

Meeting date: 5th December 2019

Report to: Full Cabinet



Subject/report title: MEDIUM TERM FINANCIAL STRATEGY UPDATE (CORPORATE CAPITAL PROGRAMME 2019/20)

Report from: Director of Resources and Deputy Chief Executive

Report author/lead contact officer: Dean Bowd, Senior Accountant, debowd@solihull.gov.uk
0121 704 6224

Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege

Public/private report: Public

Exempt by virtue of paragraph:

1. Purpose of Report

- 1.1 To outline the current financial position for the 2019/20 corporate capital programme.
- 1.2 To seek approval to rephase capital budgets into 2020/21 and future years as detailed in Appendix A.
- 1.3 To seek approval for the revised capital programme for 2019/20 after the rephasing as detailed in Appendix B.
- 1.4 To seek approval for the Housing Revenue Account (HRA) capital programme after revisions and virements for 2019/20, detailed in paragraph 3.6 and Appendix C.
- 1.5 Approve capital programme proposals detailed in paragraphs 3.7 – 3.9, releasing £770,000 of capital receipts from the property services capital programme and using £195,000 capital receipts to replace revenue funding.
- 1.6 To seek approval for £338,000 of Prudential Borrowing to finance the demolition at Westgate 21 Homer Road as detailed in 3.11.
- 1.7 To approve the use of catering reserves at a cost of £154,000 to fund a new catering till system, as detailed in paragraphs 3.12 and 3.13.

- 1.8 To approve a change of use of the Library reserve to enable the library service to invest in improvements to extend its service offer, as detailed in paragraphs 3.14 and 3.15.
- 1.9 To approve the passporting of Government capital allocations for 2020/21 to individual cabinet portfolios for project allocation.

2. Decision(s) recommended

- 2.1 Approve the rephasing of the corporate capital programme into 2020/21 as set out in the report and Appendix A.
- 2.2 Approve the revised corporate capital programme for 2019/20, after rephasing, as detailed in Appendix B.
- 2.3 Approve the HRA capital programme for 2019/20, after capital programme proposals and virements, detailed in paragraph 3.6 and Appendix C.
- 2.4 Approve the use of £338,000 Prudential Borrowing to finance the demolition at Westgate 21 Homer Road as detailed in 3.11.
- 2.5 Approve the use of £154,000 catering reserves to fund a new catering till system as detailed in paragraphs 3.12 and 3.13.
- 2.6 Approve a change of use of the Library reserve to enable the library service to invest in improvements to extend its service offer, as detailed in paragraphs 3.14 and 3.15.
- 2.7 Approve the passporting of Government capital allocations for 2020/21 to individual cabinet portfolios for project allocation.

3. What is the issue?

- 3.1 Members approve a rolling 3 year capital programme which is regularly reviewed to ensure expenditure is sustainable in terms of available funding. This funding currently consists of a combination of grant allocations from central government; prudential borrowing within Council approved limits; specific capital grants and capital receipts from the sale of Council assets.

Rephasing of 2019/20 Programme

- 3.2 The current capital programme for 2019/20 is £64.619 million and includes General Fund £46.797 million and HRA £17.822 million. This is an increase on the £44.736 million General Fund capital budget reported to the November Cabinet meeting as part of the Medium Term Financial Strategy Update for Period 6, as additional projects have since been added to the capital programme.
- 3.3 Over the last three months officers in the Financial Operations Division have been working with project managers to identify projects which can be rephased into future years. These total £12.533 million and are analysed by Cabinet Portfolio in paragraph 3.16, Table 1 overleaf whilst individual projects are detailed at Appendix A.

- 3.4 Cabinet Members are asked to approve the rephasing of these budgets into 2020/21 and future years, as summarised in paragraph 3.16, Table 1 and detailed in Appendix A.

Capital Programme 2019/20

- 3.5 If Cabinet approves the capital programme proposals detailed in paragraphs 3.6-3.13 and the rephasing in 3.16, Table 1, the Council's revised corporate capital programme for 2019/20 would comprise £38.186 million General Fund and £13.622 million for the HRA as summarised in Table 1 and detailed in Appendix B, a revised capital programme of £51.808 million. Cabinet Members are asked to approve the revised corporate capital programme for 2019/20.

Programme Approvals in 2019/20 HRA Capital Programme

- 3.6 Appendix C details HRA scheme adjustments to maximise the deliverables within the overall HRA capital programme. Approval is requested for the proposed virements within the 2019/20 HRA capital programme with no change to the overall budget.

Programme Approval in 2019/20 Corporate Capital Programme

- 3.7 In January 2019 Cabinet approved a budget of £800,000 in 2019/20 to undertake structural repair works to Mell Square Car Park to extend the life of the facility for a limited two year period, funded from capital receipts. The Property Services Team identified an alternative, cost effective solution to mitigate the need to carry out these repair works in the short term. The capital works undertaken have cost £30,000 including fees. Approval is sought to remove the remaining budget of £770,000 from the property services capital programme and release the funding for future allocation.
- 3.8 However, it should be noted that this is only a short term solution and further structural investigations will need to be undertaken if the Council wishes to extend the use of the car park beyond the two year period. These investigations may identify that substantial repairs need to be carried out to continue to use the car park.
- 3.9 Within the Adult Social Care and Health portfolio the Bacons End demolition scheme is currently funded from a revenue contribution to capital expenditure of £195,000. Approval is requested to swap the revenue funding and replace with capital receipts, with any future capital receipt from the site be used to reimburse corporate capital receipts.

Approval of Prudential Borrowing and use of Reserves to finance capital schemes

- 3.10 To ensure we continue to make best use of our people and physical assets, Members are requested to approve the use of prudential borrowing and reserves to finance capital budgets for the delivery of the following two projects.

Westgate 21 Homer Road

- 3.11 In March 2019 Cabinet approved spending of £338,000, to demolish the properties on the Westgate 21 Homer Road site. Members are asked to approve funding this expenditure from prudential borrowing to enable this scheme to be added to the capital programme.

Catering Till System

- 3.12 The Catering Service has invested in a new till system, which includes the provision of management information for the effective running of the service, to deliver meals services to schools and other council facilities. The current hardware was over 7 years old which, coupled with major improvements in this market area where suppliers have made significant developments to software, made this an opportune time to re-invest in this system.
- 3.13 Cabinet is asked to approve the use of catering reserves, current balance £1.2 million, to fund a new till system for the Catering Service at a cost of £154,000.

Libraries Service Reserve Balances

- 3.14 The capital programme for the Library Service, within the Stronger and Safer Communities portfolio is predominantly financed by balances held in reserves. Reserves were originally created to fund investment in new technologies including Radio Frequency Identification (RFID) self issue technology. There is currently a balance of £339,000 in reserves for this purpose.
- 3.15 A change of use is being requested to broaden the use of the Library Reserves beyond being solely for technology investments to support the Library Strategy. It is proposed to use the reserves to provide resources for the Library Service to invest in improvements to extend its service offer allowing sites to be used for a more diverse range of activities and to facilitate the integration of improved digital offers, co-located services and extended use by communities. No change in the capital programme is proposed for approval.

Revised Capital Programme 2019/20

- 3.16 Table 1 overleaf summarises the 2019/20 revised capital programme if Members approve capital programme approvals detailed in 3.6 – 3.13 and the proposed capital scheme rephasing to future years.

Table 1

Cabinet Portfolio	Approved Capital Programme 2019/20 £m	Recommended Rephasing to Future Years £m	Programme Amendments 2019/20 £m	Revised Capital Programme 2019/20 £m
Adult Social Care and Health	6.148	(0.667)	0	5.481
Children, Education and Skills	10.070	(0.883)	0	9.187
Climate Change, Planning and Housing	0	0	0	0
Environment and Highways	9.606	(0.578)	0	9.028
Growth and Infrastructure Delivery	9.314	(4.110)	0.338	5.542
Leisure, Tourism and Sport	0	0	0	0
Resources	9.366	(1.291)	(0.616)	7.459
Stronger and Safer Communities	2.293	(0.804)	0	1.489
Total Cabinet portfolios	46.797	(8.333)	(0.278)	38.186
Housing Revenue Account (HRA)	17.822	(4.200)	0	13.622
Total including the HRA	64.619	(12.533)	(0.278)	51.808

Capital Expenditure Supported by Government Grants 2020/21

3.17 Government capital support is now given in the form of a capital grant. A number of government departments are finalising their capital grant programmes and full details of the 2020/21 allocations are not yet available. A revised 3 year capital programme will be presented to Members in spring 2020 when these allocations are known. In the meantime Members are asked to endorse the continuation of the existing policy whereby these allocations are passported to individual Cabinet portfolios for detailed allocation.

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

4.1 Not Applicable

5. Reasons for recommending preferred option

5.1 Not Applicable

6. Implications and Considerations

6.1 Delivery of key themes in the Council Plan:

How will the options/proposals in this report contribute to the delivery of the key themes in the Council Plan?

- Improve Health and Wellbeing – Provide enhanced day services for older people.
- Managed Growth – The proposal will support the future development of Mell Square town centre as it is integral to the development plans for the area.
- Build Stronger Communities – Implement plans for community development.
- Deliver Value – Capital projects represent major investment and deliver integrated and effective services.

6.2 Implications for children and young people, vulnerable groups and particular communities:

6.2.1 Provide enhanced day services for older people.

6.3 Consultation and Scrutiny:

6.3.1 This report does not go to a scrutiny meeting.

6.4 Financial implications:

6.4.1 In line with accounting practice the revised capital programme will require adjustments to the Council's prudential indicators as a result of the rephasing. This will be built into the updated budget projections for approval by Full Council as part of the 2020/21 Budget.

6.5 Legal implications:

6.5.1 Not applicable.

6.6 Risk implications:

6.6.1 Not applicable

6.7 Statutory Equality Duty:

6.7.1 None.

7. List of appendices referred to

7.1 Appendix A - Rephasing of Corporate Capital Programme into 2020/21.

7.2 Appendix B - Revised Corporate Capital Programme for 2019/20.

7.3 Appendix C – Housing Revenue Account Capital Programme 2019/20

8. Background papers used to compile this report

8.1 None

9. List of other relevant documents

9.1 Medium Term Financial Strategy update report -7 November 2019 Full Cabinet Meeting.

9.2 Budget Framework 2019/20 to 2021/22 report -7 February 2019 Full Cabinet Meeting.