (from) budget strategy reserve	516	0	0
Contribution to/ (from) other corporate reserves/ contingencies	(4,055)	3,714	0
Add back corporate reserves used in previous year	(3,609)	3,539	(3,714)
Net Budget	**199,904**	**214,562**	**225,306**
Business rates retained income	(70,463)	(72,824)	(75,831)
Council tax	(133,179)	(141,137)	(148,825)
Collection fund (surplus)/ deficit (other years)	3,738	(601)	(650)
Total Resources	**(199,904)**	**(214,562)**	**(225,306)**
Assumed increase in general council tax	2.99%	2.99%	2.99%
Assumed increase in adult social care precept	2.00%	2.00%	2.00%

APPENDIX B – TEN YEAR REVENUE PROJECTIONS



APPENDIX C – TEN YEAR CAPITAL PROJECTIONS

Summary of Corporate Capital Programme												
Cabinet Portfolio	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Adult Social Care and Health	*4.152*	2.787	2.485	2.485	2.485	2.485	2.485	2.485	2.485	2.485	2.485	**29.304**
Children and Education	*10.341*	10.826	9.303	2.900	8.400	7.900	5.400	2.900	2.900	2.900	2.900	**66.670**
Climate Change and Planning	*0.985*	5.000	1.000	0	0	0	0	0	0	0	0	**6.985**
Communities and Leisure	*0.055*	1.500	4.000	0	0	0	0	0	0	0	4.000	**9.555**
Environment and Infrastructure	*19.301*	24.426	50.317	21.067	16.757	16.723	16.723	16.856	6.056	5.056	5.056	**198.338**
Housing	*0.216*	0.216	0.216	0.216	0.216	0.216	0.216	0.216	0.216	0.216	0.216	**2.376**
Resources	*6.535*	6.534	6.689	23.910	23.850	7.350	7.350	2.850	2.850	2.850	2.850	**93.618**
Wellbeing, Skills and Inclusion	*0*	0	0	0	0	0	0	0	0	0	0	**0**
Total Cabinet Portfolios	***41.585***	**51.289**	**74.010**	**50.578**	**51.708**	**34.674**	**32.174**	**25.307**	**14.507**	**13.507**	**17.507**	**406.846**
Housing Revenue Account	*33.163*	30.836	13.214	14.400	18.928	20.195	21.317	22.486	23.681	24.943	26.227	**249.390**
Total Council Capital Programme	***74.748***	**82.125**	**87.224**	**64.978**	**70.636**	**54.869**	**53.491**	**47.793**	**38.188**	**38.450**	**43.734**	**656.236**

APPENDIX D SUMMARY REVENUE RESERVES

Forecast as at January 2024 (including the use of reserves proposed through the 2024/25 budget process)

Cabinet Portfolio	Forecast balance as at 1 April 2024	Planned / Forecast (contribution)/use			Forecast Balance at March 2027
		2024/25	2025/26	2026/27	
	£000	£000	£000	£000	£000
Adult Social Care and Health	(11,017)	7,443	995	780	(1,799)
Children and Education (excl. DSG central reserves)	(441)	342	94	5	0
Climate Change and Planning	(1,632)	403	108	30	(1,091)
Communities and Leisure	(3,401)	1,078	354	5	(1,964)
Environment and Infrastructure	(6,843)	2,310	762	581	(3,190)
Housing	(1,345)	521	260	240	(324)
Resources	(17,518)	5,344	150	545	(11,479)
Wellbeing, Skills and Inclusion	(1,407)	(234)	1,111	78	(452)
Corporate reserves	(16,140)	5,691	192	524	(9,733)
Subtotal	**(59,744)**	**22,898**	**4,026**	**2,788**	**(30,032)**
Working balances	(6,000)	0	0	0	(6,000)
Total	**(65,744)**	**22,898**	**4,026**	**2,788**	**(36,032)**

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