

Meeting date: 27 March 2019
Report to: Cabinet Member for Environment and Housing



Subject/report title: Housing Capital Programme 2019/20

Report from: Assistant Director, Stronger Communities

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Wards affected:

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

Public/private report: Public

Exempt by virtue of paragraph:

1. Purpose of Report

- 1.1 To recommend the Housing Capital Programme for 2019/20 and to seek approvals for SCH to enter into contracts.

2. Decision(s) recommended

- 2.1 Approve the Housing Capital Programme of £18.772m for 2019/20.
- 2.2 Note the availability of additional resources through Housing Revenue Account (HRA) reserves.
- 2.3 Note the availability of additional resources through prudential borrowing subject to required approval.
- 2.4 Approve an allocation of £1.290m to SCH to meet statutory Disabled Facilities Grant (DFG) demand and the carry forward request of unspent grant at year-end.
- 2.5 Give approval to SCH to enter into contracts that go beyond the life of the current five year rolling management agreement and/or are in excess of £2.500m.
- 2.6 Agree to receive a future report detailing the impact of the Hackitt Report and consider the case for installing sprinklers in Solihull's high-rise housing.

3. What is the issue?

3.1 Capital resources available for housing at the beginning of 2019/20 total £42.520m, of which it is recommended to allocate £18.772m.

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/ SCH Acquisitions & Development</u>		
<i>Funding for Main HRA Capital Programme:</i>		
Base Capital Funding (formerly Major Repairs Allowance)	14.355	11.611
Capital Programme carry forwards from 2018/19 (approved by Cabinet 17/1/19)	0.501	0.501
<i>Funding for Stock Growth Programme:</i>		
HRA Borrowing	16.128	2.700
Use of HRA Reserves for Property Acquisitions (including 1-4-1 receipts)	7.385	1.754
Shared Ownership sale receipts	0.500	0.500
Total Council Housing	38.869	17.066
<u>Private Sector Housing</u>		
Minor works	0.216	0.216
Better Care Fund – Disabled Facilities Grants (DFG)	1.700	1.200
Carry-forward from 2017/18 - DFG	0.090	0.090
Renewal/ Renovation Grants	0.436	0.200
Total Private Sector	2.442	1.706
<u>Enabling</u>		
Developer Payments Available - unallocated	0.347	0.000
Developer Payments Secured - unallocated	0.862	0.000
Total Enabling	1.209	0.000
Total Resources	42.520	18.772

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 £16.066m are directed to investment in council housing and the development and acquisition of homes by Solihull Community Housing on behalf of the Council.

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

	£m	%
New Build and acquisition (including DIYSO pilot)	4.954	28
Cyclical & Envelope Improvement Works	2.905	17
Maintenance and Improvements	1.963	12
Climate & Energy	1.822	11
Programme Management & IT	1.679	10
Health & Safety	2.281	13
Adaptations	1.080	6
Environment & Estate Management	0.262	2
Crime & Security	0.120	1
	17.066	100

3.6 New Build and Acquisition – Includes £3.200m for continuing development of approximately 28 units which are expected to complete in early 2020/21, details of the specific schemes will be brought to a later decision session for approval. There is also a budget of £0.754m for property acquisitions (of which £0.157m is to be funded from 1-4-1 receipts).

3.7 The budget includes an allocation of £1.000m for the implementation of the Do It yourself Shared Ownership (DIYSO) pilot scheme, subject to Cabinet Member approval. The DIYSO pilot is the subject of a separate report on today's agenda, with funding proposed from HRA Reserves accumulated historically from RTB Receipts.

3.8 Cyclical & Envelope Improvement works – includes continuation of the low-rise enveloping programme in order to improve communal areas, external parts and footprints around the stock to meet the 'SCH Place' standard; and the cyclical works programme covers works to update and maintain the external elements of properties as well as curtilage and perimeter areas. These two workstreams will be combined into a single contract from 2019/20 (see Appendix 1) for an initial 3 year period, the programme for 2019/20 estimates works to 41 low rise blocks and 250+ other properties (a mixture of houses, bungalows and maisonettes). Delivery of the remaining years of this work programme will be subject to on-going review and future budget approvals.

3.9 Maintenance and Improvements – the proposed spend includes roofing (£0.750m) – for replacements of flat roofs at 5 low rise & 1 high rise block, as well as approx. 95 pitched roofs to houses & bungalows; kitchen works (£0.350m) – approx. 90

replacements; lift replacements (£0.300m); and a continuation of the programme of improvement works at former sheltered schemes (£0.463m), specifically Longview and Dasset Road. There is also a budget of £0.100m proposed for improvement works at garage sites.

- 3.10 Climate & Energy – the focus of energy improvement work for 2019/20 will continue to be on window replacements (£1.060m) – which should deliver approx. 200 at high rise properties and approx. 120 at low rise flats and houses; and new heating systems (£0.650m) – in excess of 150 new boiler installations. All properties have had UPVC double glazing installed over the last 20 – 30 years with the exception of a handful where tenants have refused the work. There is also a budget of £0.112m proposed for works to Biomass Plant Rooms.
- 3.11 Since 2012, over 1,250 boiler installations have been undertaken to properties with inefficient or outdated heating systems. The programme for 2019/20 will continue this programme of replacements, targeting older and inefficient systems.
- 3.12 Programme Management and IT - mainly covers the cost of the SCH staff that are responsible for managing the Housing Capital Programme (£1.191m). The balance for IT (£0.488m) allows for the completion of projects to replace the Microsoft Dynamics CRM system and Customer Portal, in addition to new projects on the SharePoint Intranet system and Data warehousing costs.
- 3.13 Health & Safety (£2.281m) – includes programmes of works covering Electrical Sub-mains replacement at high rise blocks, electrical improvements and Structural works.

Private Sector Housing

- 3.14 SCH are also responsible for provision of home adaptations for vulnerable people in the private sector on behalf of the Council through the provision of statutory Disabled Facilities Grants (DFGs), Minor Works grants and low-value assistance through the Handyperson Scheme. Each of these activities helps people to remain living independently in their current home.
- 3.15 SCH must ensure that applications can be progressed throughout the year within statutory timescales and they continue to work closely with all stakeholders to ensure that this is the case. For 2019/20 SCH have indicated that £1.290m will be sufficient to meet statutory DFG responsibilities, this estimate is based on current expectations of demand and includes £0.090m carry forward of 2017/18 allocation.
- 3.16 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 Health and Social Care at a later date.
- 3.17 In addition, SCH manage budgets of £0.216m for Minor works to private residences; and £0.436m held for other works in the private housing market – of which £0.200m has been included in the 2019/20 budget.

Enabling

- 3.18 Resources for the provision of affordable homes come from payments by developers in-lieu of providing on site affordable housing.
- 3.19 The Council's policy relating to this is Policy P4 'Meeting Housing Needs' in the Solihull Local Plan and the Supplementary Planning Document 'Meeting Housing Needs'.

- 3.20 Taking account of approved payments received in 2018/19, the enabling budget currently holds funding of £0.347m. There are no commitments against this.
- 3.21 Additional enabling funding of £0.862m has been secured by legal agreement and it is forecast that this will be received during 2019/20. Taking this into account, the total uncommitted available funding is £1.209m.
- 3.22 Specific proposals to utilise this funding will be reported to decision sessions during the 2019/20 year.

Consent for Solihull Community Housing (SCH) To Enter Into New Contracts

- 3.23 SCH's Standing Orders require that where they wish to enter into a contract with an expiry date after 31 March 2021, or with a value in excess of £2.500m, formal consent must be obtained from the Council.
- 3.24 Appendix 1 to this report sets out 2 contracts which meet these criteria.
- 3.25 In addition to the resources which are described above, capital investment may be made through the use of HRA Headroom and / or HRA reserves.

Headroom

- 3.26 Historically, every housing authority was set a maximum amount of HRA debt allowed (known as the HRA debt cap) and Solihull's was £179.761m. 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, allowing local authorities to borrow greater sums beyond their previous limits.
- 3.27 The Councils revised Treasury Management policy, approved by Audit Committee on 9 January 2019, includes a revised HRA debt limit of £185.0m for 2018/19, rising to £190.0m in 2019/20.
- 3.28 Solihull's estimated outstanding debt at 31 March 2019 is £173.872 therefore the Headroom at the start of 2019/20 is estimated to be £16.128m. 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.
- 3.29 There continue to be planned annual repayments of approximately £1.000m per year for prudential borrowing previously undertaken to fund capital maintenance. This will reduce to approximately £0.600m after 2020/21 when the repayment of funding for the major roofline planned maintenance works is complete.
- 3.30 The existing plans for new developments being undertaken within the HRA allow for new borrowing to be taken to support new schemes at Wagon Lane, Anglesey Avenue and a number of garage sites. These schemes will be brought to the Cabinet Member for approval when firm plans have been identified. The latest estimate includes a draw-down of borrowing of £2.005m in 2018/19, £2.700m in 2019/20 and £4.379m in 2020/21.

HRA Reserves – Right to Buy Receipts Unapplied

- 3.31 In the first 3 quarters of 2018/19 the Council sold 49 homes under the Right to Buy scheme and these generated £3.407m in Capital Receipts. Of this £1.055m has been paid to Government, leaving a £2.352m net receipt.

- 3.32 After assuming that RTB sales continue at a similar rate to the end of the financial year, it is estimated that there will be £11.796m available to the Council in useable accumulated receipts from Right to Buy.
- 3.33 Within this total is £1.135m in 'One-for-one' receipts which are receipts generated in excess of the amount estimated in the 2012 self-financing agreement. These must be used within three years or the Council will have to pay them back to central Government with interest. Alternatively, the Council could gift the contribution to a Housing Association to utilise towards affordable stock development.
- 3.34 A programme of acquisitions has been planned in order to fully utilise these receipts. In 2019/20 and the capital programme includes £0.754m for property acquisitions, which includes the use of £0.157m of one-for-one receipts. It has previously been agreed that the required match-funding will be taken from an earmarked reserve (Future Capital Expenditure Reserve).

HRA Reserves - Other

- 3.35 These derive from HRA surpluses in prior years and decisions approved by Full Cabinet as part of the HRA Estimates and rent increases report to retain these surpluses.
- 3.36 It is essential that a "minimum HRA Working Balance" of £2.000m is retained, as defined by the Director of Resources and Deputy Chief Executive and agreed with the Council's external auditors. The balance is currently £4.109m and this is forecast to increase to £5.015m by the end of 2018/19. Any future use of this surplus will be considered as part of the Council's MTFS for the HRA.
- 3.37 Other than this the Council is able to apply these reserves to support expenditure. At the start of 2019/20 it is anticipated that there will be £8.822m (excluding the £5.015m HRA Working Balance) and, based on the current budget, it is anticipated that these balances will be £8.211m at the end of 2019/20.
- 3.38 Of the available sum, £2.299m has been previously earmarked for the following: £0.096m for repayment of pre-2004 reserves; £1.849m for the future impact of Welfare Reform, £0.212m for Regeneration, and £0.100m for Homelessness prevention initiatives.
- 3.39 There are further balances of £2.272m from residual SCH surplus Management Fees, £2.975m unspent Major Repairs Reserve and £4.193m Contribution for Future Capital Investment - it is proposed that the Contribution for Future Capital Investment is used as the first call for the 70% match funding required when utilising the one-for-one RTB capital receipts (see paragraph 3.32).

Hackitt Report Implications

- 3.40 Following the Grenfell Tower fire, Dame Judith Hackitt was jointly commissioned by the Home Secretary and the Housing Secretary in July 2017 to conduct an independent review to look at the regulatory system for high rise buildings. The aim was to assess the effectiveness of the current building and fire safety regulations, focusing particularly on high-rise buildings. The report was completed in May 2018 and the Government responded at the end of 2018 announcing an intention to implement all recommendations in full.
- 3.41 Solihull has 37 high-rise buildings and it is recommended that the impact of the Hackitt Report is considered in full including the possibility of installing sprinklers. It is

proposed a further report will be presented to a future Cabinet Portfolio Meeting which may impact on the current and future capital funding requirements.

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

- 4.1 The current funding arrangements are designed to, wherever possible, 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 paragraph 3.2 above, 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 a separate report which would of course 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 with a particular priority on maximising 1-4-1 Right to Buy receipts to ensure the investment remains within the growth of the Council's housing stock.
- 5.2 It is recommended that the draft capital programme for 2019/20 adequately supports the activity of the Council and SCH's 2019/20 Delivery Plan which is detailed elsewhere on the agenda.

6. Implications and Considerations

- 6.1 Delivery of key themes in the Council Plan:

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

- Improve Health and Wellbeing - support for vulnerable people
- Managed Growth - additional homes
- Build Stronger Communities - providing the right kind of housing to meet local needs, prevent homelessness and support growth
- Deliver Value

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

- 6.2.1 None.

- 6.3 Consultation and Scrutiny:

- 6.3.1 Much of the capital programme supports the SCH delivery plan which was considered on 5 March 2019 by the Economic Development and Regeneration Scrutiny Board.

6.4 Financial implications:

6.4.1 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 below:

	<u>2019/20</u> <u>£m</u>	<u>2020/21</u> <u>£m</u>	<u>2021/22</u> <u>£m</u>
Capital Expenditure EXCLUDING Development	12.112	12.099	13.812
Development (New Build & Acquisitions)	4.954	4.608	0.229
Grand Total INCLUDING Development	17.066	16.707	14.041
Funded by:			
Major Repairs Allowance (MRA)	(11.611)	(12.099)	(13.812)
MRA carry forward from prior years	(0.501)	0	0
Use of Future Capital Expenditure Reserve	(0.597)	(0.229)	(0.229)
Use of 1-4-1 receipts reserve	(0.157)	0	0
Use of Local Authority share of RTB Receipts	(1.000)	0	0
Prudential Borrowing	(3.200)	(4.379)	0.000
Total Financing	(17.066)	(16.707)	(14.041)

6.5 Legal implications:

6.5.1 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. [Click here to enter text.](#)

6.6 Risk implications:

6.6.1 Risks associated with the capital programme are currently managed by SCH and comply with the Council's methodology. In addition, SCH has regular contact with the Council's Health and Safety officers and are seen to manage these risks well.

6.7 Statutory Equality Duty:

6.7.1 Due regard to equality will be taken account of, where it applies, by the owners of specific capital projects covered in this report.

7. List of appendices referred to

7.1 Appendix A – SCH contracts that go beyond the life of the current five year rolling management agreement and/or are in excess of £2.500m

8. Background papers used to compile this report

8.1 HRA Estimates and Rent Increases for 2019/20 – 7 February 2019

9. List of other relevant documents

9.1 DIYSO Report

9.2 Policy P4 'Meeting Housing Needs' in the Solihull Local Plan

9.3 Supplementary Planning Document 'Meeting Housing Needs'

9.4 Councils revised Treasury Management policy

9.5 SCH Delivery Plan