

CABINET - 9 March 2023

MINUTES

Present: Councillors: I Courts, K Grinsell, T Diccico, M Gough, K Hawkins, D Howell, A Mackiewicz and M McLoughlin

Officers: Paul Johnson, Deborah Merry, Andrew Kinsey, Mary Morrissey, Jenny Wood, Ruth Tennant, Fiona Hughes, Mike Brymer, Karen Cranley, Rachel Egan, Emma Tebbutt, Walter Bailey, David Balme, John Pitcher, Alison McGrory, Alan Brown, Lisa Whitton, Martin Clayton, Alan Smith, Alex Heath, Austin Rodriguez, Peter Carroll and Jane Game

1. APOLOGIES

Apologies were received from Cllrs B Sleigh and L McCarthy.

With the Leaders permission, Cllr Howell joined the meeting remotely, but did not vote on any of the items.

2. DECLARATION OF INTEREST

None received.

3. QUESTIONS AND DEPUTATIONS

None received.

4. MINUTES

The minutes of the meeting held on 9 February 2023 were presented for information.

RESOLVED:

That minutes of the meeting held on 9 February be received for information.

5. COUNCIL HOUSING ASSET MANAGEMENT STRATEGY

The Cabinet was invited to approve the joint SCH/SMBC Council Housing Asset Management Strategy and Investment Plan for Solihull. The report provided an overview of the Council Housing Asset Management Strategy, the Investment Plan and the process that had been carried out to develop the document.

Members were advised that the Strategy set the direction for Council and SCH housing plans and strategies, provided a clear basis for partner engagement and helped strengthen funding bids. The implementation of the Strategy and Plan would be monitored by the Strategic Housing Board with reports provided to the Cabinet

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Member for Climate Change, Planning and Housing. The full Council Housing Asset Management Strategy and Investment Plan was detailed in Appendix 1 and 2, to the report.

On receiving the report Members made some observations and sought clarification on a number of points which Officers responded to:

- Members noted the scale of work proposed and the poorest performing housing were high rises. Officers confirmed the issue of high rises was a challenge and the work was ongoing, and structural surveys were being carried out;
- With regard to energy performance targets given the age and condition of stock, Officers advised that the target for homes to be net zero carbon by 2041 was a challenge and additional funding from government would be required, as would improvements in technology and some offsetting. Officers were confident the EPC Band C target could be reached by 2030;
- Officers confirmed that they had EPC ratings for all the housing stock, but this was being updated as and when stock was relet.

RESOLVED:

- (i) That the Council Housing Asset Management Strategy 2023 – 2032 be approved;
- (ii) That the Investment Plan 2023 – 2025 be approved;
- (iii) That it be noted that the SCH Board approved the Strategy on 20th February 2023; and
- (iv) That it be agreed to delegate responsibility to the Director of Economy and Infrastructure to make amendments to the Council Housing Asset Management Strategy as necessary to deliver the ambitions of the Strategy.

6. HOUSING CAPITAL PROGRAMME 2023/24

Members were provided with details of the Housing Revenue Account (HRA) Capital Programme for 2023/24 and the funding available through HRA reserves, Private Sector Housing and Enabling funding which currently totalled £62.516million.

Members were invited to approve the use of £42.723 million of the £62.516 million funding and the report set out how the funding would be allocated across the various projects with over 63% of the Council Housing, Acquisitions and Development programme being allocated to Health & Safety projects and the Kingshurst Village Centre project.

Further details were provided on the allocation of £1.450million to SCH to meet statutory Disabled Facilities Grant (DFG), the HRA Headroom / Borrowing position in relation to the £195.000million HRA debt limit and SCH contracts over £2.500million, or over 5 years in duration which required Cabinet approval.

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Members were advised that the current funding proposals saw the maximisation of the Base Capital Funding, continued use of borrowing and the use of capital receipts to ensure the investment remained within the growth of the Council's housing stock. It was recommended that the HRA Capital Programme for 2023/24 supported the activity of the Council and SCH's 2023/24 Delivery Plan which would be presented to the Economic Development and Managed Growth Scrutiny Board for review on 13 March 2023 and submitted to the Cabinet Portfolio Holder for Partnerships and Wellbeing for approval on 28 March 2023.

RESOLVED:

- (i) That the Housing Capital Programme of £42.723million for 2023/24 be approved;
- (ii) That the availability of additional resources through prudential borrowing, subject to required approvals be noted;
- (iii) That the allocation of £1.450million to SCH to meet statutory Disabled Facilities Grant (DFG) demand be approved; and
- (iv) That SCH contracts over £2.500million, or over 5 years in duration as detailed at Appendix B to the report be approved.

7. UK SHARED PROSPERITY FUND

Members received a report which summarised the Council's approach to deploying the UK Shared Prosperity Fund (UKSPF) between 2022 and 2025.

This new funding stream was administered by West Midlands Combined Authority (WMCA) on behalf of the region with funding devolved to local authorities to support Community and Place and People and Skills priorities. A UKSPF Delivery Plan had been developed that encompassed a range of projects responding to local need and delivering Council Priorities. Linked to this was the Multiply programme that would help local employed residents to improve their numeracy skills.

Members were advised that Officers had worked through proposals to ensure that all potential UKSPF delivery aligned with Council Priorities. Multiply delivery had been worked up in consultation with Solihull College focusing on local intelligence where there was a need to upskill the existing workforce. In bringing together a set of proposed activity, Officers had also considered a number of factors set out in the report so ensuring the Council obtained maximum value from the interventions.

RESOLVED:

- (i) That the Solihull UKSPF Delivery Plan as outlined in Appendix 1 to the report be approved;

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- (ii) That the funding allocations and conditions of the funding agreements for UKSPF and Multiply for the years 2022/23 to 2024/25 be accepted; and
- (iii) That the partnership approach with Solihull College to the Multiply programme in Solihull be approved.

8. UPDATE ON APPLICATIONS TO FUNDING BODIES THAT SUPPORT THE COUNCIL'S PRIORITIES

The Cabinet was advised on the progress of external funding applications on behalf of the Council. Members were also invited to agree the acceptance of specific external funding for projects A to D, as detailed in the report, to support the delivery of the Council's priorities.

- Project A: **Local Electric Vehicle Infrastructure** – a project led by West Midlands Combined Authority (WMCA) with a total value of £8.4m (£3.5m within Solihull), to deliver electric vehicle charging infrastructure, supporting solar powered PV canopies and battery storage at a range of WMCA and local authority owned locations across the West Midlands.
- Project B: **Chelmsley Wood 15 Minute Neighbourhood** – an application for £300k had been submitted to Innovate UK's Fast Followers programme to develop and implement a detailed plan to establish a place-based approach to decarbonisation.
- Project C: **Chelmsley Wood Town Centre North-West Quarter Redevelopment Phase 1** – the submission of an Outline Business Case (OBC) to the WMCA's Investment Programme to secure c. £600k of identified funding to support the next stage of scheme development.
- Project D: **M42 & West Coast Main Line (WCML) Multi-Modal Transport Bridges** - the submission of a Strategic Outline Case to the WMCA to secure £5m of identified City Region Sustainable Transport Settlement (CRSTS) funding to develop an OBC identifying the preferred route and associated infrastructure to improve connectivity across the UK Central Hub area to HS2 Interchange Station. The work would include pre-construction works for a multi-modal bridge over the M42 and optioneering design work to support a multi-modal crossing over the WCML.

Members were also advised of the development work being carried out in support of securing funds for the regeneration of Kingshurst Village Centre.

RESOLVED:

- (i) That the progress of new external funding applications on behalf of the Council summarised in Appendix 1 to the report be noted; and
- (ii) That it be agreed, should funding applications be successful to delegate authority to the relevant Director to sign any contractual arrangements, in conjunction with the relevant Cabinet Member.

9. SOLIHULL CONNECTED TRANSPORT STRATEGY

The Cabinet was provided with an overview of feedback received through public and stakeholder consultation on the Council's draft transport strategy, Solihull Connected 2023, and invited to adopt the Strategy and its accompanying Delivery Plan.

The report detailed the responses received through the consultation process. Members were advised that evidence from the consultation confirmed that the 2016 strategy needed updating to do sufficient justice to priority topics such as active travel and public transport, and the specifics around day-to-day transport provision. The 2016 strategy introduced an approach whereby 6 area strategies were developed for different parts of the borough to consider local characteristics, demographics and geography; that approach, along with extension to it in the form of the development of local centre access strategies, had been supported as part of the consultation on the 2023 strategy.

Similarly, the views from the consultation demonstrated that there were many long-standing issues regarding transport provision, such as congestion in areas close to schools at the start and end of the school day and concerns about excessive road traffic speeds that suggest that much of the 2016 strategy remained valid. This supported the Council's approach to review the existing Solihull Connected transport strategy and update or refresh where applicable.

On receiving the report Members made some observations and sought clarification on a number of points which Officers responded to:

- With regard to cycling Members noted that there were some polarising comments in the report. Delivery of cycle lanes needed to be conducive to all road users and pedestrians. Storage for bikes and motor bikes needed to be considered. It was also noted that communication was important.
- Barriers to bus usage included cuts in services, unreliable services and reduced stops and these decisions were taken by TfWM and not within the Council control. It was noted that if services were not used then they became financially unviable for companies to run.
- Members commented that a rural solution to bus usage needed to be considered.
- Members suggested more should be done to publicise modal linkages, so it was easier to join up different methods of transport and timetables married up. They were also pleased to see better connectivity between the north and south of the Borough.
- Officers confirmed that further amendments could be made to the document following comments made at the meeting.

RESOLVED:

- (i) That the feedback received as a result of public and stakeholder consultation on the draft Solihull Connected 2023 Transport Strategy and Delivery Plan, as summarised at Section 3 and detailed at Appendix A to the report be noted; and

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- (ii) That the amended draft Solihull Connected Transport Strategy and Delivery Plan, as detailed in Appendix B to the report be adopted

10. HOUSING STRATEGY

The Cabinet was invited to approve a Housing Strategy and Implementation Plan for Solihull. The report summarised the Housing Strategy and Implementation Plan, responses received to the public consultation and the comments of the Economic Development and Managed Growth Scrutiny Board.

An Executive Summary of the Housing Strategy and the Implementation Plan was provided at Appendix 1 and 2 of the report. The full Housing Strategy was provided at Appendix 3. The 10-year Housing Strategy was summarised in paragraphs 3.1 – 3.5 of the report, and set out:

- A proposed vision (Housing Strategy, Section 1)
- The local, regional and national context and six key housing challenges (Section 2).
- Sections 3 – 8 considered 6 themes with their challenges and opportunities and the Council's ambitions.
- Section 9 covered implementation, governance, delivery and partnerships.
- An appendix to the Strategy provided an explanation of some of the technical terms referred to in the Strategy.

By clearly setting out the Council's vision and ambitions the Housing Strategy aimed to provide a common and shared reference point to facilitate excellent partnership working and help all stakeholders maximise the contribution housing can make to wider objectives. The Strategy was cross-sector and cross-tenure with the intention that housing policies were cohesive and complemented other Council plans and strategies. The Strategy set the direction for Council and SCH housing plans and strategies and helped strengthen funding bids.

On receiving the report Members made some observations and sought clarification on a number of points which Officers responded to:

- Officers accepted that within the outcomes listed there were some bold statements, which the Council did not necessarily have control over.
- It was recognised the Solihull was still considered a vibrant market with a degree of resilience because of the shortage of housing.
- Members discussed the linkage between the Housing Strategy and Council Housing Asset Management Strategy, which had been considered earlier on, on the agenda.
- The issue of concentrated care provision located in one specific area caused issues regarding the health workforce.

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- Officers advised that there was a key interrelationship between the themes listed on the plan on a page and what will be achieved through the implementation plan, with a lot of cross cutting activities.
- Officers acknowledged there was a challenge in relation to be able to keep up with housing demand and it was important the Council made best use of what already existed.
- Officers confirmed that accessibility of existing housing stock was included in the Strategy.

RESOLVED:

- (i) That the Solihull Housing Strategy 2023 – 2032 be approved;
- (ii) That the Implementation Plan 2023 – 2025 be approved; and
- (iii) That it be agreed that delegated responsibility be granted to the Director of Economy and Infrastructure to make amendments to the Housing Strategy and Implementation Plan as necessary to deliver the ambitions of the Strategy.

11. SOLIHULL TOWN CENTRE LOW CARBON ENERGY NETWORK

The Cabinet was provided with the outcome of the commercialisation stage of the Solihull Town Centre Low Carbon Energy Network project (referred to as the “Energy Network”), considering all five elements of the Full Business Case for Phase 1 of the network development.

Members were advised that core elements of the Strategic and Economic Cases remained unchanged from the Outline Business Case reported to Economic Development and Managed Growth (EDMG) Scrutiny Members in March 2021. However, these cases had been strengthened through recent and emerging national policy on heat networks and the net zero ambitions of the Council and WMCA.

The establishment of a heat network in Solihull town centre offered a clear opportunity to make significant reductions in CO₂ emissions. However, the associated financial modelling was complex for such a major investment, was subject to many variables and the IRR for Phase 1 was positive but low. There was, however, potential for further expansion of the network across the town to specific customers which would improve the financial position and give further CO₂ savings.

The total capital cost of the Phase 1 scheme was £18.390m. The financial position for the Council in the Phase 1 base case demonstrated a £4.140m surplus over the 40-year project period; thus, representing a positive, but ‘marginal’ position in terms of financial viability. The financial model associated with Phase 1 was very sensitive to pricing and inflationary changes. Therefore, key sensitivities had been run by independent consultants against the base case including extreme gas and electricity pricing scenarios, inflation changes, removal of a major customer connection and analysing the effect of maximising use of the Phase 1 heat generation plant to further local customer connections.

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The report included the Energy Services Company (ESCo), Solihull Energy Limited's Shareholder Agreement and draft business plan. The ESCo had already been established as a non-trading entity and would need to be established as a trading entity prior to the award of contract with the main contractor. The ESCo would hold the Energy Network assets, enter into contracts for construction and operation, and customer heat and power supply, and manage and operate contracts on behalf of the Council as sole shareholder.

Officers advised that the full report had been shared with the Council's External Auditors for comments and the Auditors had not made any comments.

Members were presented with the recommendations of the Resources and Delivering Scrutiny Board from 6 March, following the Boards consideration of the report.

The Leader acknowledged that this was one of the most significant decisions that Cabinet would be asked to make. The Leader advised that he had submitted a number of questions prior to the meeting, which Officers had responded to, and which he wanted Members to consider before deciding:

- With regard to the Resources and Delivering Value Scrutiny Board it was noted that they did support the proposal, but they did have some issues which were reflected in the minute. One being weather there should be a Member on the company (ESCo). The Leader confirmed that he had received advice on this, and an alternative approach had been suggested;
- It was noted that Scrutiny felt that the financial case was positive but not strong, but the carbon savings from the heat network made a significant contribution to the Borough's carbon reduction targets;
- In relation to the various legal documents the Leader advised he would not be approving legal documents, but Cabinet would approve the principles so that Officers could then follow these through, so there would be an amendment to one of the recommendations;
- The Leader commended Officers for obtaining additional grant monies (par. 3.5.3 of the report) and Officers confirmed that the Council did not need to be in a position where the Council had a signed contract or lose the money;
- The Leader referenced several high profile Council owned companies which had failed. It was noted the failure was down to the model used which was based on selling energy bought from the open market. The Solihull model was different as it was based on generating our own energy and not gambling on the energy market. The Council was also targeting local businesses with whom the Council had a relationship, and the customer base was more defined with an appropriate critical mass;

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- The Leader sought assurance that the Council was covered for cost over runs. Officers advised that risk sat with Vital as did design risks for Phase 1. With regard to work on the public highway, Vitals' quote also included this;
- The Leader had questioned why businesses would want to sign up to the scheme, and Officers advised a reduction in CO2 emissions would motivate some, and others by the fact that it would avoid upfront investment in low carbon systems;
- With regard to the history of Vital Energy and examples of successful other projects, Officers advised their track record was very strong and had delivered on a number of contracts. (Further detail was provided in the private section of the meeting);
- In relation to the project failing, Officers had advised the risk to the Council would centre on loan repayments, capital and equity and reputational damage. The Leader noted a strong business continuity plan had been developed in case of technological failures;
- It was noted that the customers contract and the operational contract period was shorter than the loan period of 40 years. Officers advised that the customer base could change over the years, but the key entity was the Company which needed to last over 40 years;
- With regard to the useful life of the facility, Officers advised that each piece of the kit had its own economic life, and it was the operator's responsibility for servicing it and maintaining it;
- Members were advised that the risk of not proceeding meant the Council would lose government funding, it would impact on the how the Council would deliver carbon savings and reputational damage with phase 1 customers;
- Officers advised that those businesses within the town centre which had not been included in the scheme was because they had insufficient heat load to be considered;
- On the point of the technology not being able to deliver the results required Officers advised this risk was carried by Vital;
- Officers advised that in relation to the carbon savings they had followed BEIS guidance for the business case and particularly for the economic case, so this was already built in;
- Further discussion was had on how to future proof the scheme especially around capacity and infrastructure. Officers confirmed that the energy centre could expand. Officers advised on what future expansion could be and what would be required to go beyond phase 1b and up to phase 3;
- Officers advised that a strong consultancy team had been assembled so the assurance required for a scheme like this could be acquired;
- Officers confirmed that grant conditions regarding the tight deadlines could be met and explained how.

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The Cabinet then went into private session before making the decision in public session.

RESOLVED:

- (i) That the latest commercialisation position, in particular the procurement outcome, the affordability position, sensitivities undertaken, and the financial risk assessment be noted, and that it be agreed to proceed with the delivery of the project;
- (ii) That delegated authority be granted to the Acting Chief Executive in consultation with the Cabinet Members for Resources and Climate Change, Planning & Housing to sign any contractual arrangements associated with additional Heat Network Investment Project (HNIP) funding set out in section 3.5.3, of the report, subject to satisfactory conditions being agreed;
- (iii) That the prudential borrowing of £8.7m required to fund the Council's investment into the ESCo be agreed;
- (iv) That the delivery programme of the Energy Network to the Council and external customers be noted;
- (v) That the draft Business Plan April 2023 – April 2028 as set out in Appendices 1 and 2 of the report be endorsed;
- (vi) That it be agreed to endorse Solihull Energy Limited entering into a contract with Vital Energi Limited as the Design, Build, Operate and Maintain (DBOM) contractor on the basis that it is confirmed to the Leader of the Council and the Cabinet Members for Resources and Climate Change, Planning & Housing, as advised by the Director of Economy and Infrastructure, that the conditions set out at paragraph 4.7.10 (c) of the report were achieved; and
- (vii) That the Resources and Delivering Value Scrutiny Board recommendation be noted, and Cabinet agreed to establish a shareholder panel.

12. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED:

That, pursuant to Section 100A (4) of the Local Government Act 1972, the press and public be now excluded from the meeting for the remainder of the business to be transacted, on the grounds that there would be disclosure to them of exempt information in terms of paragraph 3 of Part 1 of Schedule 12A to the said Act.

13. PRIVATE APPENDIX REFERENCED IN ITEM 11

14. PRIVATE MINUTES

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- 15. REFUGEE HOUSING OPTIONS AND HOMELESSNESS**
- 16. ACQUISITION OF A PROPERTY IN SMITHS WOOD FOR EDUCATION PURPOSES**

9.20 pm