

**Meeting date:** 17<sup>th</sup> January 2019

**Report to:** Full Cabinet



**Subject/report title:** CORPORATE CAPITAL PROGRAMME 2018/19

**Report from:** Director of Resources and Deputy Chief Executive

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**Wards affected:**

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

**Public/private report:** Public

**Exempt by virtue of paragraph:**

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**1. Purpose of Report**

- 1.1 To outline the current financial position for the 2018/19 corporate capital programme.
- 1.2 To seek approval to rephase capital budgets into 2019/20 and future years as detailed in Appendix A.
- 1.3 To seek approval for the revised capital programme for 2018/19 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 2018/19 detailed in paragraphs 3.6 - 3.8 and Appendix C.
- 1.5 To seek approval for corporate capital programme proposals and the allocation of additional resources funded from available capital receipts per the capital strategy to support Older People's Day Services, investment in Oracle E-Business Suite, investment in Strategic Investment Properties and to maintain Mell Square Car Park as detailed in paragraphs 3.9 to 3.20 and to use £455,000 of Prudential Borrowing to replace reserve funding as detailed in 3.21.
- 1.6 To approve the passporting of Government capital allocations for 2019/20 to individual cabinet portfolios for project allocation.

## **2. Decision(s) recommended**

- 2.1 Approve the rephasing of the corporate capital programme into 2019/20 as set out in the report and Appendix A.
- 2.2 Approve the revised corporate capital programme for 2018/19, after rephasing, as detailed in Appendix B.
- 2.3 Approve the HRA capital programme for 2018/19, after capital programme proposals and virements, detailed in paragraphs 3.6 - 3.8 and Appendix C.
- 2.4 Approve capital programme proposals and allocation of £2.050 million of available capital receipts detailed in paragraphs 3.9 - 3.20 and use of £455,000 Prudential Borrowing to replace reserve funding as detailed in 3.21.
- 2.5 Approve the passporting of Government capital allocations for 2019/20 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 2018/19 Programme**

- 3.2 The current capital programme for 2018/19 is £69.722m and includes General Fund £49.405m and HRA £20.317m. This is a slight increase on the £49.285m General Fund capital budget reported to the November Cabinet meeting as part of the Revenue and Capital monitoring for Period 6, as additional self-funded 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 £12.378m and are analysed by Cabinet Portfolio in paragraph 3.22, 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 2019/20 and future years summarised in paragraph 3.22, Table 1 and as detailed in Appendix A.

### **Capital Programme 2018/19**

- 3.5 If Cabinet approves the capital programme proposals detailed in paragraphs 3.6-3.9 and additional projects funded from capital receipts detailed in paragraphs 3.10-3.20 and the rephasing in 3.22, Table 1, the Council's revised corporate capital programme for 2018/19 is £37.142m General Fund and £17.556m for the HRA as summarised in Table 1 and detailed in Appendix B, a revised capital programme of £54.698m. Cabinet Members are asked to approve the revised corporate capital programme for 2018/19.

### **Programme Approvals in 2018/19 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 an increase of £50,000 in the 2018/19 HRA capital programme for the conversion of office space to residential use at Linacre House, current budget £100,000.
- 3.7 The Cabinet Member for Environment and Housing on the 26 September 2017 approved the £100,000 scheme funded by right to buy 1-4-1 receipts and future capital investment reserve (30%:70%) to create two new flats at Linacre House from empty offices. It is proposed to fund a further £50,000 from the future capital investment reserve to convert an office for a further residential flat.
- 3.8 Stock Growth Development approved budget for 2018/19 is £8.637m. There are no approved schemes for £2.310m of this budget and approval is sought to remove this budget from the programme in 2018/19. Future schemes will seek separate approval to be added to the HRA programme in future years. If members approve both proposals above the HRA Stock Growth Development budget for 2018/19 will decrease by £2.260m.

### **Programme Approval in 2018/19 Corporate Capital Programme**

- 3.9 The corporate capital programme contains schemes to the value of £486,000 funded from prudential borrowing for the Council House basement storage (£237,000) and capital receipts for Council House New Ways of Working (£249,000), within the Council House and Catering scheme. These scheme elements have completed and approval is sought to remove from the capital programme.

### **Use of capital receipts to support Older People's Day Services, investment in Oracle E-Business Suite, to maintain Mell Square Car Park in 2019/20 and replenish Strategic Land Fees in 2019/20**

- 3.10 To ensure we continue to make best use of our people and physical assets, Members are requested to approve the use of capital receipts to finance capital budgets for the delivery of the following three projects.
- 3.11 The current 2018/19-2020/21 capital strategy, approved by Members in February 2018, identified a forecast surplus of capital receipts in 2018/19 of £1.897m. The release of £249,000 of capital receipts in 3.9 above gives rise to a revised surplus of £2.146m. The allocation of new receipts detailed below totals £2.050m.

### **Older People's Day Services**

- 3.12 From April 2019 in-house older people's day services will be delivered from two centres, with Park View covering the south of the borough, and Colebrook covering the north. Park View will also continue to accommodate day services for working-age people with learning disabilities and physical disabilities as at present, and Colebrook will become a hub for working-age learning disability day services when Bacon's End closes at the end of 2018.

- 3.13 In order to enable older people's services to operate from Park View and Colebrook there is a requirement to create suitable dedicated spaces within these buildings, alongside the spaces that are used by people with learning disabilities and physical disabilities. Cabinet is asked to approve a capital budget of £200,000, allocated evenly in 2018/19 and 2019/20.

### **Oracle E-Business Suite**

- 3.14 In the previous 2013/14 – 2015/16 capital strategy report, from March 2013, Members approved an ICT capital budget of around £500,000 per annum to enable the delivery of new ICT projects to meet the demands of the evolving business requirements of the Council.
- 3.15 In September 2015 the Council resolved to make the most of its investment in Oracle E-Business Suite (EBS), to continue to exploit this investment and to have a gradual move to Oracle's latest product with the least disruption and cost. The current version of Oracle E-Business Suite (EBS) ends main stream support at the end 2021, and the Authority needs to start planning the implementation to the latest version.
- 3.16 To ensure we have sufficient resources for this, we need to increase the ICT capital projects budget to £750,000 in each of 2019/20, 2020/21 and 2021/22, reverting back to £500,000 in 2022/23.

### **Mell Square Car Park**

- 3.17 Mell Square Car Park is one of three council owned town centre car park facilities which provides parking for the town centre and includes the public toilet facilities.
- 3.18 Property Services Team (PST) undertakes a Structural Assessment Programme of our main buildings and car parks and carried out a detailed survey. This identified a requirement to undertake capital repairs to Mell Square Car Park to extend the life of the facility for a further 2 years at a works cost of £800,000 in 2019/20.

### **Strategic Land Fees**

- 3.19 This budget funds the fees payable in connection with external professional support for major land and development projects.
- 3.20 The general expectation is that these fees will be funded through the projects but this may not always be achieved and therefore in view of the anticipated level of activity on these long term projects it is requested that a sum of £300,000 is set aside from capital receipts in 2019/20.

### **Funding Swap**

- 3.21 Finally, the building of a new school at Yorkswood (£5.692 million) is a project contained within the current three year corporate capital programme. This project is financed from multiple sources including £445,000 from Reserves. Approval is sought to swap the reserve funding and replace with prudential borrowing. The cost of the borrowing will be £23,000 per annum for 40 years and will be funded from the treasury management revenue budget.

## Revised Capital Programme 2018/19

3.22 Table 1 below summarises the 2018/19 revised capital programme if Members approve capital programme approvals detailed in 3.6 – 3.20 and the proposed capital scheme rephasing to future years.

Table 1

| Cabinet Portfolio                     | Approved Capital Programme 2018/19 £m | Recommended Rephasing to Future Years £m | Programme Increase 2018/19 £m | Revised Capital Programme 2018/19 £m |
|---------------------------------------|---------------------------------------|--|-------------------------------|--------------------------------------|
| Adult Social Care and Health          | 8.738                                 | (3.946)                                  | 0.100                         | 4.892                                |
| Children, Education and Skills        | 11.090                                | (1.800)                                  | 0                             | 9.290                                |
| Environment and Housing               | 2.116                                 | (0.726)                                  | 0                             | 1.390                                |
| Leisure, Tourism and Sport            | 0.606                                 | (0.200)                                  | 0                             | 0.406                                |
| Managed Growth                        | 10.365                                | (1.639)                                  | 0                             | 8.726                                |
| Resources and Delivering Value        | 8.937                                 | (3.060)                                  | (0.486)                       | 5.391                                |
| Stronger Communities and Partnerships | 0                                     | 0  | 0                             | 0                                    |
| Transport and Highways                | 7.553                                 | (0.506)                                  | 0                             | 7.047                                |
| <b>Total Cabinet portfolios</b>       | <b>49.405</b>                         | <b>(11.877)</b>                          | <b>(0.386)</b>                | <b>37.142</b>                        |
| Housing Revenue Account (HRA)         | 20.317                                | (0.501)                                  | (2.260)                       | 17.556                               |
| <b>Total including the HRA</b>        | <b>69.722</b>                         | <b>(12.378)</b>                          | <b>(2.646)</b>                | <b>54.698</b>                        |

## Capital Expenditure Supported by Government Grants 2019/20

3.23 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 2019/20 allocations are not yet available. A revised 3 year capital programme will be presented to Members in spring 2019 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
- 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 2019/20 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 - Rephrasing of Corporate Capital Programme into 2019/20.

7.2 Appendix B - Revised Corporate Capital Programme for 2018/19.

7.3 Appendix C – Housing Revenue Account Capital Programme 2018/19

**8. Background papers used to compile this report**

8.1 None

**9. List of other relevant documents**

9.1 Revenue & Capital Monitoring report -8 November 2018 Full Cabinet Meeting.

9.2 Corporate Capital Strategy 2018/19 to 2020/21 report -15 February 2018 Full Cabinet Meeting