

Meeting date: 9 March 2023

Report to: Full Cabinet

Report title: Housing Capital Programme 2023/24

Report from: Samantha Gilbert, Assistant Director of Finance and Property Services

Report author/lead contact officer: Karen Cranley, SCH Finance Manager
Karen.cranley@solihull.gov.uk

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
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Public/private report: Public

Exempt by virtue of paragraph:

1. Executive Summary

- 1.1 The report details 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 totals £62.516million.
- 1.2 Cabinet is asked to approve the use of £42.723million of the £62.516million funding and the report sets out how this funding will 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.
- 1.3 Further details are 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 require Cabinet approval.

2. Decision(s) Recommended

- 2.1 Approve the Housing Capital Programme of £42.723million for 2023/24.
- 2.2 Note the availability of additional resources through prudential borrowing, subject to required approvals.
- 2.3 Approve the allocation of £1.450million to SCH to meet statutory Disabled Facilities Grant (DFG) demand.
- 2.4 Approve SCH contracts over £2.500million, or over 5 years in duration as detailed at Appendix B.

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3. Matters for Consideration

3.1 The capital resources available for housing at the beginning of 2023/24 total £62.516million, of which it is recommended to allocate £42.723million.

3.2 The table below sets out, for each of the spending heads, the source of funding, the amount available and the recommended allocation:

Source	Available £m	Allocation £m
<u>Council Housing, Acquisitions & Development</u>		
<i>Funding for Main HRA Stock Investment Programme:</i>		
Main programme funding (formerly Major Repairs Allowance or MRA)	11.857	11.857
Programme funding brought forward from prior years	1.981	1.866
High Rise Sprinklers Reserves	2.192	2.192
HRA Borrowing: for replacement of High Rise Spandrel Panels	7.000	7.000
<i>Funding for Stock Development Programme:</i>		
Earmarked HRA Reserve for DIY Shared Ownership	1.000	1.000
Homes England Grants	5.193	5.193
Shared Ownership sale receipts	2.258	2.258
Use of Retained RTB Receipts	9.116	2.700
Use of Future Capital Expenditure Reserve for Property Acquisitions	0.750	0.750
HRA Borrowing: for New Build Developments	15.115	6.241
Total Council Housing	56.462	41.057
<u>Private Sector Housing</u>		
Minor works	0.216	0.216
Better Care Fund – Disabled Facilities Grants (DFG)	2.485	1.450
DFG carry forward from 2021/22	0.780	0.000
Total Private Sector	3.481	1.666
<u>Enabling</u>		
Developer Payments Available – unallocated	0.948	0.000
Developer Payments Secured – unallocated	1.625	0.000
Total Enabling	2.573	0.000
Total Resources	62.516	42.723

3.3 As in previous years it is anticipated that the available resources could change during the year through accessing external funding, the receipt of developer contributions or the earlier application of Right to Buy (RTB) receipts. These, together with any significant proposals for in-year changes to the Programme may be the subject of

future reports.

Council Housing, Acquisitions and Development

3.4 It is recommended that capital resources totalling £41.057million are directed to investment in council housing and the development and acquisition of homes by Solihull Community Housing (SCH) on behalf of the Council.

3.5 A summary of the distribution of spending is as follows:

Programme/ Scheme	£m	%
Health & Safety / Legal	13.168	32.1
Cyclical & Envelope Improvement Works	3.308	8.0
Climate & Energy	2.661	6.5
Programme Management & IT	2.128	5.2
Maintenance and Improvements	1.537	3.7
Environment & Estate Management	0.113	0.3
sub-total Stock Investment	22.915	55.8
Kingshurst Village Centre - Housing	13.000	31.7
New Build Developments	3.392	8.3
DIY Shared Ownership	1.000	2.4
Property Acquisitions	0.750	1.8
sub-total Stock Development	18.142	44.2
Total HRA Capital Programme	41.057	100.0

3.6 A further breakdown of the Housing Capital Programme by scheme is provided at Appendix A.

3.7 The HRA Capital Programme is delegated to SCH to deliver on behalf of the Council. Any changes to this programme will be made in accordance with the Council's Financial Regulations requirements.

Private Sector Housing

3.8 SCH are also responsible for providing home adaptations for vulnerable people in the private sector on behalf of the Council through statutory Disabled Facilities Grants (DFGs), Minor Works grants and low-value assistance through the Handyperson Scheme. Each of these activities help people to remain living independently in their current home.

3.9 For 2023/24 SCH have estimated £1.450million will be sufficient to meet statutory DFG responsibilities. This estimate is based on current expectations of demand. A further £780,000 carried forward sum from 2021/22 remains held by the Council to

meet priorities as they arise during the year.

- 3.10 It is proposed that the balance of the DFG allocation should again be allocated to projects proposed by the Director of Adult Care and Support. These are to be approved by the Cabinet Member for Adult Social Care and Health at a future meeting.
- 3.11 In addition, SCH also manage a budget of £216,000 for Minor works to private residences.

Enabling

- 3.12 Resources for the provision of affordable homes come from payments by developers in-lieu of providing on site affordable housing.
- 3.13 The Council's policy relating to this is set out in the Solihull Local Plan (Policy P4 'Meeting Housing Needs') and the Supplementary Planning Document 'Meeting Housing Needs'.
- 3.14 Developer payments received as at 31 December 2022 are £948,000 and there are no commitments against this.
- 3.15 Additional enabling funding of £1.625million has been secured by legal agreement but not yet received. These are not definite in the sense that a scheme may be renegotiated or not developed and it is forecast that this will be received during 2023/24. Taking this into account, the total uncommitted funding available is £2.573 million.
- 3.16 Any specific proposals to utilise this funding will be taken to decision sessions as and when required.

Headroom/ HRA Borrowing

- 3.17 Historically, every housing authority was set a maximum amount of HRA debt allowed (known as the HRA debt cap) and Solihull's was £179.761 million. Headroom was the difference between the HRA debt cap and the debt currently outstanding. With effect from 29 October 2018 the HRA borrowing debt cap was abolished giving local authorities the flexibility to determine their own borrowing requirements.
- 3.18 The Council's Treasury Management Strategy, approved by Full Council on 7 February 2023 included a HRA debt limit of £195.000 million for 2023/24.
- 3.19 Solihull's estimated outstanding HRA debt at 31 March 2023 is estimated to be £172.885 million, therefore the funding available via HRA borrowing at the start of 2023/24 is estimated to be £22.115million. The Council is able to incur additional borrowing up to this figure to fund stock growth and / or stock investment although all schemes will be approved separately by Cabinet before borrowing is undertaken.
- 3.20 There continues to be annual repayments for prudential borrowing previously undertaken to fund capital maintenance and new build developments. For 2023/24 the expected capital repayments are £643,000.
- 3.21 The existing plans for new borrowing within the HRA include the programmed

replacement of Spandrel Panels on sixteen High Rise Residential Buildings (HRRBs) in the borough, the housing share of the Kingshurst Village Centre redevelopment scheme and new build developments including at Townshend Grove (Lakeside), subject to Full Cabinet approval.

Consent for Solihull Community Housing (SCH) to enter into contracts over £2.500million or over 5 years in duration

3.22 SCH’s Standing Orders require that where a contract is longer than 5 years, or the contract value is in excess of £2.500 million formal consent must be obtained from the Council. Appendix B sets out 5 contracts that meet these criteria.

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

4.1 The current funding arrangements aim to make best use of available resources to manage the level of debt charges chargeable to the HRA. At present no further borrowing beyond that identified in this report is required to fund the recommended programme of works and this option has therefore received no further consideration. However, where new stock development schemes are identified throughout the year these would be the subject of separate reports that would contain funding options.

5. Reasons for recommending preferred option

5.1 The current funding proposals see the maximisation of the Base Capital Funding, continued use of borrowing and the use of capital receipts to ensure the investment remains within the growth of the Council’s housing stock.

5.2 It is recommended that the HRA Capital Programme for 2023/24 adequately supports the activity of the Council and SCH’s 2023/24 Delivery Plan which will be presented to 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.

6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>People and Communities:</p> <ol style="list-style-type: none"> 1. Improving outcomes for children and young people in Solihull. 2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 3. Take action to improve life chances and health outcomes in our most disadvantaged communities. 4. Enable communities to thrive. 	<p>Building safety and appropriate investment is a priority to ensure the safety of our residents.</p> <p>Improved community engagement aligned with focussed investment contributes to thriving communities.</p>

Priority:	Contribution:
<p>Economy:</p> <p>5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres.</p> <p>6. Maximising the opportunities of UK Central and HS2.</p> <p>7. Increase the supply of affordable and social housing that is environmentally sustainable.</p>	<p>SCH continue to purchase properties from the open market using 1-4-1 receipts when possible and build new homes. This year's programme includes the housing element of the Kingshurst Village Centre regeneration project.</p>
<p>Environment:</p> <p>8. Enhance our natural environment, improve air quality and reduce net carbon emissions.</p>	<p>Improving energy efficiency for tenants – SCH will continue to work closely with the Council to tackle fuel poverty and deliver the commitments due to be set out in the low carbon strategy.</p>
<p>9. Promote employee wellbeing</p>	<p>N/A</p>

6.2 Consultation and Scrutiny:

6.2.1 The capital programme supports the SCH Delivery Plan which will be presented to the Economic Development and Managed Growth Scrutiny Board for review on 13 March 2023 and to the Cabinet Portfolio Holder for Partnerships and Wellbeing for approval on 28 March 2023.

6.3 Financial implications:

6.3.1 The capital budget presented for approval is in line with the expectations as set out in the latest 3-year capital programme, this is set out in the following table:

	<u>2023/24</u> <u>£m</u>	<u>2024/25</u> <u>£m</u>	<u>2025/26</u> <u>£m</u>
Capital Expenditure EXCLUDING Development	22.915	15.069	15.977
Development (New Build & Acquisitions)	18.142	3.375	0.214
Grand Total INCLUDING Development	41.057	18.444	16.191
Funded by:			
Main programme funding (formerly MRA)	(13.723)	(15.069)	(15.977)
Programme funding brought forward from prior years	-	-	-
High Rise Sprinklers Reserves	(2.192)	-	-
HRA Borrowing: for replacement of Spandrel Panels	(7.000)	-	-
Homes England Grants	(5.193)	(0.561)	-
Shared Ownership sale receipts	(2.258)	(1.030)	-
Use of Retained RTB Receipts	(2.700)	-	-
HRA Reserve: Future Capital Expenditure Reserve	(1.750)	(0.215)	(0.214)
HRA Reserve: 1-4-1 receipts reserve	-	-	-
HRA Borrowing: for New Build Developments	(6.241)	(1.569)	-
Total Financing	(41.057)	(18.444)	(16.191)

6.4 Legal implications:

6.4.1 All planned expenditure complies with the legal requirements placed on the Council, particularly the use of Right to Buy receipts where funds can be used either for debt repayment or increasing stock.

6.5 Risk implications, including Risk Appetite:

6.5.1 Risks associated with the HRA Capital Programme are currently managed by SCH and comply with the Council's methodology. In addition, SCH are supported by the Council's Health and Safety officers and SCH risks are overseen by the SCH Audit and Risk Committee.

6.6 Equality implications:

6.6.1 Due regard to equality will be taken account of, where it applies, by the owners of specific capital projects covered in this report in conjunction with the advice of the Council's equality team.

6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

6.7.1 The Council will be collaborating with the WMCA on the Kingshurst Village Centre redevelopment, however any funding received will be used for demolition and

infrastructure costs and not towards the housing element of the scheme.

- 6.7.2 SCH are also currently working with WMCA colleagues to access funding to support carbon reduction within the HRA housing stock. Updates on progress will be provided through the regular Quarterly Management Board meetings and may involve an update to the HRA Capital Programme in the future.

7. List of appendices referred to

- 7.1 Appendix A – Housing Capital Programme 2023/24.
- 7.2 Appendix B - Consent for Solihull Community Housing (SCH) contracts over £2.500million, or over 5 years in duration.

8. Background papers used to compile this report

- 8.1 HRA Estimates and Rent Increases for 2023/24 – Report to Full Cabinet, 9 February 2023.

9. List of Other Relevant Documents

- 9.1 Council's Treasury Management Strategy.
- 9.2 HRA Rent Setting report to Cabinet 9 February 2023.