Capital Strategy
2025/26 to 2034/35

(incorporating the Council's strategy on the flexible use of capital receipts)

Solihull
METROPOLITAN
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1. Executive Summary

1.1 The prudential code for capital finance in local authorities sets out the requirement that authorities should have in place a capital strategy and governance procedures for the setting and revising of the strategy and prudential indicators. This will be done by the same body that approves the local authority's budget, which for Solihull will be Full Council.

1.2 The Council's Section 151 Officer will be responsible for ensuring that all matters required to be taken into account are reported to the decision making body for consideration and for establishing procedures to monitor performance.

1.3 Under the prudential code guidance, a capital strategy needs to demonstrate that Solihull takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, and affordability.

1.4 The Corporate Capital Strategy sits alongside the Medium Term Financial Strategy and feeds into the annual revenue budget by informing on the revenue implications of capital funding decisions. The ongoing implications for the revenue budget are fully considered before any capital funding decisions are confirmed.

1.5 Equally, the availability of prudential borrowing means that capital and revenue solutions to service delivery can be considered, and ranked, alongside each other as part of an integrated revenue and capital financial strategy.

1.6 In Autumn 2024 the Council commissioned CIPFA to undertake an external assurance review, which concluded that the Council's governance arrangements are generally sound, with clear decision-making processes and delegations. The report also stated that "no deficiencies were identified in financial management arrangements or risk management arrangements". The report recommended that the Council apply for exceptional financial support (EFS) on the basis that without it the Council would move to a financially unsustainable position. EFS, which would allow the Council to temporarily capitalise revenue costs and fund them through the use of capital receipts and borrowing, is therefore the preferred option for balancing the Council's position in 2024/25 and 2025/26 and would also provide for the creation of a transformation fund to support the restoration of financial sustainability.

1.7 The themes of CIPFA's assurance review included an assessment of the Council's capital programme and overall debt position and an assessment of assets and investments. The review concluded that there are appropriate management arrangements and controls in place and that the Council complies with statutory guidance and best practice in respect of its capital programme and investments.

1.8 The Council formally applied for EFS in December 2024, However, as the government's decision on our EFS application is unlikely to be known until late February, the working assumption considered in this strategy is that the application is successful. On this basis this strategy and the associated values are all based on the assumption that the council is permitted to capitalise approved revenue expenditure. Should the EFS application be unsuccessful a revised version of this strategy would be produced with a reduced capital programme.

1.9 The Council has a revised capital programme totalling £80.460 million in 2024/25 and an asset base valued at £1,294.359 million. This strategy is an overarching document which sets the policy framework for the development, management and monitoring of this investment and forms a key component of the Council's planning alongside the Medium Term Financial Strategy (MTFS), Treasury Management Strategy, Corporate Asset Strategy, Property Investment Strategy, and the Council's Flexible Use of Capital Receipts Strategy.

1.10 The Corporate Capital Strategy further sets out the Council's approach to the allocation of its capital resources and how this links to its strategic priorities and objectives at a corporate and service level. It describes how the Council has responded to the opportunities provided by prudential borrowing and other new sources of finance and finally outlines the links to other key council policies. Specifically, this document addresses the following points:

- How the Council's priorities and objectives inform the capital programme;
- Outlines service priorities, objectives, and major projects;
- Summarises the forecast 10 year capital programme;
- Describes the links to the corporate Asset Strategy;
- Outlines the Council's capital resource allocation methodology;
- Outlines the implications of capital investment decisions;
- Reviews the relevant capital prudential indicators and limits; and
- Sets out the links to other council strategies, plans and policies.

1.11 The Council continues to face the challenge of effectively prioritising and managing capital investment. In the short term, our ability to deliver major capital investments has been affected by the impact of inflation and supply chain issues on construction costs, and the overall MTFS position. In considering the capital programme the Council has reviewed existing schemes to ensure they are still relevant in meeting the Council's priorities, and if the scale and timing of schemes is still feasible within the available funding.

1.12 The Corporate Capital Strategy outlines a ten year capital programme up to 2034/35. It will be refreshed on an annual basis to ensure its continued relevance and to update it for any significant changes in legislation or council policy, in line with the MTFS.

1.13 Within the short term (up to 3 years) the focus of the capital programme is on implementation and delivery of schemes. The programme is more fluid with the addition of new schemes to meet the service priorities that arise.

2. Service Priorities and Objectives

2.1 Individual service priorities flow from the objectives contained within the Council Plan. This ensures that all parts of the organisation are focused on meeting the priorities identified by the Council in conjunction with the local community and its strategic partners.

2.2 The main service priorities, objectives, and projects, where applicable, are summarised below by cabinet portfolio.

Adult Social Care and Health

2.3 The principles set out in the Solihull Adult Social Care 5 Year Plan 2022-2027 outline the nature of the challenges we face, our vision for the future of care and support in Solihull and how we will go about making the changes and realising that vision.

2.4 The focus for the programme remains on supporting people to stay in their own homes, with equipment, adaptions and increased use of digital technology driving this change. The aim of the Housing Assistance Policy (HAP) has been developed, and its aim is to support residents to improve their health and wellbeing by addressing problems with unsuitable homes that do not meet their needs. Assistance delivered through the HAP will also help us to achieve the aims and objectives of the Council as set out in several of its strategies and plans; helping to deliver actions and make improved living a reality for residents.

2.5 The Disabled Facilities Grant (DFG) is the key funding source for the above initiatives, and it falls within the framework of the Better Care Fund agreement between the Council and Health partners. This service is delivered by Solihull Community Housing on behalf of the Council.

2.6 The Council's two leisure centres play a key role in supporting residents to be physically active. The Leisure Service will maintain and make improvements to its leisure centres, in accordance with agreed plans with the operator, to ensure they remain attractive and meet the needs of service users, having regard to funding available to the service.

2.7 The outputs from a high-level options appraisal will be used by the Council to establish a long-term strategic plan for meeting community need through sustainable provision of our leisure and active wellbeing facilities, including capital investment, co-location services and other different models. This will support Solihull to benefit from external funding through alignment with wider national agendas such as Sport England's 'Uniting the Movement' Strategy and their new Place Partnerships programme.

2.8 A new Built Sports Facility Strategy will provide a long-term strategic vision for indoor sports facilities across the Borough that positions its contribution towards wider strategic outcomes i.e. the health and wellbeing of our residents. The strategy will identify demand and need, guiding investment and funding into the borough. A final strategy will be due Autumn 2025.

Children and Education

2.9 The Children’s Services capital programme includes projects to address the sufficiency, suitability, and condition of the Solihull school estate. The sufficiency of school places across the borough is evidenced within the Mainstream Sufficiency Plan 2024-27, The Special Educational Needs and Disability (SEND) School Place Commissioning Strategy 2021-24 and the Alternative Provision Commissioning Strategy, January 2023. A planned programme of capital maintenance works for schools where the Council remains the responsible body is determined from our rolling programme of stock condition surveys and asset management data and fundamentally improves the condition of this portion of the school estate. A new School’s Asset Management Plan is being prepared for Summer 2025 and will set out a revised strategy for school engagement that reflects the shift to a predominantly academised nature of the estate. This strategy will work in concert with the emerging Education Strategy and overarching Sufficiency Strategy which will encompass the wider remit of sufficiency planning including early years, mainstream, special educational needs and alternative provision.

2.10 The Children’s Services capital programme is comprised of subordinate programmes:

- Schools Improvement and Expansion (mainstream)
- Schools Improvement and Expansion (special and alternative provision)
- Childcare Expansion
- Schools Maintenance
- Schools Managed Projects

The Schools Improvement and Expansion Programme

2.11 This incorporates the priorities highlighted within the Mainstream Sufficiency Plan 2024-27.

2.12 Key current priorities in this programme seek to address short term sufficiency requirements in the secondary estate and specifically a scheme was recently completed at Langley School. Meanwhile works are underway at St Peter’s Catholic School and Heart of England School and are due to commence at Tudor Grange Solihull to support bulge classes in their planning areas.

2.13 The withdrawal of the draft Local Plan, approved by Cabinet on 8 October 2024, introduces a level of uncertainty to the planning of school places to meet future housing development and the impact of windfall developments will need to be carefully monitored. However, the revised Council policy on Developer Contributions for Education was approved in January 2024 and brings a greater clarity and priority to Section 106 contributions in order to meet the need for education infrastructure requirements arising from pupil yield from housing developments.

The School Improvement Programme (High Needs Block)

2.14 This focuses on priorities outlined in the SEND School Place Commissioning Strategy 2021-2024 and the Alternative Provision Commissioning Strategy January 2023.

2.15 Following the successful creation of alternative provision for secondary aged pupils at Daylesford Academy, a subsequent alternative provision for primary aged pupils has now also been completed at the site. Meanwhile the new expanded SEMH alternative provision at Tudor Grange Primary Academy Langley is on site and planned to welcome pupils from summer term 2025.

2.16 At Reynalds Cross, plans to replace the current 'Link' building and in doing so to create additional capacity are underway ,with high level completion planned for autumn 2026. Meanwhile discussions are underway with the Department for Education (DfE) regarding the Council's approved bid for a new special free school under the DfE's SEND Free School Programme under Wave 4.

The Childcare Expansion Programme

2.17 This focuses on early years and wraparound childcare in response to the government's early years reforms aimed at helping parents to return to work more easily by expanding childcare support. Investigations have been underway to identify target areas where additional places are most required so that capital funding to support expansions can be most effectively deployed.

The Schools Maintenance Programme

2.18 This aspect of the programme continues to cover planned maintenance schemes delivered by Property Services & Maintenance Partnership. The programme is based upon an annual review of local stock condition surveys and asset management data and addresses condition priorities, including backlog items across the maintained estate.

2.19 Schools also implement their own schemes of work utilising Devolved Formula Capital, revenue, or reserves. Considered as a collective sum within the capital programme, these works are reviewed against the aims of their individual asset management plans and via the landlord approval process.

Climate Change and Planning

2.20 Climate change is an issue affecting us all. Recognising this, we are committed to adapting to its effects, reducing our emissions, and helping our population make positive changes at home and at work. The overarching MTFS provides more information on the Council's approach to achieving net zero carbon emissions by 2030. The Climate Change and Sustainability team are working to progress agendas on climate change and access funding to invest in this priority. It is likely that over the forthcoming years there will be capital schemes identified which will enable the Council to achieve this ambition.

Housing

2.21 Capital schemes relating to social housing are delivered through the Housing Revenue Account, which is administered on behalf of the Council by Solihull Community Housing. Within the general fund there are significant grant funded schemes delivering energy efficiency works to homes and making improvements to the physical decency of social housing.

Communities

2.22 The current programme includes schemes funded from the UK Shared Prosperity Fund intended to build pride in place and increase life chances across the UK. This funding is delivering improvements to community buildings and providing support to businesses in the borough.

2.23 The Bereavement Service's 30-year Business Strategy sets out how the Council will meet future demand for service provision over this period. This will include continued investment in the Council's cemeteries and crematoriums.

Environment and Infrastructure

2.24 The 'Vision for Transport in Solihull' is the strategy to deliver local transport objectives to the transport and road networks across Solihull borough in line with the key objectives for the West Midlands in the future as detailed in the City Region Sustainable Transport Settlement (CRSTS) which replaced the previous Local Transport Plan (LTP).

2.25 The CRSTS retains funding equivalent to average annual funding to date for the Integrated Transport Block (ITB) and Highways Maintenance funding, including the Potholes Action Fund but also incorporate additional wider investment to commence transformational change in local transport networks as part of an overall West Midlands region wide programme of projects that will be taken forward over future years with initial allocations having been made for the period up to 31st March 2027. There have also been further funding announcements which have resulted in or will lead to the securing of additional funding to target highway maintenance priorities such as mitigating against potholes and preventing other road defects from occurring.

2.26 The CRSTS key objectives are considered to be relevant 'Strategic Aims' for transport within Solihull and are therefore the basis against which Solihull's local transport objectives are considered, which are to:

- Support economic growth;
- Tackle climate change;
- Contribute to better safety, security, and health; and
- Improve quality of life and a healthy natural environment.

2.27 The Solihull Connected transport strategy objectives are reflected in the main priorities above, which also recognises supporting regional road safety programmes and delivering local improvements. The Solihull Connected Delivery

Plan identifies specific transport priorities for development to an investment ready state. Key highlights of our Delivery Plan include:

- Community Liveability programme;
- Further enhancements to cycle routes;
- Public Transport Improvements; and
- Maintenance and improvement of the road network and structures infrastructure.

2.28 The Strategic Environment Contract between Solihull Council and Veolia provides various environmental services for the Borough and within the next ten-year period there will capital investment required in the assets which underpin the delivery of the contract. This will ensure that the key aims of the contract can continue in order to deliver important services including waste and recycling, street cleansing, grounds maintenance and forestry and tree services whilst still continuing to make a positive impact on social, environmental, and economic sustainability.

2.29 The Council delivers economic growth, opportunities, and regeneration for Solihull, by maximising external funding available to the borough and through our local and regional partnerships.

2.30 Through its UK Central Investment Programme (which includes both the Infrastructure and HS2 Interchange strands), the Council is committed to delivering transformational change, creating high quality jobs, and promoting inclusive economic growth. The unique concentration of strategic economic assets in Solihull that includes Jaguar Land Rover, Birmingham Airport and the NEC offers an opportunity on a scale that is of national significance.

2.31 The UK Central Programme and the associated development plans for the borough will support investment in transport, development, clusters of emerging sectors, and the green infrastructure which will play a vital role in the borough’s success. showing that careful planning, detailed design, and ambitious strategies will ensure an exciting and sustainable future.

<u>Resources</u>

2.32 The portfolio is responsible for delivering the Council’s Property Investment Strategy whose primary objective is to invest in property through a balanced strategy of acquisition, retention and management in order to support the delivery of the Council’s service, regeneration and economic development priorities.

2.33 Other significant capital projects within the Resources Cabinet Portfolio include the Corporate Property Management Programme for the enhancement of council properties, excluding schools and housing dwellings. This programme currently relies on funding through prudential borrowing.

2.34 The Digital Strategy continues to recognise the important role digital plays in delivering the Council’s objectives; the focus for the forthcoming 12 months is on the use of data and developing a digital first customer services model, exploiting the benefits of our existing digital technology to achieve operational efficiency.

2.35 The corporate ICT programme supports the central equipment refresh programme and the ICT capital projects. Following the investment in Oracle Cloud, the ICT capital programme will shift to exploit our range of technologies and to upgrade systems in line with our refresh programme.

<u>Housing Revenue Account Capital Programme</u>

2.36 The proposed council housing capital programme for 2025/26 is £31.736 million. This will continue with the approach set out in the Solihull Community Housing Asset Management Strategy. The focus of the programme remains on prioritising investment into building safety and reducing carbon emissions, in addition to continuing regular programmes of cyclical maintenance and improvements of the housing stock to ensure that they meet the decent homes standard. The following are the key investments included:

- The continued prioritisation of Health and Safety and legislative requirements; primarily on the completion of the programme to replace spandrel panels on the exterior of 16 of our high rise blocks, in addition to the continuation of programmes of works following fire risk assessments, gas safety and electrical integrity;
- The construction of new build properties within the Kingshurst Village Centre regeneration site and the redevelopment of the former supported living site at Townshend Grove (Lakeside);
- Improving energy efficiency for tenants and contributing to lowering carbon emissions within the Borough by investing in more efficient heating systems and exploring the utilisation of new technologies;
- The Envelope programme to improve security, energy efficiency and aesthetics of low rise communal areas;
- Planned maintenance works to roofs and kitchen and bathroom replacements to maintain decent homes standards;
- Adaptations for disabled residents will continue where identified on a needs basis.

3. Summary of Current and Forecast Ten Year Capital Programme

3.1 The Council’s current and proposed capital programme for the period 2024/25 to 2034/35 is summarised below. This is based on the current approved programme along with a forecast for future schemes which are likely to proceed based on actual funding allocations where known and estimates based on current allocations where a long-term allocation has not been provided by central government. The table below assumes that the Council will be successful in its application for exceptional financial support.

Summary of Corporate Capital Programme 2024/25 to 2034/35												
Cabinet Portfolio	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**	**2030/31 £m**	**2031/32 £m**	**2032/33 £m**	**2033/34 £m**	**2034/35 £m**	**Total £m**
Adult Social Care and Health	5.150	2.485	0.094	2.485	2.485	2.485	2.485	2.485	2.485	2.485	2.485	**27.609**
Children and Education	24.171	27.483	8.038	8.400	7.900	5.400	2.900	2.900	2.900	2.900	2.900	**95.892**
Communities	0.803	2.250	0.698	0	0	6.501	0.170	0	0	4.000	4.000	**18.422**
Environment and Infrastructure	19.449	33.520	58.448	22.196	23.680	42.930	17.956	5.656	5.056	5.056	10.056	**244.003**
Housing	3.581	0.100	0	0.216	0.216	0.216	0.216	0.216	0.216	0.216	0.216	**5.409**
Resources	5.621	25.727	4.550	2.850	2.850	7.350	2.850	2.850	2.850	2.850	2.850	**63.198**
Total Cabinet Portfolios	**58.775**	**91.565**	**71.828**	**36.147**	**37.131**	**64.882**	**26.577**	**14.107**	**13.507**	**17.507**	**22.507**	**454.533**
Housing Revenue Account	21.685	31.736	18.021	18.690	22.531	23.708	21.630	23.581	24.843	26.127	27.448	**260.000**
Total Council Capital Programme	**80.460**	**123.301**	**89.849**	**54.837**	**59.662**	**88.590**	**48.207**	**37.688**	**38.350**	**43.634**	**49.955**	**714.533**

4. Asset Management

4.1 Asset management and its planning forms an integral part of the Council's business management arrangements and is crucial to the delivery of efficient and effective services.

4.2 The Council's corporate Asset Management Strategy, along with the Schools, Housing and Transportation service plans, sets out the medium to long term land, property and accommodation strategies that have been drawn up in support of the Council's existing strategic priorities and key objectives and other potential service developments.

4.3 The Council's asset management policy is articulated within the strategy and a description of the organisational arrangements for implementing and developing the policy is also included. The strategy provides detailed information about the Council's existing asset base and a range of performance measures and indicators that are intended to inform future decisions about the suitability, sufficiency, and sustainability of the Council's land and property resources.

4.4 We are undertaking a more comprehensive review of assets to support our financial sustainability which will include:

- Review of operational assets to reduce operating costs, either by rationalising, commercialising or releasing for disposal
- Review of income generating non-operational assets to identify opportunities for capital receipts where the income foregone is less than equivalent borrowing costs
- Review of non-operational assets that are not income generating to identify further capital receipts potential.
- Review of community-based delivery to understand asset requirements and opportunities for delivery with partners.

4.5 The Council works to manage assets creatively, responsibly, efficiently and effectively towards achieving the Council's and community ambitions. The table below provides a summary of the values of the assets owned by Solihull Council as at 31 March 2024.

Value of Non-current Assets as at 31 March 2024:	
Council Owned Assets	**£m**
Council Dwellings	510.795
Other Land & Buildings	548.694
Surplus Assets	4.822
Vehicles Plant & Equipment	13.771
Infrastructure	150.181
Community Assets	15.855
Assets Under Construction	22.717
Heritage Assets	0.950
Investment Property	15.846
Intangible Assets	10.728
Total Council Owned Assets	**1,294.359**

4.6 The CIPFA assurance review noted that the Council has no ‘investment for gain’ properties funded from borrowing and identified no risks or recommendations in respect of the Council’s approach to asset management.

5. Prudential Borrowing

5.1 Capital expenditure incurred by the Council is financed by a variety of sources including capital receipts, capital grants, external contributions from third parties such as s106 planning agreements and Community Infrastructure Levy, and the use of reserves or from revenue budget contributions. Any capital expenditure not financed by the above will need to be funded by borrowing. Existing council debt is the consequence of historical capital expenditure funded from borrowing.

5.2 Since 1 April 2004 local authority borrowing for the purpose of capital expenditure has been governed by the CIPFA Prudential Code. The Council is able to undertake further borrowing as long as it complies with the Code and can demonstrate that it is affordable, sustainable, and prudent. Each year, Full Council is asked to approve parameters for borrowing as part of the Code.

5.3 The funding of any project from prudential borrowing is subject to there being sufficient headroom within the Council’s prudential indicators. A number of broad principles have been developed which have been approved by Full Cabinet:

i. Prudential borrowing could be used (in part or potentially in full) to finance the capital cost of the scheme.

ii. The borrowing would be based on a maximum repayment period of 50 years (or the estimated lifespan of the asset, whichever was the shorter). (*Note that a period of 60 years may be considered in specific circumstances where appropriate.)*

iii. This would be subject to:

a. The assets being maintained over that period to an agreed lifecycle standard,

b. Sufficient provision to cover these costs in the financial model presented as part of any business case.

6. Flexible Use of Capital Receipts Strategy

Background and approval requirements

6.1 The 2015 Autumn Statement announced a new flexibility for local authorities to use capital receipts from the sale of property, plant and equipment assets to fund the costs of service reform. It was announced in November 2024 that this flexibility would be extended until March 2030. Councils can only use sale proceeds realised over that period, and not existing receipts, under this flexibility.

6.2 Local authorities can use capital receipts from the sale of property, plant and equipment in the years flexibility is offered (2016/17 – 2029/30). For expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years.

6.3 Local authorities are required to publish their plans for the flexible use of capital receipts in a strategy which must be approved by Full Council.

6.4 Since 2019/20 the flexible use of capital receipts strategy has been prepared as part of the Corporate Capital Strategy as permitted by the guidance.

6.5 The strategy should be approved before the beginning of each financial year by Full Council. If changes are proposed to the strategy during the course of the financial year, for example if a project is identified which can be funded using this flexibility, then the revised strategy will require the approval of Full Council. Furthermore, any revisions to the strategy in-year will need to be reported to the Ministry of Housing, Communities and Local Government (MHCLG).

Capital receipts forecast

6.6 The capital receipts projected during the qualifying period are shown in the table below. However, the majority of this funding is already committed to support the current MTFS or existing capital programme commitments. If it was put to an alternative use it would need to be replaced by other funding.

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Projected Capital Receipts	0.812	5.270	1.073	2.462	9.617

6.7 The capital receipts forecast in the table above are taken into consideration in the Council's Corporate Capital Strategy in identifying the surplus/deficit between available capital funding and the proposed capital programme.

Qualifying projects

6.8 Qualifying expenditure is that which is forecast to generate on-going savings to an authority's and/or to another public sector body's net service expenditure. Examples provided in the guidance include service sharing, reform feasibility work, freeing up land, digital investment, procurement aggregation, systems to tackle fraud and setting up alternative delivery models. Capital receipts can only be applied to fund set up and implementation costs and must not be used for on-going revenue costs.

6.9 To aid accountability and transparency the strategy is required to list each project that plans to make use of the capital receipts flexibility.

6.10 As part of the 2024/25 flexible use of capital receipts strategy the Council approved the use of all existing receipts to support the overall 2023/24 financial position. In total £4.080 million was used to support a number of transformational schemes across the Council. Details of these scheme are provided at 6.13.

Projects approved in previous years

6.11 The strategy is required to list the projects approved in previous years and comment on progress against delivery of the planned savings or service transformation initially targeted for each project.

6.12 In December 2017, Full Council approved the inclusion of the termination of the Leisure PPP contract as a qualifying project for the flexible use of capital receipts. This enabled the Council to utilise capital receipts received between April 2016 and March 2018. The projects that were originally planned to be funded from these capital receipts will be financed by prudential borrowing, funded from the leisure contract annual savings.

6.13 The schemes listed below were all approved as part of the 2024/25 capital strategy, with associated costs captured through the 2024/25 MTFS process.

Cabinet	Project/Expenditure heading	£m
Adult Social Care and Health	Market management	0.100
	Reduce occupational therapy waiting times	0.050
Total Adult Social Care and Health		**0.150**
Children and Education	Multi Agency Safeguarding Hub investment and Early Help	0.500
	Small Homes pump priming investment	2.100
	Investment made in the social work staffing model/high demand social care case management team	0.650
	Family Hubs	0.300
	Direct Social Care support – Placements – Internal Foster Spend to Save	0.100
	Multi Agency Safeguarding Hub investment and Early Help	0.200
Total Children and Education		**3.850**
Resources	Consultancy for the procurement of our new partnership contracts	0.030
	Decarbonisation surveys at corporate properties	0.050
Resources Total		**0.080**
Total		**4.080**

6.14 As with previous years, any changes to this strategy, including any further qualifying projects identified for inclusion, will be reported to Full Council for approval.

7. Capital Receipts

7.1 The Council continues to face the challenge to effectively prioritise and manage capital investment. The forecast receipts highlighted in paragraph 6.6 are, on the whole, already utilised within the Council's overall MTFS. There will therefore be limited capital receipts available for alternative use in the short term, and these will need to be considered in line with the aims of this strategy and the overall MTFS requirements of the Council.

7.2 With the exception of specific receipts from housing and school related asset disposals, capital receipts are treated as a corporate resource available to fund the corporate capital programme. Full Cabinet is responsible for deciding how corporate capital receipts are to be utilised in line with council objectives.

7.3 The Corporate Capital Strategy is supported by the Council's Corporate Asset Management Strategy 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.

7.4 As part of the Council's review of the assets it owns and uses, it will look at ways to rationalise its asset base and release assets for sale where they are deemed surplus to requirements. The Council will continue to realise the value of any assets that have been declared surplus to requirements in a timely manner, having regard to the prevailing market conditions.

7.5 Where additional capital receipts are achieved these will be used to support the overall financial position which may include being 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.

8. The Revenue Implications of Capital Investment Decisions

8.1 The Council shall ensure that the revenue implications of capital finance, including financing costs, are properly taken into account within the option appraisal process and taking into consideration the wider financial challenges faced by the council.

8.2 The capital financing charges and additional running costs arising from major corporate capital investment decisions have been fed into the latest MTFS. This enables members to consider the consequences of major capital investment alongside other competing priorities for revenue funding.

8.3 For self-funded projects the relevant service area is required to identify the revenue implications of the project and demonstrate how they will be financed as part of the approval process. In addition, if the capital investment generates income, the risks to the income stream should be considered during the business case evaluation including the impact of potential vacant periods, decline in market rents etc.

9. Long Term Implications of Capital Investment Decisions

9.1 Capital investment decision making is not only about ensuring the initial allocation of capital funds meet the corporate and service priorities, but further review ensures that the asset is fully utilised, sustainable and affordable throughout its whole life. This overarching commitment to long term affordability is a key principle in any capital investment appraisal decision. In making its capital investment decisions the Council must have explicit regard to consider all reasonable options available.

10. Prudent Implications of Capital Investment Decisions

10.1 In producing the Corporate Capital Strategy, the Council ensures all of the capital and investment plans are prudent and sustainable.

10.2 In doing so we take into account the arrangements for the repayment of debt, through a prudent MRP policy in line with MRP guidance produced by the Ministry of Housing, Communities and Local Government.

10.3 Further consideration is given to risk and the impact, or potential impact, of capital investment decisions on the Council's overall fiscal sustainability.

11. Risk Implications of Capital Investment Decisions

11.1 Any proposed substantial capital or investment plan will be subject to a risk analysis review. It is important to note that risk will always exist in some measure and cannot be removed in its entirety. The results of the risk analysis will be considered in line with the risk management strategies we have in place commensurate with the Council's low risk appetite.

11.2 Managing the Council's risks is an area of priority focus for senior management and Members including managing strategic risks associated with capital investment decisions. The Council aims to minimise its exposure to unwanted risks through the risk analysis review.

12. Affordability Implications of Capital Investment Decisions

12.1 The fundamental objective is to ensure the affordability of the Council's capital and investment plans. To further ensure that the total capital investment of the Council remains within sustainable limits, the Council is required to consider all of the resources available to it and those estimated to be available in the future, together with the totality of its capital plans and income and expenditure forecasts.

12.2 The Prudential Code refers to both affordability and prudence. In order to ensure long term affordability, decisions have also to be prudent and in the long term sustainable. Where borrowing is to be used, the principles detailed in paragraph 5.3 represent the affordability test; that is, the ability to fund interest costs with the repayment of the borrowing (the MRP charge) must be prudently matched to the asset life and any income streams to fund this asset acquisition must be sustainable.

13. Value for Money Implications of Capital Investment Decisions

13.1 Another key principle is to ensure value for money in any asset investment over the life of the asset. Initially the manner in which capital monies are spent is governed by the Procurement Strategy to ensure that the acquisition of all goods and services secures value for money.

13.2 Value for money is not just limited to financial costs and efficiency but could also consider various impacts on the economy, the environment and social welfare. Value for money is assessed in a number of ways including as part of the annual external audit of the Council's financial statements which concluded that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

14. Prudential Indicators

14.1 The Council shall set and monitor against the specified prudential indicators for capital expenditure and external debt. The prudential indicators provide a broad framework to be considered alongside robust forecasting procedures embedded into the budget consideration process.

14.2 The prudential indicators required by the Prudential Code are designed to support and record local decision making in a manner that is publicly accountable. They are not designed to be comparative performance indicators.

14.3 They should be considered in parallel with the treasury management indicators required by the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

14.4 The prudential and treasury indicators contained within the Treasury Strategy and this Corporate Capital Strategy approved by Full Council will be monitored by Audit Committee as part of the Mid Year Treasury Management Report. The Prudential Indicators are set out below.

Estimates of Capital Expenditure

14.5 The estimate of capital expenditure is the first prudential indicator and must show the total capital expenditure the Council plans to incur during the forthcoming financial year and at least the following two financial years. This information is shown in paragraph 3.1 and summarised below with the financing of the capital expenditure. Any shortfall in resources results in a borrowing need.

	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 to 2034/35 Estimate £m
Non-HRA	58.775	91.565	71.828	36.147	196.218
HRA	21.685	31.736	18.021	18.690	169.868
Total	**80.460**	**123.301**	**89.849**	**54.837**	**366.086**
Financed by:					
Capital receipts	1.594	0.964	2.473	0.326	7.361
Capital grants	26.930	47.993	56.779	20.386	80.840
Contributions	1.857	3.117	1.800	0.300	2.100
Revenue	19.583	20.043	14.596	18.732	172.189
Net financing need for the year	**30.496**	**51.184**	**14.201**	**15.093**	**103.596**

Actual Capital Expenditure

14.6 After the year end, the actual capital expenditure incurred during the financial year will be recorded. This prudential indicator will be referred to as the actual capital expenditure.

	2023/24 Actual £m
Non-HRA	36.194
HRA	18.088
Total	**54.282**

Estimates of Financing Costs to Net Revenue Stream

14.7 Prudential indicators are required to assess the affordability of the capital investment plans, to provide an indication of the impact of the capital investment plans on the Council's overall finances. This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Non-HRA	10.67%	11.87%	11.37%	11.07%	10.84%
HRA	13.72%	13.25%	12.93%	12.56%	12.27%

	2029/30 Estimate	2030/31 Estimate	2031/32 Estimate	2032/33 Estimate	2033/34 Estimate	2034/35 Estimate
Non-HRA	10.78%	10.85%	11.05%	10.62%	10.56%	11.13%
HRA	12.04%	11.81%	11.40%	11.07%	10.80%	10.54%

Actual Financing Costs to Net Revenue Stream

14.8 After the year end the proportion of financing costs to net revenue stream will be calculated directly from the Council's comprehensive income and expenditure statement.

	2023/24 Actual
Non-HRA	10.10%
HRA	14.11%

Estimates of the incremental impact of capital investment decisions on council tax

14.9 This indicator identifies the revenue costs associated with proposed changes to the capital programme compared to the Council's existing approved commitments and current plans. The indicator takes into account the level of borrowing required within the programme so in later years where there are fewer known schemes then the impact is significantly reduced. The assumptions are based on the budget, but will invariably include some estimates, such as the level of government support, which are not published in advance of years. The indicator is intended to give an indication of the impact on council tax to support decision making; however it does not directly result in any actual increase to council tax.

Incremental impact of capital investment decisions on the Band D Council Tax

	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Council Tax – Band D	£34.06	£47.26	£14.51	£13.81	£16.55

	2029/30 Estimate	2030/31 Estimate	2031/32 Estimate	203233 Estimate	2033/34 Estimate	2034/35 Estimate
Council Tax – Band D	£32.81	£25.67	£6.84	£5.91	£9.07	£16.55

Estimates of the incremental impact of capital investment decisions on housing rent levels

14.10 Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels. This indicator shows the revenue impact of any newly proposed borrowing requirement, although any discrete impact will be constrained by rent controls. Where the capital programme is fully funded and there is no borrowing requirement then the impact will be nil. The indicator is intended to give an indication of the impact on housing rents to support decision making; however it does not directly result in any actual increase to housing rents.

	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Weekly Housing Rent Levels	£20.42	£40.62	£13.81	£3.62	£7.52

	2029/30 Estimate	2030/31 Estimate	2031/32 Estimate	2032/33 Estimate	2033/34 Estimate	2034/35 Estimate
Weekly Housing Rent Levels	£4.27	£0.00	£0.00	£0.00	£0.00	£0.00

15. Minimum Revenue Provision (MRP) Policy Statement

15.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). The CIPFA assurance review confirmed the Council was compliant with MRP guidance.

15.2 Regulations have been issued which require Full Council to approve an 'MRP Statement' in advance of each year. A variety of options are provided to councils; however, these are not compulsory as long as there is a prudent provision.

The Council is recommended to approve the following MRP Policy Statement:

15.3 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will be charged on a 2% straight line basis, net of 'Adjustment A'. This ensures that the debt will be repaid within 50 years.

15.4 From 1 April 2008, for all unsupported borrowing (including PFI and Finance Leases) the MRP policy will be the:

15.5 Asset Life Method - There are 2 methods of calculating the annual charge under this option. Firstly, equal annual instalments or secondly by the annuity method where annual payments gradually increase during the life of the asset**.**

Equal Instalment Method - MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction). MRP in respect of leases brought on balance sheet will equal the annual repayment of the deferred liability; and the

Annuity Method – MRP is linked to schemes where the flow of benefits is expected to increase in later years. It may be particularly attractive in connection with projects promoting regeneration.

15.6 These options provide for a reduction in the borrowing need over the asset's approximate life and each option is used in appropriate circumstances.

15.7 Regulations allow authorities to apply an 'MRP holiday', whereby the MRP charge is deferred until a year after the practical completion of the asset. The Council will apply this allowance where appropriate.

15.8 There is no requirement on the HRA to make a minimum revenue provision but following HRA reform, there is a requirement for a charge for depreciation to be made. However, since 2012 the HRA has opted to make voluntary repayment provisions (VRP) for any new debt incurred. As a result of this VRP charges totalling £10.979 million have been made in the last 13 years. For any debt where provision is not made on an annual basis then payment provision is considered as part of the long-term financial plans.

15.9 Repayments included in annual PFI or finance leases are applied as MRP**.**

15.10 For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

15.11 Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

15.12 MRP on investments in equities will be made on an annuity profile over 20 years, as recommended by government guidance.

16. Treasury Management Strategy

16.1 The prime policy objective of the Council's treasury management strategy is the security of funds, and the Council should avoid exposing public funds to unnecessary or unquantified risk.

16.2 The treasury management service is also involved in funding the Council's capital plans. These capital plans provide a guide to the borrowing needs of the Council and the longer term cash flow planning to ensure that the Council can meet its capital spending obligations.

16.3 The Treasury Management Strategy 2025/26 – 2034/35 contains the Treasury Indicators.

17. Property Acquisitions

17.1 The Council has a Property Investment Strategy which sets a framework for decision making relating to strategic property acquisitions. In light of guidance from both the government and the Chartered Institute of Public Finance and Accountancy (CIPFA) relating to the practice of some local authorities to use borrowing to invest heavily in assets primarily to generate income, a significantly revised Property Investment Strategy was approved by members in November 2020. This was subsequently updated and approved in February 2022.

17.2 The strategy is predominately concerned with direct property investment but also allows the Council to invest in property funds or to take on the role of property development, either on its own or with a development partner. Preference will be given to investments of economic or social benefit to the borough.

17.3 The strategy proposes that once a potential investment is identified, detailed due diligence will take place and the proposal will be reviewed by the Property Investment Board. If the Board support the investment, then a report will be presented to Full Cabinet for consideration.

17.4 The strategy contains several key performance indicators which are used to monitor existing property investments and evaluate new investment decisions, these are:

- Ratio of net profit to net service expenditure - This measures the extent to which any surplus income from the acquired assets contributes to funding service expenditure with the risk being that a rapid and material reduction in that income could have significant implications for front line services. As shown in the table below, surplus income has never exceeded 0.5% and this reinforces the point that Solihull has never invested under this strategy with the objective of generating surplus income to offset funding reductions elsewhere. Investment has been made to further the Council's economic development and regeneration objectives. However, it is still important that the income received from these properties is sufficient to repay the associated debt.

- Limit of gross debt to net service expenditure - Members previously agreed a total borrowing limit of £100m that can be applied to assets considered under this Strategy. Actual debt incurred to date is £72.6m. No changes to the overall limit of £100m are proposed at this stage but in the event that there are any future proposals that would result in the £100m limit being breached a further report will be brought to Cabinet beforehand setting out the implications for the Council's Treasury Management Strategy, including overall borrowing limits, risk exposure and prudential indicators. The indicator has reduced over the period shown in the table as Net Service Expenditure has increased (whist the £100m limit has remained constant).

- Loan to value ratio - This measures the original borrowing undertaken as a consequence of this Strategy against the value of assets acquired. The assets are revalued on an annual basis. It should be noted that these valuations are technical exercises required by the accounting regulations and, whilst they have reduced over the period shown, will continue to vary each year. It is also the case that this indicator measures the original debt taken to purchase the asset against the most recent valuation available. However, the Council makes an annual provision from its revenue budget for the repayment of that debt over the lifetime of the asset and therefore the actual outstanding debt relating to the acquisition of these assets will reduce on a year-by-year basis. To illustrate this effect, an additional ratio has been added that shows the impact of that annual debt repayment.

- Investment cover ratio - is measures the annual income from the assets (after any costs incurred in operating the asset) against the annual cost of servicing the debt (interest and principal) undertaken to acquire those assets. As shown in the table, income has been more than sufficient to cover debt costs in the period covered.

17.5 The actual outturn against these indicators, along with the forecast position for 2024/25 is shown below. The CIPFA assurance review noted that although varying each year, largely due to property valuations, these indicators suggest the Council is not at undue risk at present.

	2021/22 Actual	2022/23 Actual	2023/24 Actual	2024/25 Estimate
Ratio of net profit to net service expenditure	0.004:1	0.005:1	0.002:1	0.002:1
Limit of gross debt to net service expenditure	0.66:1	0.61:1	0.50:1	0.50:1
Original loan to value	1.20:1	1.26:1	1.34:1	1.36:1
Loan to value ratio (after MRP)	1.19:1	1.23:1	1.29:1	1.29:1
Investment cover ratio	1.24:1	1.32:1	1.18:1	1.19:1

17.6 The strategy includes a section on risk mitigation in the event that income is insufficient to service the associated debt in any one year. To that end the Council established a sinking fund whereby 5% of the gross rent (excluding Mell Square) is contributed to a sinking fund reserve at the end of each year. At the end of 2024/25 the forecast reserve position is £0.528 million.

17.7 Mell Square has its own reserve, established for the same purpose, which at the end of 2024/25 is forecast to be £3.163 million.

Corporate Asset Framework

17.8 Particularly strong links exist between the Corporate Capital Strategy and the Corporate Asset Framework which is reviewed and updated to members regularly. The Corporate Capital Strategy sets out the corporate framework to capital investment whilst the Corporate Asset Framework provides more detailed information on the asset portfolio and how officers will deliver a suitable, sustainable and efficient asset portfolio fit for service delivery.

17.9 The strategy summarises how the Council intends to use its land and property assets in accordance with the local plan and other policies and strategies to make a significant contribution to:

- Delivery of the Council Priorities;
- Support improved service delivery;
- Continue to provide a significant and improved revenue stream from a managed investment portfolio;
- Drive efficiencies in both financial and environmental terms through major initiative including investing in the operational estate and expansion of shared services.

17.10 The Corporate Asset Management Strategy sets out the Council’s direction to 2025. The next stage involves the process of delivering an Asset Management Plan.

17.11 The masterplan will be underpinned by the data we hold including full stock condition surveys that are carried out on a rolling programme every 5 years. Priorities will be addressed using a range of data including, condition surveys, suitability assessments, energy performance, running costs, maintenance costs and assessment of service needs.

17.12 With this in place then the Corporate Capital Strategy will be able to enhance the presentation of the long term context in which capital decisions and investment decisions are made in relation to corporate property assets.

18. Knowledge and Skills

18.1 The Council has professionally qualified staff across a range of disciplines including, finance, legal, commercial and property. Staff undertake continuing professional development and attend courses on an ongoing basis to ensure compliance with latest legislation and guidance and to maintain their technical skills in order to meet the challenge and delivery of accurate and secure capital and treasury decisions. This combined knowledge supports the affordability, prudence and proportionality of Corporate Capital Strategy decision making.

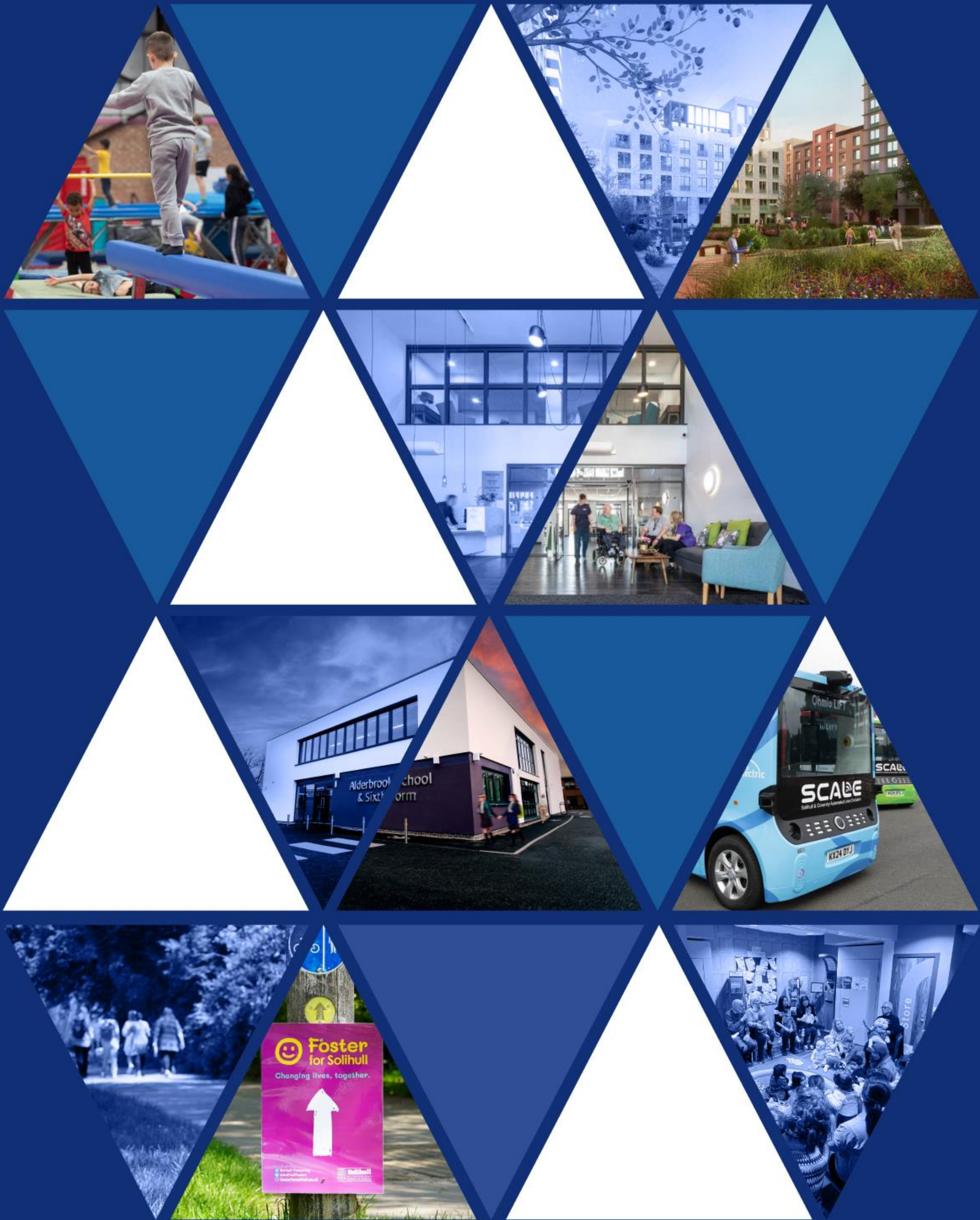
18.2 External professional advice is acquired where required and will always be sought in respect of any major capital project or property investment decision to provide specialist skills and resources.

18.3 External training is offered to members to ensure they have up to date knowledge and expertise to understand and provide sufficient scrutiny and challenge for any proposed capital and treasury management decisions.

19. Conclusion

19.1 This Corporate Capital Strategy outlines the context for the Council’s capital programme and summarises the key considerations which the Council takes into account when making capital investment decisions. As the strategy highlights, the Council continues to manage a significant programme of investment which is targeted at improving the lives of people in the borough in line with the objectives set out in the Council Plan.

19.2 The overall financial challenges faced by the authority means that that the future capital programme will be, to an extent, driven by the level of external funding opportunities that the Council can achieve. Greater consideration will need to be given to the ongoing revenue impact of capital decisions and the affordability of these costs within our current financial position, and in reviewing and rationalising the asset base held by the Council it is anticipated that additional capital receipts can be sought to support the overall revenue and capital position for the authority.



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