



## Community Ownership Programme

### Gateway 1 Application

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# Community Ownership Programme

## Gateway 1

### Business Case

*Please complete this form in conjunction with the Guidance Note on preparing the business case for entry onto the Community Ownership Programme; this format reflects the information and numbering outlined at Appendix 2*

#### NAME OF COUNCIL

**West Dunbartonshire Council**

#### BUSINESS CASE SUBMITTED BY:

**Tim Huntingford  
Chief Executive**

#### 1.0 INTRODUCTION

##### 1.1 Statement of Intent to Transfer

*Statement should include number of houses, whether full or partial transfer, areas covered and receiving landlord, if known*

West Dunbartonshire Council proposes a partial transfer of 4946 properties (41% of the total housing stock) to community ownership. The areas for transfer are estate based and spread throughout the authority. A total of 7157 will remain with the Council. The areas covered by the transfer proposal are the estates of:

<b>Estate</b>	<b>No. of Properties</b>
Bellsmyre	250
Brucehill	450
Castlehill	373
Clydebank East	419
Crosslet	6
Faifley	110
Haldane	529
High Flats (Dumbarton)	416
Linnvale	2
Mountblow	171
Radnor Park	438
Renton	211
Riverside	284
Town Centre (Dumbarton)	128
Westcliff	288
Whitecrook	871
<b>Grand Total</b>	<b>4946</b>

A decision has not been made about the identity of the receiving landlord. A decision on this will be taken after the Council is accepted onto the Community Ownership Programme.



## 2.0 SUMMARY OF CASE AND BRIEF HISTORY

### 2.1 It is intended that this section should provide a brief summary of pre-COP activity and outline case

#### *Stock Condition Survey and Technical Reports*

*(date completed, name of consultants used, outline conclusions)*

The stock condition survey was carried out by Savills PLC in January and February 2005 with the final report being produced in April 2005. The survey concluded that 94% of the housing stock currently fails the Scottish Housing Quality Standard (SHQS) with the remainder predicted to fail by 2015 without investment into the stock. The cost of bringing all the properties up to the Scottish Housing Quality Standard by 2015 is £65,301,163. Non SHQS work including environmental and structural work during the period 2005-2015 is £248,231,111.

A stage 1 structural survey was carried out by Curtins Consulting in October 2004. The study concluded that £47,888,363 was needed for structural work to non-traditional and high rise buildings over the next 30 years.

#### *Option Appraisal*

*(date completed, name of consultants used, outline conclusions)*

West Dunbartonshire Council commissioned Arneil Johnston Consultants to carry out its Housing Stock Option Appraisal which was completed in July 2005. The consultants concluded that stock retention was not a viable option without significant rent increases. However, partial stock transfer of 41% of the stock or full stock transfer were viable options and offered significant opportunities for regeneration.

#### *Tenant Consultation*

*(brief statement confirming extent of consultation)*

West Dunbartonshire Council tenants were consulted about the stock condition survey and option appraisal exercise from the start of the process. This consultation was carried out in a variety of formats including:

- Two tenants' newsletters (Housing News) issued to all tenants (over 12,000).
- Tenants involved in the option appraisal workshops (October 2004 and June 2005).
- Nine meetings for all tenants and resident groups, trade unions and regeneration groups (Haldane, Whitecrook and Castlehill) to discuss the findings from the option appraisal exercise.

From the consultation, there was an acceptance that there is a need to transfer at least some of the housing stock to meet the Scottish Housing Quality Standard.

#### *Landlord Identification*

*(brief statement regarding process to be followed for identifying receiving landlord or reasons for selection if already identified)*

A decision has not been made about the identity of the receiving landlord. The Minister for Communities wrote to the Leader of the Council on this issue on 21 October 2005 and his guidance is being followed. As part of the process for identifying the receiving landlord, West Dunbartonshire Council will produce a tender brief. A decision on the landlord to be selected will be taken after the Council is accepted onto the Community Ownership Programme.



### 3.0 KEY CRITERIA

#### 3.1 Political Commitment

*Local Authorities need to demonstrate that political support is in place and likely to be sustained for the period of the transfer*

There is political support for a partial transfer of the Council's housing stock. A copy of the Council minute of 21 December 2005 stating the Council's decision to transfer 41% (4946 properties) of the Council's housing stock to community ownership is included with this submission (Appendix 1). It was also agreed to establish a Community Ownership/Housing Transfer Committee.

Attached is a letter (appendix 2) to the Minister for Communities from the Leader of the Council stating that the Council is committed to the transfer. Timescales for the transfer will be agreed with Communities Scotland as part of the Community Ownership assessment process.

*Additional Documentation (please indicate if attached)*

Minutes/ papers showing Council's decision to transfer    YES ☒    NO ☐

Letter from Leader of Council to the Minister                      YES ☒    NO ☐

*Other relevant documentation. Please list and attach:*

### **3.2 Ability to Deliver**

*Local authorities need to demonstrate that they have the organisational capacity within their management team to develop the proposals.*

West Dunbartonshire Council has the organisational capacity to develop the transfer to the ballot stage and will establish a Community Ownership Project Team to develop the proposals. Full details of this team are overleaf.

## Ability to deliver (contd.)

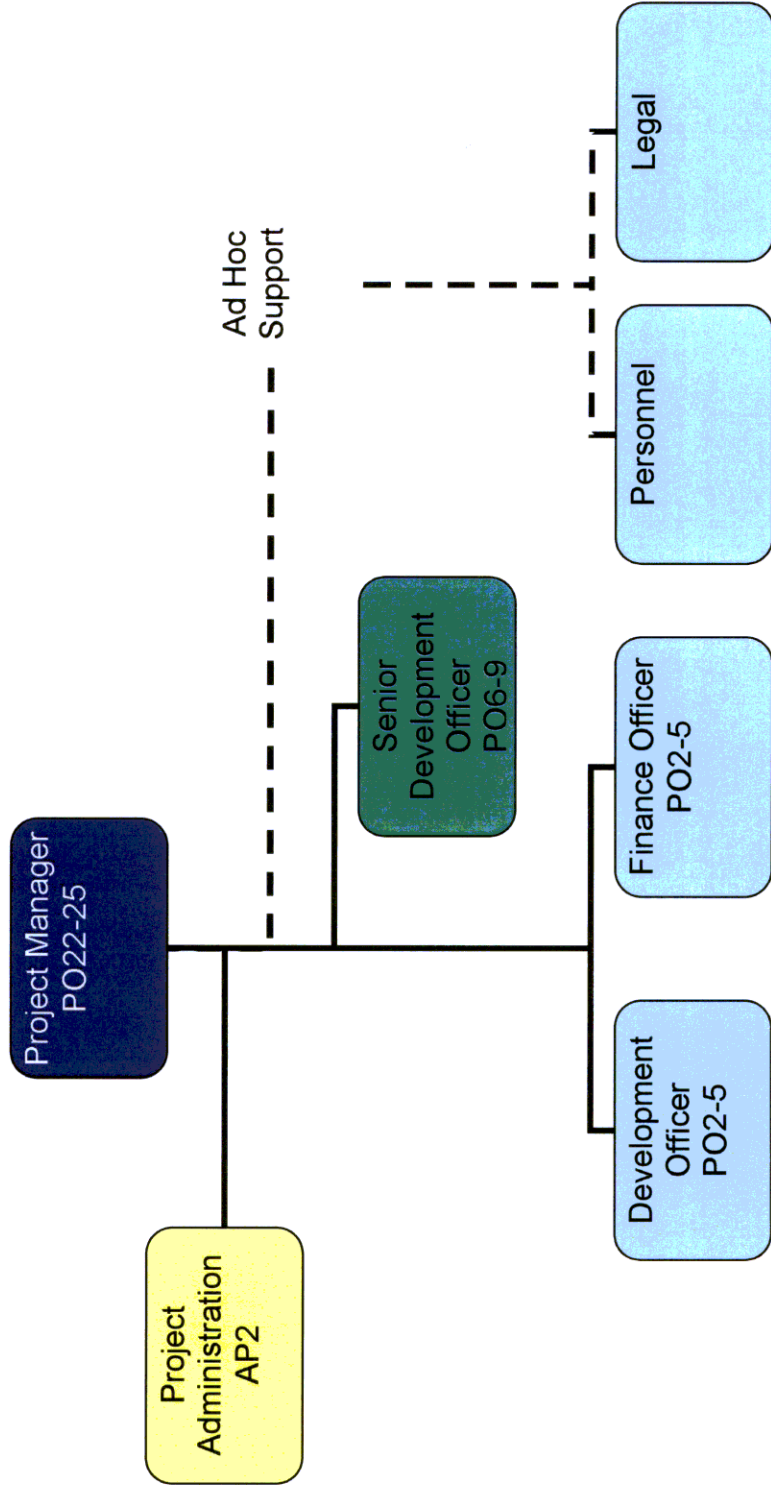
Personnel	Area of expertise/experience	Basis of involvement	Time commitment	Duration of involvement	Arrangements for backfilling, if any
Project Manager PO22-25	<ul style="list-style-type: none"> <li>Project and staff management</li> <li>Communication and negotiation skills</li> <li>Business planning and financial management skills</li> </ul>	<ul style="list-style-type: none"> <li>Co-ordination of Project Team, project plan and resources</li> <li>Management of consultants and communications to tenants, staff, elected members and other agencies</li> <li>Business/Investment Plan</li> <li>Be the principle budget holder for all funds relating to the project</li> </ul>	Full Time	36 months	Post to be filled by external recruitment/secondment or as necessary
Senior Development Officer PO6-9	<ul style="list-style-type: none"> <li>Ability to manage consultants</li> <li>Project management</li> <li>Ability to analyse technical data</li> <li>Communication/ Presentation skills</li> <li>Negotiation skills</li> <li>Computer competency</li> <li>Ability to manage budgets</li> <li>Team working</li> </ul>	<ul style="list-style-type: none"> <li>Develop and implement a communications strategy and tenant and staff consultation strategy in consultation with appropriate advisers.</li> <li>Manage consultants as required</li> <li>Develop proposals for a tenant ballot including production of statutory Stage 1 &amp; 2 notices.</li> <li>Co-ordinate the development of regeneration proposals including master planning, selective demolition and new build options.</li> <li>Assist development of tender briefs and selection criteria for the appointment of the receiving RSL</li> <li>Manage the Council's Early Action Funding</li> </ul>	Full Time	36 months	Post to be filled by external recruitment/secondment or as necessary
Development Officer PO2-5	<ul style="list-style-type: none"> <li>Ability to manage consultants</li> <li>Project management</li> <li>Ability to analyse technical data</li> <li>Communication/ Presentation skills</li> <li>Computer competency</li> <li>Negotiation skills</li> <li>Ability to manage budgets</li> <li>Team working</li> </ul>	<ul style="list-style-type: none"> <li>Identify assets likely to transfer to the new RSL post-transfer. Establish the condition of related assets and quantify the scale of investment required</li> <li>Review the findings of the stock condition survey.</li> <li>Review all technical surveys and commission further surveys where required.</li> <li>Develop a viable 30 year investment strategy which achieves the Scottish Housing Quality Standard</li> <li>Consider best practice and innovative methods of procurement.</li> <li>Assist in the development of regeneration proposals.</li> <li>Assist in the management of the Council's Early Action Funding.</li> </ul>	Full Time	36 months	Post to be filled by external recruitment/secondment or as necessary



Finance Officer PO2-5	<ul style="list-style-type: none"> <li>• Ability to manage consultants</li> <li>• Financial Management skills</li> <li>• Communication/ Presentation skills</li> <li>• Computer competency</li> <li>• Negotiation skills</li> <li>• Team working</li> </ul>	<ul style="list-style-type: none"> <li>• Develop business plan and investment strategy</li> <li>• Review existing treasury management arrangements and identify scale of debt write off and breakage charges</li> <li>• Work with consultants and new RSL to develop draft treasury procedures and identify potential lenders</li> <li>• Review tax and pension arrangements</li> <li>• Identify and cost impact of stock transfer on service provision and continuing functions within the Council</li> <li>• Supervise budgets</li> </ul>	Full Time	36 months	Post to be filled by external recruitment/ secondment or as necessary
Project Administration AP2	<ul style="list-style-type: none"> <li>• Provide administrative support to the COP Team</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible for the administrative functions of the team</li> </ul>	Full Time	36 months	Post to be filled by external recruitment/ secondment or as necessary

*NB: Additional rows may be added to the above table, as required*

# Community Ownership Programme Staffing Structure



*Local authorities should also show the organisational structures in place for decision making*

The Community Ownership Programme team will report to the Project Manager who in turn will report directly to the Director of Housing, Regeneration and Environmental Services. The Director will report to the Community Ownership Programme/Housing Transfer Committee which is a dedicated committee with delegated powers to progress the transfer to ballot stage. The establishment of this Committee was approved at the Council meeting held on 21 December 2005.

*Where a local authority does not have the appropriate expertise to manage the process, it should indicate the gaps and plans for securing the required resources*

Where West Dunbartonshire Council does not have the appropriate expertise to manage the transfer, it will engage consultants. Consultants will be selected based on the model draft briefs provided in the Community Ownership Programme Guidance.

In particular, the Council identifies a need for the following consultants:

- **Lead Consultant** – this will be tendered for based on the model brief after the Council is accepted onto the Community Ownership Programme.
- **Independent Tenant Adviser** – we will work with tenants to identify an independent tenant adviser based on the model brief.
- **Independent Staff Adviser** - we will work with staff to identify an independent staff adviser based on the model brief.
- **Technical Advisers** – we will engage consultants for specialist technical advice (i.e. environmental survey, stage 2 structural survey etc.)
- **Legal Adviser** - this will be tendered for based on the model brief after the Council is accepted onto the Community Ownership Programme.
- **Communications Adviser** - this will be tendered for based on the model brief after the Council is accepted onto the Community Ownership Programme.

We have estimated that consultants will be available to fill these positions and the contracts will be managed by members of the Council's Community Ownership Team.

*List of attached documentation (as necessary)*

N/A



### 3.3 Tenant Participation and Commitment to Joint Communication Strategy

*Local authorities need to demonstrate the scale and scope of their tenant consultation to date*

Tenants in the West Dunbartonshire area were consulted about the stock condition survey and option appraisal exercise from the start of the process. This consultation was carried out in a variety of formats including:

- Tenants newsletters (Housing News) to all tenants (over 12,000). Newsletters were issued in January and October 2005. (Appendix 3)
- Edition 11 (October 2005) of this newsletter invited comments on this issue.
- Tenants were involved in the option appraisal workshops (October 2004 and June 2005).
- Meetings were held with the Association of Clydebank Residents Groups (Tenants Federation).
- Four meetings were held for all registered tenant and resident association committee members, three for community organisations and one for trade union representatives. Eighteen tenant and resident associations were represented, with 87 people attending these meetings.
- The meetings followed a set format and started with a presentation on the key issues identified in the option appraisal business plan. This was followed by questions and discussion. Issues raised primarily covered stock transfer matters including the receiving landlord, ballot procedures, areas identified for transfer and debt write off. There was little comment on the principle of applying for entry to the COP. All representatives were advised of the opportunity to comment individually or collectively by 16 November 2005. Overall seven comments or queries were received about the proposal. Most comments were seeking further information or clarification on specific points rather than expressing a view on Community Ownership.

*The Local Authority is asked to demonstrate commitment to develop a joint communications strategy between all stakeholders*

West Dunbartonshire Council is committed to the development of a joint communications strategy between all the stakeholders. Once accepted onto the COP the Council will engage consultants to jointly work with all stakeholders in the development of the strategy. The key stakeholders are:

*Key Stakeholders:*

- All WDC tenants
- Board of receiving RSL
- Employees of the receiving RSL
- WDC employees
- WDC Councillors
- Communities Scotland
- Scottish Executive
- Trade Unions

*Likely mechanisms for involvement of stakeholders in provision of information/decision making processes*

The communications strategy will not be fully developed until West Dunbartonshire Council is accepted onto the COP. The strategy will involve the development of tenant information and consultation with clear timescales and opinion research. This will include:

- Publications – website, videos, newsletters, information leaflets, fast facts, statutory notices.
- RSL identity and positioning – name, logo, themes and slogans.
- Media campaigns.
- Tenant road shows or show home.
- Briefings and training for staff, Councillors and the new board of the RSL.
- Research – opinion surveys.

*List of attached documentation*

Relevant newsletters

- Copies of the Council's "Housing News", the tenants' newsletter detailing information about the COP are attached to this application for information. (Appendix 3)

### **3.4 Selection of New Landlord**

*Where a local authority has identified the receiving landlord it should demonstrate the degree of public consultation and support for this decision*

A decision has not been made about the identity of the receiving landlord. As part of the process for identifying the receiving landlord, West Dunbartonshire Council will produce a brief for a new landlord. The brief will consider all options including a consortium bid by local housing associations, the possibility of setting up a new organisation or the option of going to tender. A decision on this will be taken after the Council is accepted onto the COP.

*List of attached documentation*

N/A

### 3.5 Financial Assessment

*Local authorities are asked to provide a broad financial assessment of their proposal to transfer. Local authorities should provide a brief narrative summary of their assessment and also complete and attach four (excel) tables shown at appendix 3b.*

West Dunbartonshire Council commissioned Arneil Johnston Consultants to carry out its Housing Stock Option Appraisal which was completed in July 2005.

The consultants used the findings from the stock condition survey to determine the investment needs of the stock which totals £584,090,000 over 30 years.

By modelling the financial information available to them, the consultants advised that stock retention would create a cumulative shortfall position of £45m by year 10 if rents remained at RPI + 1%. A rent increase of RPI + 5.5% would be required in years 2006-2010 to meet this shortfall. Arneil Johnston does not consider this option to be sustainable. A summary of this option is attached as appendix 4.

Both full stock transfer and partial stock transfer options were examined. A partial transfer of 41% of the Council's housing stock would create a cumulative shortfall position of £10m. This could be met with rent increases of RPI+ 3% in years 3 & 4 and RPI+ 2.5% in years 5 & 6. This option would create significant regeneration opportunities and access to Early Action Regeneration Funding. A second partial transfer of 39% of the stock was considered but this resulted in a larger shortfall and provided fewer opportunities for regeneration.

A full stock transfer option was considered and this would be sustainable with rent increases of RPI + 1% and does not result in a shortfall. This option would result in £77m of the Council's housing debt being written off. Arneil Johnston stated that this option has significant advantages and is worthy of further consideration.

Following the Council meeting of 21 December 2005, West Dunbartonshire Council agreed to the partial transfer of 41% of its housing stock.

This transfer option was chosen by Elected Members after consultation with tenants and will provide regeneration opportunities linked to the Community Planning Partnership target areas.

The transfer will facilitate the debt write off of over £31m of housing debt and enable the Council to prudentially borrow to meet the SHQS for the retained stock. The Council will also become eligible to apply for Early Action Funding to facilitate the early regeneration of the transferring estates.

*The Local Authority should indicate whether it intends to make a bid for the regeneration fund. Please provide details of proposed early action work and show how it will strengthen the transfer case*

West Dunbartonshire Council intends to bid for £20,874,800 Early Action Funding to strengthen the transfer case. This will involve:

- £6,347,800 for demolition costs.
- £3,752,000 for environmental costs.
- £10,775,000 for new build housing for rent.

Early Action work will strengthen the transfer case by reducing the need for business plan support for the transfer by £7,249,800. It will allow for regeneration work to commence on estates at an early stage.



*List of attached documentation*

Financial table C is attached as Appendix 4.

**Business Case submitted by:**

**Chief Executive**

**Date:**

## **Appendix 1**

### **Council Minutes**

## **WEST DUNBARTONSHIRE COUNCIL**

### **Report by Director of Housing and Technical Services**

**Council Meeting : 31 August 2005**

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**Subject: Community Ownership Programme - Housing Business Plan and Options Study**

#### **1. Purpose**

- 1.1** This report advises Council of the findings of the report prepared by the Arneil Johnston Consultancy which undertook to establish how the Council 's housing stock can be brought up to, and maintained at the Scottish Housing Quality Standard. The report also seeks a decision on the option to be adopted by the Council, and if it wishes to apply for entry to the Community Ownership Programme. A copy of the report is attached at appendix 1.

#### **2. Background**

- 2.1** The Scottish Executive's consultation paper "Modernising Scotland's Social Housing" was issued in 2003 and laid out a framework for improving the standard of social housing across Scotland. The Executive's objective is to see all social housing landlords providing a minimum Scottish Housing Quality Standard (SHQS) by 2015.
- 2.2** In 2004 final guidance was issued on the quality standards required by 2015 and this was followed in April 2004 by a circular which outlined the process for its community ownership policy for both whole and partial stock transfers.
- 2.3** In order to address the requirements of the new standards, a stock condition survey (SCS) was undertaken by Savills in the early part of 2005. The Arneil Johnston Consultancy was employed to report on the options available to the Council to meet and maintain the SHQS, taking account of the SCS and the associated investment plan prepared by Savills.
- 2.4** Workshops were provided for Members and tenant representatives at the early stages of the report to provide information on the purpose of Arneil Johnston's brief, and in June 2005, draft findings were presented to these workshops.

#### **3. Main Issues**

- 3.1** The SCS provided a 30 year investment plan for the current Council housing stock, and this showed that a total investment of £584m is needed. The period to 2015 is critical for meeting the Housing Quality Standard, and an investment of £248m will be required for this period.



**3.2** The objectives of Arneil Johnston's report were to:-

- develop/update a 30 year Business Plan for both retention and Community Ownership options;
- integrate the scale and profile of properties failing the Scottish Housing Quality Standard;
- provide financial analysis - including how the achievement of the SHQS will be funded – e.g. HRA, Prudential Borrowing, rent policy etc.;
- model the effect on the Business Plan Model of the partial transfer option;
- integrate projections on how and when the standard will be met;
- provide a value for the Council's housing stock using Arneil Johnston's Business Plan Model and Communities Scotland Pricing Model;
- report on the results of the sensitivity analysis performed on the Business Plan Model; and
- identify areas of risk and methods of mitigating such risks.

**3.3** The options considered by the consultants were:-

- Option A – Stock Retention;
- Option B - Partial Transfer based on regeneration opportunities;
- Option C – Partial Transfer of Entire Areas; and
- Option D – Full Stock Transfer.

**3.4** Arneil Johnston considered options B and D to be the most viable options and a further risk assessment was performed on each of these options. Their findings on these 2 options were:-

**3.5** Option B: Partial Transfer

"This Option results in 41% of the stock transferring. For the stock remaining with the Council this option is sustainable and the SHQS can be achieved and maintained at rents being RPI+3% for years 3-4, RPI+2.5% Year 5-6, followed by RPI+1% thereafter.

Debt per unit would increase to approximately 72% (of rental income) from year 1. It provides significant opportunities for area regeneration and will result in approximately £31 million of debt write off.

The Business plan is subject to various financial and non-financial risks, and is particularly sensitive to increases in interest rates and building cost inflationary increases. Appropriate risk mitigation strategies should be implemented in order to control the affect of these risks, for example effective Business Planning and monitoring of the capital programme should aid in ensuring the SHQS is met and maintained under this Option."

The areas identified for transfer (5,020 properties) under this option are:

<b>Area</b>	<b>Estate</b>	<b>Council Stock</b>
<b>Alexandria North</b>	<b>Haldane</b>	<b>561</b>
<b>Alexandria South</b>	<b>Renton</b>	<b>212</b>
	<b>Riverside ( Alexandria town centre)</b>	<b>286</b>
<b>Clydebank West</b>	<b>Mountblow – Lilac Avenue &amp; Salisbury Place</b>	<b>127</b>
<b>Clydebank Central</b>	<b>Radnor Park</b>	<b>470</b>
<b>Clydebank North</b>	<b>Faifley</b>	<b>112</b>
<b>Clydebank South</b>	<b>Clydeholm</b>	<b>419</b>
	<b>Linvale</b>	<b>2</b>
	<b>Whitecrook</b>	<b>892</b>
<b>Dumbarton North</b>	<b>Bellsmyre</b>	<b>251</b>
	<b>High Flats</b>	<b>415</b>
	<b>Town Centre</b>	<b>132</b>
<b>Dumbarton West</b>	<b>Brucehill</b>	<b>450</b>
	<b>Castlehill</b>	<b>401</b>
	<b>Westcliff</b>	<b>290</b>
<b>Total</b>		<b>5020</b>

The current RPI rate is 2.5% therefore the rent increases identified under option B are:-

<b>Year</b>	<b>% increase</b>
2007/08	5.5
2008/09	5.5
2009/10	5.0
2010/11	5.0
2011/02 & thereafter	3.5

### **3.6 Option D: Full Stock Transfer**

“This Option is sustainable at RPI+1% rent increase, with no shortfall. It provides significant opportunities for area regeneration and will result in £77 Million debt write off.

This Option is subject to various financial and non-financial risks. In order to manage and control these risks, the Council should pro-actively quantify the effect of each of the risks and take the appropriate action to address each of the risks accordingly.

A range of protocols and effective working relationships should be established prior to transfer in order to ensure effective relationships between the receiving organisation and the Council and to ensure minimum disruption to the Customer and Council employee.

This option would result in all of the Council's stock being transferred to another landlord."

For option D the rental increase would be 3.5% per year.

### **3.7 Community Ownership Programme (COP)**

- 3.7.1** If the Council decides to pursue Options B or D, the vehicle for transferring the stock will be through the Community Ownership Programme managed by Communities Scotland. In the case of partial stock transfer it must form part of an overall strategy which delivers the Housing Quality Standard for the remaining stock, and have a focus on regeneration. It will therefore be necessary to submit a bid to, and receive approval from Communities Scotland before work on any stock transfer can commence.
- 3.7.2** It is not necessary to identify a landlord to receive transferred stock at the initial COP application stage, therefore this issue will be the subject of a future report.
- 3.7.3** In addition to support funding to progress the transfer, there will be debt write off for the transferring stock, and Early Action funding to allow the Council to make progress in the early stages of this process. Although every application is considered individually, councils accepted onto the COP have received at least £10m from the Early Action Fund. This fund is available to fund housing activity which is directly linked to the transfer, and can, for example, be used for demolitions, new build and land acquisitions.
- 3.7.4** Subject to Council approval, a submission could be made before the end of 2005, and approval obtained in the first quarter of 2006.

### **3.8 Tenant Consultation**

- 3.8.1** Tenants have been informed of the options appraisal work that has been undertaken, and tenant representatives have attended two workshops during the options appraisal study. The outcome of the Council's decision on this item will be reported to tenants through "Housing News" and a meeting will be arranged in September 2005 with the Association of Clydebank Residents Group and Dumbarton District Housing Federation. Should a COP application be successful an independent tenant advisor will be appointed to provide tenants with information on the transfer process, related activities and timescales.

### **3.9 Committee**

- 3.9.1** If the Council chooses to apply to the Community Ownership Programme it may wish to consider establishing an ad hoc committee with delegated powers to facilitate decision making and monitoring of the COP and Transfer arrangements.

## **4. Financial Implications**

- 4.1** The consultants have identified the impact on rental charges required to achieve the investment for retained stock and the figures at paragraph 3.5 and 3.6 above provide details on the 2 options recommended by them.

These figures reflect the information currently available. On entry to the Community Ownership Programme, second stage environmental and structural surveys will be required which may result in a variation to these figures.

- 4.2** The Treasury will write off debt associated with transferred stock and this would be £31m for option B, and £77m for option D. Acceptance onto the COP will provide scope for Early Action Funding and support costs for both the Council and receiving landlord.

## **5. Personnel Issues**

- 5.1** Whole or partial transfer will have an impact on staff and will extend beyond those in Housing and Technical Services. There will be a need to assess staffing resources to progress through the stages of the Community Ownership Programme towards transfer, and these issues will be reported to a future meeting.

## **6. Recommendation**

### **6.1 The Council is asked to:-**

- a) **agree to a partial transfer of its housing stock as stated in Option B at paragraph 3.5 , or a full stock transfer as stated in Option D in paragraph 3.6 of this report;**
- b) **agree to submit a bid to enter the Community Ownership Programme on the basis of Option B or D; and**
- c) **agree to establishing a Community Ownership Programme /Housing Transfer Committee with delegated powers.**

**David McMillan**  
**Director of Housing and Technical Services**  
**Date: 22 August 2005**

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<b>Wards Affected:</b>	All
<b>Appendix 1:</b>	Housing Business Plan and Options Study
<b>Background Papers:</b>	Scottish Executive:Modernising Scotland's Social Housing
<b>Person to Contact:</b>	Jeff Stobo, Manager of Strategy, Council Offices, Garshake Road, Dumbarton Tel No. (01389) 737580

**WEST DUNBARTONSHIRE COUNCIL**  
**HOUSING BUSINESS PLAN**  
**AND**  
**OPTIONS STUDY**

**JULY 2005**

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**Appendix A – HRA – 30-Year Projections (Option A - Real Terms)**

**Appendix B – HRA – 30-Year Projections (Option B – Real Terms)**

**Appendix C – Community Ownership Pricing Model 30-Year  
Valuation (Option D)**

**Appendix D – Community Ownership Pricing Model 30-Year  
Valuation (Option B)**

**Appendix E – HRA – 30-Year Projections (Option B – Inflated)**

## **1. INTRODUCTION**

This document is the Business Plan for The West Dunbartonshire Council (the Council). It will provide a detailed account of how the Council will ensure that all of the Council's Housing stock is brought up to and maintained at the Scottish Housing Quality Standard (SHQS).

### **1.1 Background**

This Business Plan is intended to be a live planning document that will assist the Council in preparing its Standard Delivery Plan and in planning a path towards full compliance with the SHQS by 2015. The plan will demonstrate that the Council's approach is deliverable, affordable and prudent and will provide the Council with a useful monitoring tool against which to measure its business objectives; its achievement of the standard by 2015 and its maintenance thereafter.

### **1.2 Objectives of the Assignment**

This plans sets out to achieve the following objectives:

- develop/update a 30 year Business Plan for both retention and Community Ownership options;
- integrate the scale and profile of properties failing the Scottish Housing Quality Standard;
- provide financial analysis - including how the achievement of the SHQS will be funded – e.g. HRA, Prudential Borrowing, rent policy etc.;
- model the effect on the Business Plan Model of the partial transfer option;
- integrate projections on how and when the standard will be met;
- provide a value for the Council's housing stock using Arneil Johnston's Business Plan Model and Communities Scotland Pricing Model;
- report on the results of the sensitivity analysis performed on the Business Plan Model; and
- identify areas of risk and methods of mitigating such risks.



## 2. FINANCIAL APPRAISAL

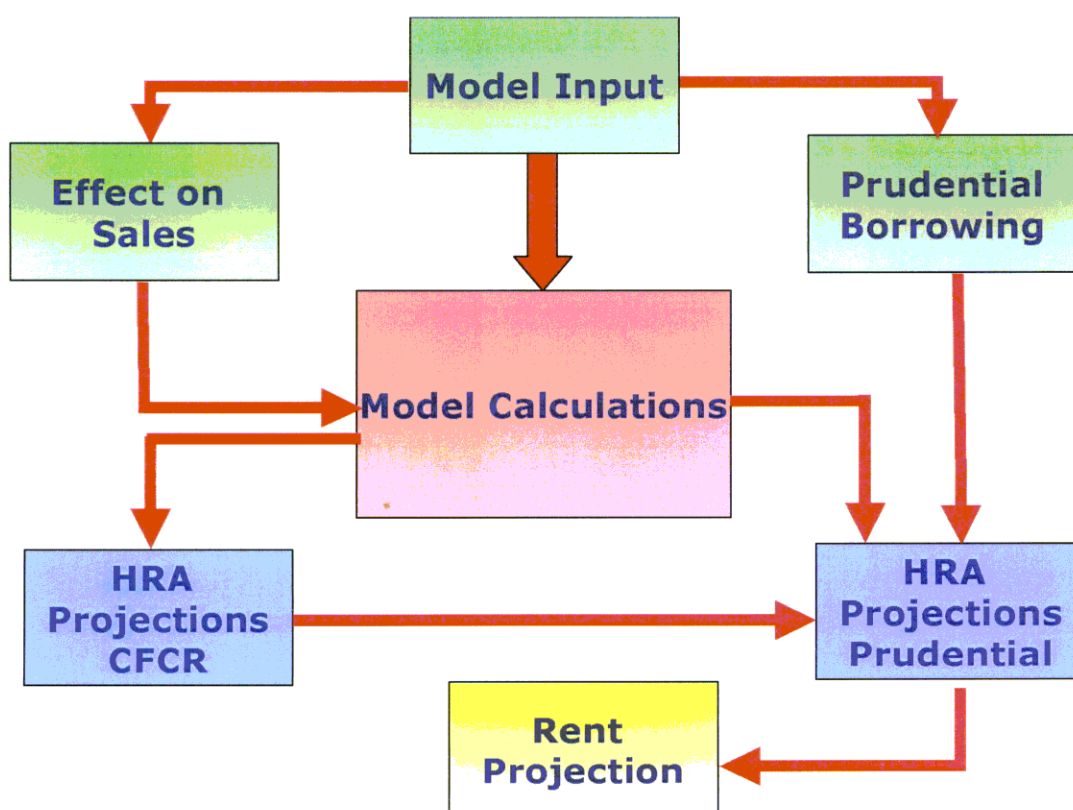
### 2.1 Introduction

This section focuses on the financial assumptions surrounding the Councils Business Plan.

### 2.2 Business Plan Assumptions

This business plan aims to demonstrate how West Dunbartonshire Council can bring its housing stock up to the Scottish Housing Quality Standard, and maintain it thereafter, whilst keeping a positive balance on the Housing Revenue Account (HRA).

It is a 30-year business plan model that takes account of all costs and income connected with the management and maintenance of the stock over that period. The model is illustrated graphically below:



The model prepares a 30-year cash flow projection, models the HRA account and enables the Council to assess the appropriate levels of borrowing to achieve its objectives. The Business Plan is based on agreed assumptions on Stock Numbers, Inflationary and Rate increases, Income and Expenditure, Right to Buy, Fixed Costs and Capital Debt/Borrowing. The end results of the model are shown in rent projections which calculate if rents would have to increase to retain the stock and bring it up to the SHQS, if so, by how much.

The Assumptions in tables 2.1 to 2.8 below have been included within the Council's Business Plan.

Criterion	Assumption
Year 1	2005/06
Number of housing properties 1 <sup>st</sup> April 2005 (estimate at June 2005)	12,302
Total number of properties including non-rented properties	12,332
Number of Lock-ups	1,154
Average rent per unit per year – year 1	£2,287

**Table 2.1: Business Plan Assumptions**

Criterion	Assumption
Annual Rent Increase (2005/06 Rents from Stock Database as at 1 <sup>st</sup> April 2005)	RPI + 1%
Garage rent Increase	RPI + 1 %
Admin Cost Increase	RPI + 0.3%
Building Cost Inflation	RPI + 1% Year 2-4 & RPI + 0.5% Year 5-6 & RPI thereafter
Professional Fee Rate (Capital)	10%
Bad debt rate	1.29%
Void Rate – Houses (Average)	7.07%
Void Rate – Garages (Average)	51%
Turnover Rate (Average)	9.12%

**Table 2.2: Inflationary and Rate Assumptions (WDC)**

Demolition	Year 1
Numbers	84
Cost per unit	£4,500

**Table 2.3: Demolition Numbers**

<b>Income Assumptions</b>	<b>Assumption</b>
<b>Garage Income per year (£6.02 per week)</b>	£326,000
<b>Garage site income per year (Occupied sites only)</b>	£5,290
<b>Income from shops per year (Net of EPES Commission)</b>	£138,000
<b>Factoring/ insurance charge per year (Increasing each year with house sales)</b>	£758,000
<b>Scottish Executive Grants 2005/06 only</b>	£30,000
<b>Interest on Revenue Balances per year</b>	£100,000
<b>Interest on Home Loans per annum</b>	£60,000
<b>Service Charges per annum (Grey Street and Mountblow House)</b>	£29,000
<b>Rechargeable repairs</b>	£125,000

**Table: 2.4: Income Assumptions**



<b>Expenditure Assumptions</b>	<b>Assumption</b>
<b>Total Average Administration cost</b> (Net of recharges to general fund and capital of which includes reallocated salaries of £2.5Million, Property insurance and recharges included in other income of £300k)	£406 per unit
<b>Response and void repairs</b> (Savills Stock Condition Survey – June 2005)	£561 per unit
<b>Cyclical maintenance cost</b> (Savills Stock Condition Survey – June 2005)	£135 per unit
<b>Programmed Renewals over 30 years</b> (Savills Stock Condition Survey – June 2005)	£237,937,00
<b>Improvements over 30 years</b> (Savills Stock Condition Survey – June 2005)	£2,067,000
<b>Contingency @ 3% over 30 years</b> (Savills Stock Condition Survey – June 2005)	£7,200,000
<b>Non-Traditional over 30 years</b> (Curtains Structural Report – June 2005)	£32,200,000
<b>High Rise over 30 years</b> (Curtains Structural Report– June 2005)	£18,411,000
<b>Environmental Improvements over 30 years</b> (Savills Stock Condition Survey – June 2005)	£6,166,000
<b>Asbestos over first 10 years</b> (Savills Stock Condition Survey – June 2005) <sup>1</sup>	£9,223,00
<b>Related Assets over 30 years</b> (Savills Stock Condition Survey – June 2005)	£9,223,000
<b>Special Needs Projects per year</b>	£80,000
<b>Disabled Adaptations per year</b> (Net of transfer to general fund)	£174,000
<b>Council Tax on Void Houses per year</b>	£290,000
<b>Property Insurance</b>	£64 per unit

**Table: 2.5: Expenditure Assumptions**

<sup>1</sup> The Original Costs recommended by Savills were reduced as a result of consultation with the Council. These original Savills costs reflect an additional £42 Million, which should be reflected in Pricing the Councils Housing Stock under Transfer Conditions (See pages 17 and 18). The Capital Spend profile throughout the life of the Business Plan Model is based on the Stock Condition Survey Profile.

RTB Assumptions	Assumption
Cost of Sales admin per unit (YEAR 1-30)	£960
RTB Avg. property value (YR1-30)	£49,000
RTB Avg. disc % (YR1-30)	59%
Existing RTB (% Assumptions)	
YEAR 1-5	2.80%
YEAR 6-10	2.50%
YEAR 11-20	2.00%
YEAR 21-30	1.80%
New RTB (%Assumptions)	
YEAR 1-5	1.55%
YEAR 6-10	1.50%
YEAR 11-20	1.40%
YEAR 21-30	1.35%
Number of Right to Buy (30 Years)	4,574

**Table 2.6: RTB Assumptions (WDC)**

Fixed Costs (% of sales to be included)	YEAR 1-5	YEAR 6-10	YEAR 11-15	YEAR 16-20	YEAR 21-25	YEAR 26-30
Programme Renewals	5%	5%	5%	5%	5%	5%
Admin Costs	100%	100%	100%	100%	100%	100%
Improvements	10%	10%	10%	10%	10%	10%
Response and Voids	10%	10%	10%	10%	10%	10%
Cyclical	10%	10%	10%	10%	10%	10%
Structural & Environmental	25%	25%	25%	25%	25%	25%

**Table 2.7: Fixed Cost Assumptions**

The Business Plan model is framed in the context of prudential borrowing over 20 years. The Business Plan has been based on the following Capital Debt assumptions:



<b>Capital Debt Assumptions</b>	<b>Assumptions</b>
<b>Debt outstanding as at 1<sup>st</sup> April 2005</b>	£77,819,000 (estimate June 2005)
<b>100 % Usable Capital receipt</b>	
<b>Pool Rate</b>	6.75% interest 0.08% Expenses
<b>Debt charges Calculation</b>	Annuity Method
<b>Prudential borrowing assumption (Write off period)</b>	20 Years
<b>Affordability Indicator - (Debt charges as % of rental income net of voids and bad debts)</b>	Affordability is assessed on the availability of future revenue to fund debt charges generated by additional Prudential Borrowing
<b>Mortgage Lending (expenditure)</b>	£70,000 Per annum
<b>Loan Repayments (Income)</b>	£100,000 per annum
<b>Land Sales</b>	£773,000 only in 2005/06
<b>CFCR (Capital Funded from Current Revenue)</b>	Any Surplus in the revenue account after new Prudential Borrowing debt charges, is used to fund capital in order to reduce the future years borrowing requirement

**Table 2.8: Capital Debt Assumptions**

## **2.3 Amendments to Business Plan Assumptions**

The Business Plan Assumptions are estimates at June 2005. As part of the population and agreement of the final business plan and pricing model the following Assumptions will be subject to change:

- Stock Numbers;
- Stock Condition Survey Information;
- Debt Assumptions; and
- General Business Plan Assumptions.

## **2.4 Inflation**

The model is based on real cash flows. Therefore, the following results do not include the effect of inflation. As part of the risk analysis an inflationary assumption of 2.5% has been built into the model. However, this option will be subject to key sensitivities such as increases in interest rates and has been tested accordingly.

### 3. OPTION APPRAISAL

#### 3.1 Introduction

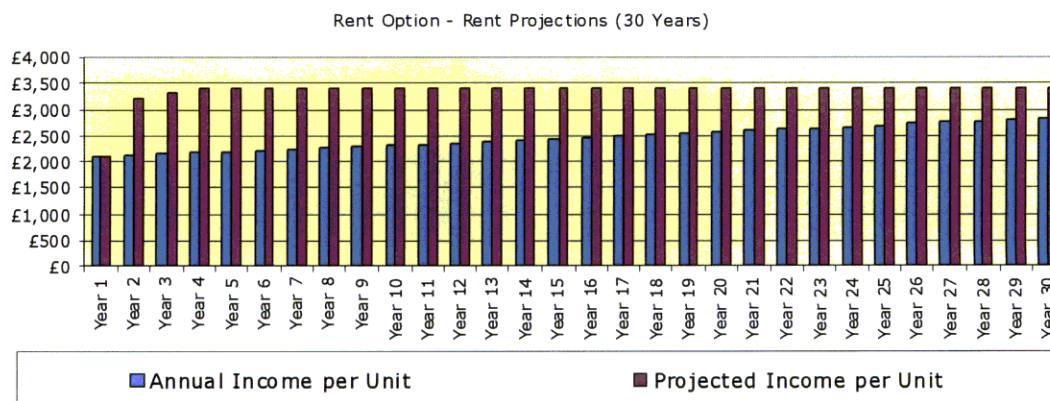
This section focuses on the financial results of the Councils Business Plan and demonstrates the viability of achieving the SHQS based on annual rent increase of Inflation +1% under the following Options:

- Option A – Stock Retention;
- Option B – WDC Suggested Partial Transfer;
- Option C – Partial Transfer of Entire Areas; and
- Option D – Full Stock Transfer.

This section models the effect of each of the Options and draws some comparative conclusions.

#### 3.2 Option A – Stock Retention

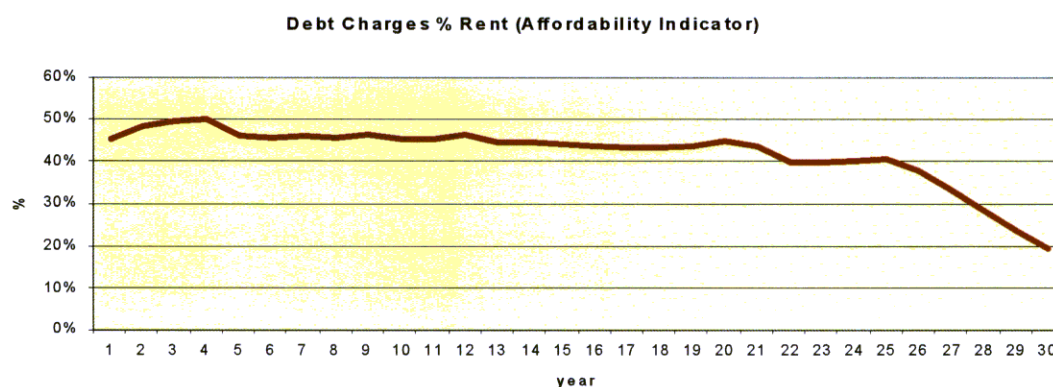
Initially the model was constructed to assess the viability of meeting the standard with a rent increase of RPI+1%. It was found that, with this level of increase, the Scottish Housing Quality Standard could not be met by Year 10 and that this level of funding became unsustainable from Year 2 onward. This is illustrated in the graph below:



**Graph 3.1: Option A (RPI+1% Years 1-30)**

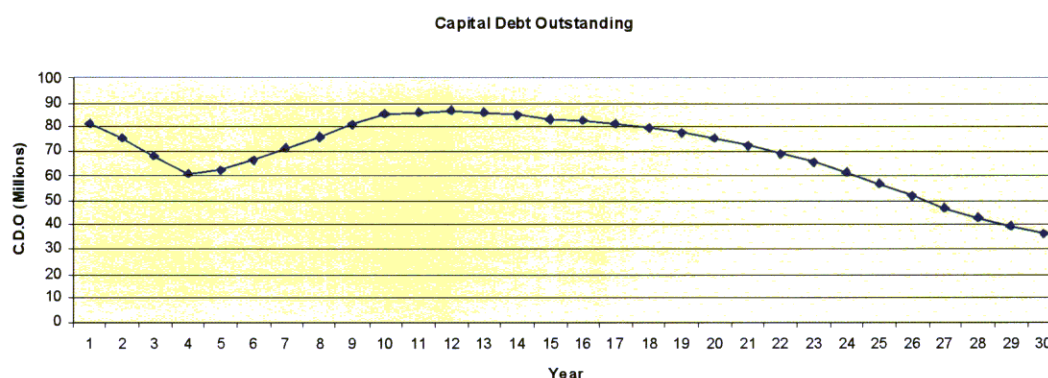
As graph 3.1 above illustrates, income requirements from Year 2 exceed that which can be generated by RPI+1% increases. This is because the Revenue Account is unable to fund the additional debt charges associated with the Prudential Borrowing requirements. Therefore, across the 30-year life of the plan, RPI+1% is not sufficient to meet the SHQS, particularly in years 2 to 6.

As graph 3.2 below illustrates, in year 2, Debt charges as a % of Net Rental Income reach an affordability limit of 50%. This is where the Revenue Account can no longer fund additional debt charges associated with Prudential Borrowing.



**Graph 3.2: Option A (Affordability Limit)**

Graph 3.3 below illustrates the Capital Debt Outstanding Position over the life of the Business Plan.



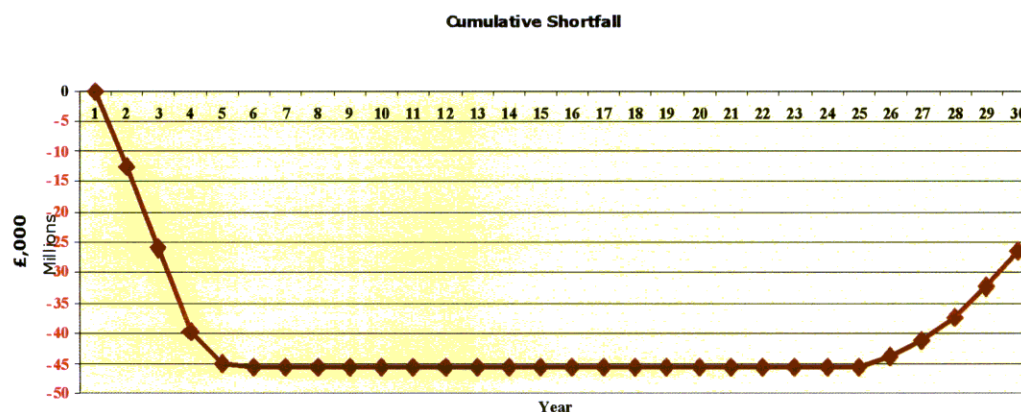
**Graph 3.3: Option A (Capital Debt Outstanding)**

At rent increases of RPI+1% throughout the life of the business Plan, Prudential Borrowing is £104 Million, with £72 Million between Year 1 and 10. This results in Capital Debt Outstanding of £89 Million at 31<sup>ST</sup> March 2015. The increase in Debt Per unit between year 1 and 10 is:

- Debt per unit at year 1 - £6,800; and
- Debt per unit at year 10 - £8,830.

The cumulative shortfall position over the life of the business plan, at Rent increases of RPI+1% is illustrated in the graph below.





**Graph 3.4: Option A (Cumulative Shortfall)**

Assuming rent increases remain at RPI+1% and in addition to Prudential Borrowing of £72 Million between year 1 and 10, there is a cumulative shortfall of £45 Million at Year 10 of the business Plan. Therefore, in order achieve sustainability and deliver the SHQS there is an additional funding requirement of £45 Million, over and above £72 Million of Prudential Borrowing, as illustrated in graph 3.4 above.

Appendix A models the 30 Year HRA projections under this Option.

### **3.2.1 Key Financial Drivers**

The key financial drivers underpinning the plan was identified as:

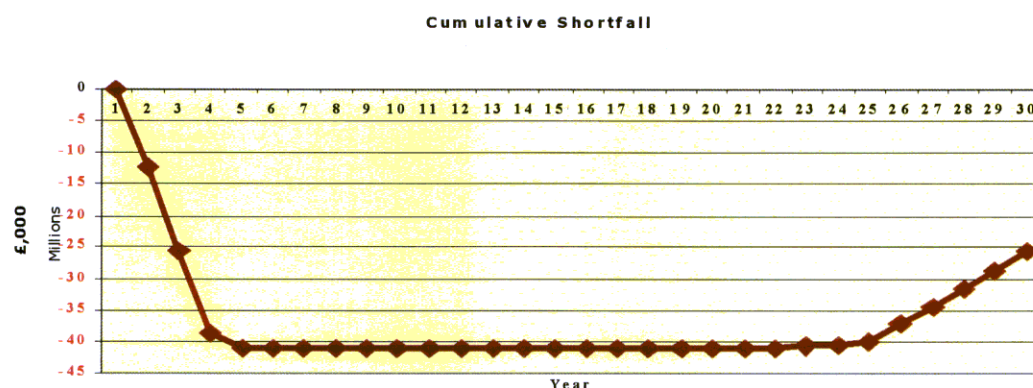
- Debt Levels (05/06 % of debt charges to net rental income is 45%);
- Rent Levels;
- Programmed Renewals (£237 million over 30 years);
- Non traditional and High rise costs (£50 million over 30 years);
- Related Assets (£9 Million over 30 Years);
- Asbestos (£9 million over 10 years);
- Administration Costs (£5 million per year, no reduction with stock, increasing at RPI+0.3% each year);
- High Void Rates;
- Profiling of Spend; and
- High Cost Areas.

### **3.2.2 Debt Levels and Affordability Indicator**

The Business Plan model is framed in the context of prudential borrowing over 20 years. The effect of increasing the Prudential Borrowing period to 30 years is modelled below.

As can be seen from graph 3.5 below, the cumulative shortfall position is reduced from £45 Million in years 2-10 to £41 million.





**Graph 3.5: Scenario A (Cumulative Shortfall)**

This increase in the Prudential Borrowing period would result in an increase on the Capital Debt Outstanding figure in Year 10 from £89 Million to £95 Million, and the following increase in Debt per Unit between year 1 and 10:

- Debt per unit at year 1 - £6,800; and
- Debt per unit at year 10 - £9,500.

### 3.2.3 Option A -Rent Levels

Under the stock retention Option the minimum required rent increase to achieve and maintain the SHQS throughout the life of the plan is:

- RPI+5.5% for years 2 to 5 followed by RPI+1% thereafter.

Table 3.1 below shows that an increase of RPI+5.5% would result in a difference of £2.20 per week in year 2 when compared with a rental increase of RPI+1%.

Rental Increase	YEAR 1	YEAR 2
RPI + 1%	£48.66	£49.14
RPI + 5.5%	£48.66	£51.34
Difference	£0	£2.20

**Table 3.1: Option A (Rental increase RPI +5.5%)**

This increase would result in Debt per Unit being increased from £6,800 in year 1 to £11,600 in year 10.

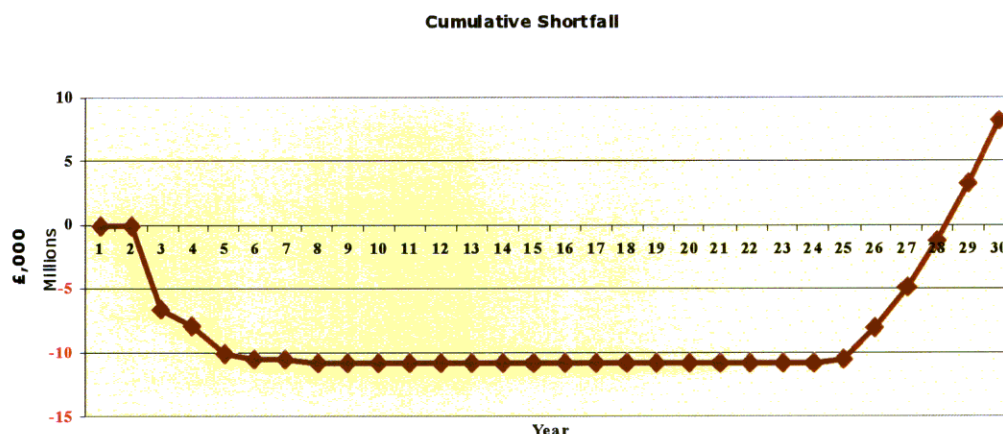
### 3.3 Option B - WDC Suggested Partial Transfer

The partial transfer option consists of the following estates transferring. This amounts to 5,020 HRA properties, which is 41% of the total stock at 1<sup>ST</sup> April 2005.

Area	Estate
Alexandria North	Haldane
Alexandria South	Renton Riverside
Clydebank West	Mountblow – Lilac Avenue & Salisbury Place
Clydebank Central	Radnor Park
Clydebank North	Faifley
Clydebank South	Clydeholm Linvale Whitecrook
Dumbarton North	Bellsmyre High Flats Town Centre
Dumbarton West	Brucehill Castlehill Westcliff

**Table 3.2: WDC Suggested Partial Transfer Option**

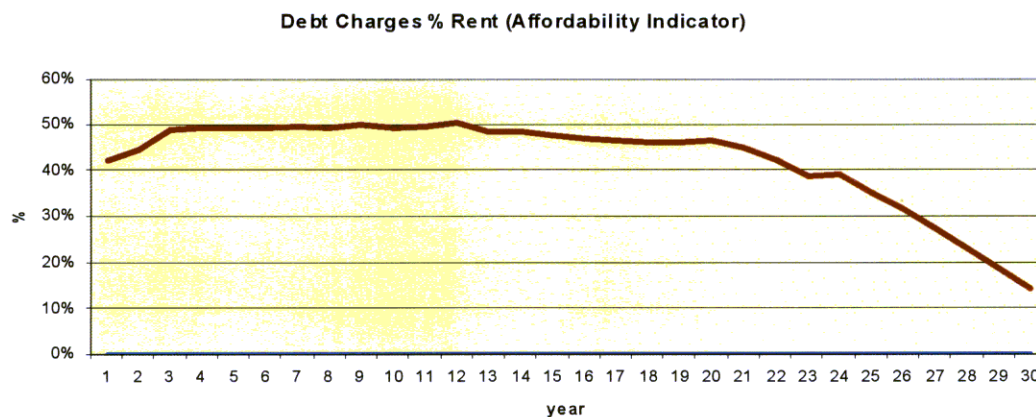
As graph 3.6 below illustrates, transferring the above estates reduces the shortfall position to £10 Million.



**Graph 3.6: Option B (Cumulative Shortfall)**

However, because the original debt outstanding has been allocated on the basis of stock numbers, the same problem arises as in Option A above. The revenue account is unable to fund the additional debt charges associated with Prudential Borrowing from year 3 onwards.

Graph 3.7 below illustrates the position of Debt Charges as a % of Net Rental Income over the life of the Business Plan.



**Graph 3.7: Option B (Affordability Indicator)**

### 3.3.1 Option B -Rent Levels

Under the partial transfer option, the minimum required rent increase to achieve and maintain the SHQS throughout the life of the plan is RPI+3% for years 3 to 4, RPI+2.5% Year 5-6, followed by RPI+1% thereafter.

Tables 3.3 (A) & (B) below compares the average weekly rent per unit under this option for year 1-10 against RPI+1%.

Rental Increase	Year 1	Year 2	Year 3	Year 4	Year 5
RPI + 1%	£48.66	£49.15	£49.64	£50.14	£50.64
RPI +3% Yr 3-4 RPI +2.5% Yr 5-6	£48.66	£49.15	£50.62	£52.14	£53.45
Difference	£0	£0	£0.98	£2.00	£2.81

**Table 3.3(A): WDC Suggested Partial Transfer Option**

Rental Increase	Year 6	Year 7	Year 8	Year 9	Year 10
RPI + 1%	£51.15	£51.66	£52.17	£52.70	£53.22
RPI +3% Yr 3-4 RPI +2.5% Yr 5-6	£54.78	£55.33	£55.88	£56.43	£57.00
Difference	£3.63	£3.67	£3.71	£3.73	£3.78

**Table 3.3(B): WDC Suggested Partial Transfer Option**

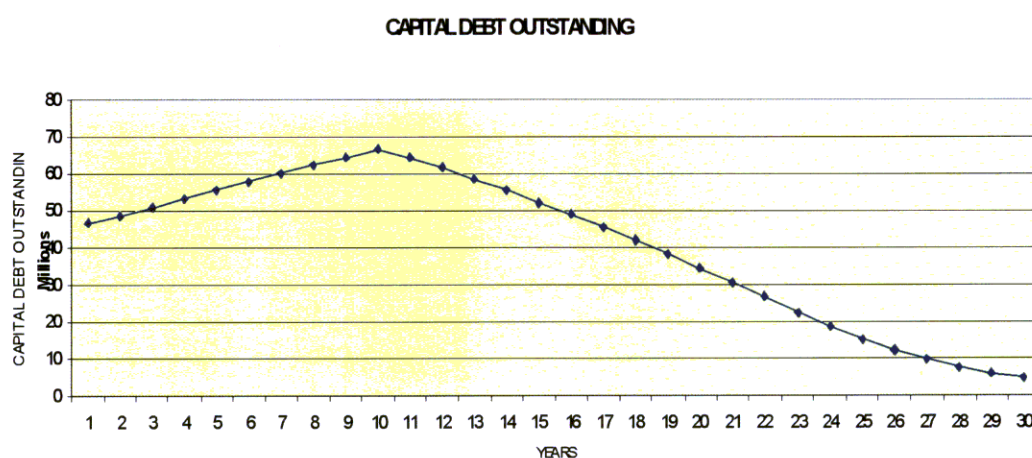


### 3.3.2 Capital Debt Outstanding

At Rents increases of RPI+3% in Year 3-4, RPI+2.5% Year 5-6 and RPI+1% thereafter, Prudential Borrowing of £71 Million is required, of which £62 Million is between Year 1 and 10. This results in Capital Debt Outstanding of £66 Million at 31<sup>ST</sup> March 2015. The increase in Debt Per unit between year 1 and 10 is:

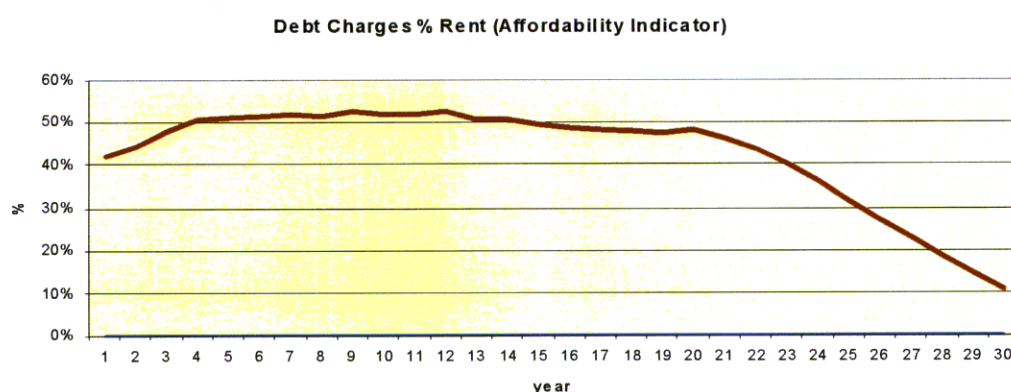
- Debt per unit at year 1 - £6,500
- Debt per unit at year 10- £11,200

The Capital Debt Position over the life of the business plan is illustrated in the graph below.



**Graph 3.8: Option B (Capital Debt Outstanding)**

The graph below illustrates the profile of debt charges as a % of Rental Income.



**Graph 3.9: Option B (Affordability Indicator)**

Appendix B illustrates the 30 year HRA projections of Option B at rent increases of RPI+3% for year 3 & 4, RPI+2.5% for years 5 & 6 and RPI+1% thereafter.

The current guidance on partial transfers relates to larger areas being transferred as viable entities. Therefore, if this option is to be pursued by the Council early negotiations with the Scottish Executive are essential.

### **3.4 Option C - Partial Transfer of Entire Areas**

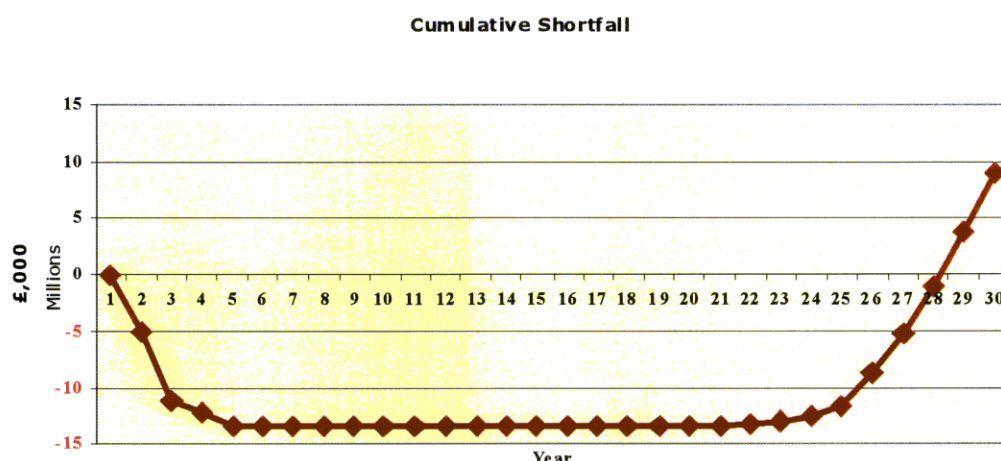
The model was also analysed at the 12-area level and analysis was performed to identify the areas with the lowest NPV over the 30-year period. These areas are as follows:

- Dumbarton North;
- Alexandria East; and
- Clydebank South and East.

The effect of on the base business plan results of the transfer of the above areas was modelled.

The option of partial transfer of these 3 areas results in 4,831 units of stock transferring, which is 39% of total stock at 1<sup>ST</sup> April 2005.

As shown in graph 3.10 below the partial transfer of Clydebank East and South, Alexandria East and Dumbarton North, reduces the cumulative shortfall position £13 Million.



**Graph 3.10: Option C (Cumulative Shortfall)**

#### **3.4.1 Option C -Rent Levels**

Under the partial transfer option, the minimum required rent increase to achieve and maintain the SHQS throughout the life of the plan is RPI+3.25% for years 2 to 5 followed by RPI+1% thereafter.

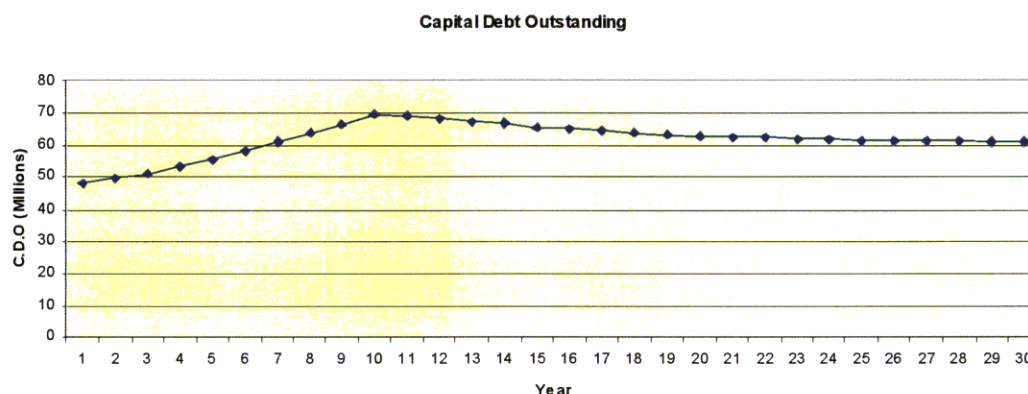
#### **3.4.2 Capital Debt Outstanding**

At Rents increases of RPI+3.25% in Year 2-5 and RPI+1% thereafter, Prudential Borrowing of £59 Million is required, of which £56Million is between Year 1 and 10. This results in Capital Debt Outstanding of £70 Million at 31<sup>ST</sup> March 2015. The increase in Debt Per unit between year 1 and 10 is:

- Debt per unit at year 1 - £6,500; and
- Debt per unit at year 10 - £11,300.

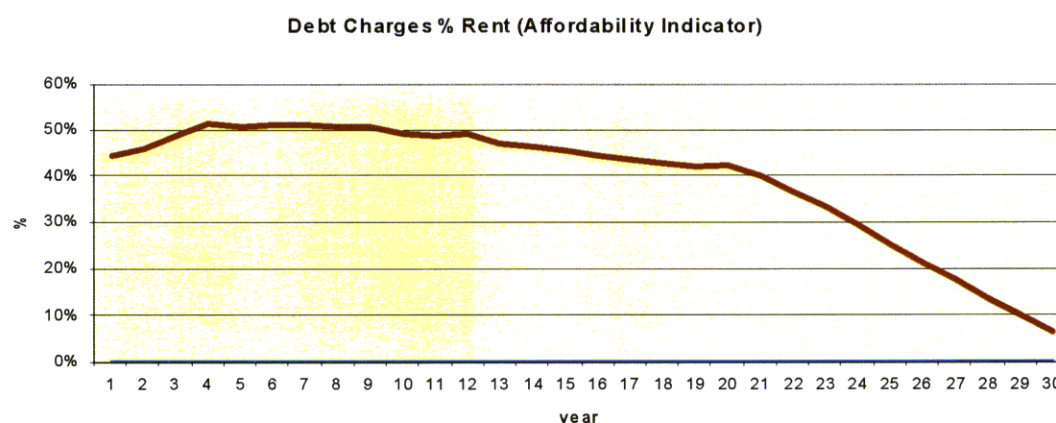


The Capital Debt Position over the life of the business plan is illustrated in the graph below.



**Graph 3.11: Option C (Capital Debt Outstanding)**

The graph below illustrates the profile of debt charges as a % of Rental Income.



**Graph 3.12: Option C (Affordability Indicator)**

### **3.5 Option D – Full Stock Transfer**

In this option it has been assumed that West Dunbartonshire Council will seek to transfer its entire housing stock to either an existing Registered Social Landlord (RSL) or a new organisation under the Scottish Executive Community Ownership Programme. This option was examined to determine what Best Value or other benefits may be gained by such an action. However, it was being considered in the knowledge that the Council has a viable and sustainable Business Plan for retaining its housing stock.

A price of West Dunbartonshire Council Housing Stock was achieved using the Communities Scotland Community Ownership Pricing Model. The Community Ownership model calculates a price for the Council's Housing Stock if it were to be subject to transfer to a Registered Social Landlord.

The price is based on discounting, to a net present value, the future net income stream that the new landlord would derive from the stock.

The model is based on the same assumptions as the base business plan option above. However, it assumes no RTB sales; it assumes that an RSL will not be able to reclaim VAT on all goods and services and it excludes all non-landlord related costs for example discharging statutory duties relating to homelessness and the strategic housing function.

The output of the Community Ownership pricing model is as follows:

Option	Cumulative Present Value of Surplus – 30 Yrs (7%DF)	Per Unit
Full Stock Transfer	-£59 Million <sup>1</sup>	-£4,800
Option B (WDC Partial Transfer Option)	-£39.8 Million	-£7,900

**Table 3.4: COP Pricing Model Results**

It should be noted that none of the assumptions used in the pricing model have been agreed by Communities Scotland and that these could change as a result of negotiations with that body.

Appendices C and D models the Community Ownership Pricing Model 30 Year Valuation for Option D and B respectively.

### **3.5.1 Capital Debt Outstanding**

This section discusses the issues relating to full stock transfer (LSVT) based on the assessment of the results from the pricing model and the 30-year business plan model.

- Full Stock transfer would allow the Council to access funds that would eliminate its outstanding debt of £77 million;
- RSL Debt Charges would be based on a lower level than the existing £77 million, this difference in debt would free up significant money to spend on other properties;
- additional Spend on Properties of £42 Million (£37 Million NPV including fees and VAT);
- rent stability; delivery of Full Standard at Rents at RPI +1%;
- access to Regeneration Funding;
- inability to utilise resources for other Housing Related functions;
- West Dunbartonshire Council would require to redistribute fixed central support costs;
- in the absence of a HRA account, the general fund would need to support the net expense currently borne by the HRA ; and

<sup>1</sup> The Savills full cost option would decrease the value by £37 Million (The NPV of £42 Million @ 7% Discount Rate and including fees and VAT @ 17.5%)

- A period of disruption and uncertainty for staff.

### **3.6 Evaluation of Options**

This section concludes on each of the four options as discussed above based on the results from the business plan and pricing model.

- **Option A** –The business plan is not sustainable given the cumulative shortfall of £45m. Rents would have to increase to RPI+5.5% for years 2-5. This would result in Debt per Unit at year 10 of the Business Plan increasing by approximately 70% from Year 1.
- **Option B**- The Business Plan is not sustainable at RPI+1% rents increases, because a significant (albeit reduced) shortfall of £10m still remains despite 41% of stock transferring.

In order to make this option sustainable and to achieve and maintain the SHQS over the life of the plan:

- The minimum required rent increase to achieve and maintain the SHQS throughout the life of the plan is RPI+3% for years 3 to 4, RPI+2.5% Year 5-6, followed by RPI+1% thereafter.

This Option would result in Debt per Unit at year 10 of the Business Plan increasing by approximately 72% from Year 1.

This option has advantages and is worthy of further consideration, it provides significant opportunities for area regeneration and will result in approximately £31 million of debt write off.

- **Option C**- The business plan is not sustainable at RPI+1% rent increases, because a significant (albeit reduced) shortfall of £13m remains, with 39% of stock transferring.

In order to make this option sustainable and to achieve and maintain the SHQS over the life of the plan:

- The minimum required rent increase to achieve and maintain the SHQS throughout the life of the plan is RPI+3.25% for years 2 to 5 followed by RPI+1% thereafter.

This Option would result in Debt per Unit at year 10 of the Business Plan increasing by approximately 73% from Year 1.

This option provides fewer opportunities for regeneration supported through stock transfer than Option C and will result in £30 million been written off.

- **Option D**- This Option is sustainable at RPI +1% rent increases with no shortfall.

This option has significant advantages and is worthy of further consideration, it provides significant opportunities for area regeneration and will result in £77 Million debt write off.



Table 3.5 below details the rent per week at Year 10 under each of the four options discussed above. (Real Terms – Not including Inflation).

Option	Rent per week at Year 10
Option A – Stock Retention	£63.96
Option B – WDC Partial Transfer	£57.01
Option C- Area Partial Transfer	£58.13
Option D – Full Stock Transfer	£53.22

**Table 3.5: Comparison of Options**

The rents in table 3.5 for options A, B and C are for the retained stock, the rents for the transferred stock in Options B and C will be the same as for option D. Option D provides the best value to tenants with option B being the second best value option at a 7% higher average weekly rent at year 10 over option D.

### **3.6.1 Inflation (Nominal Terms)**

The Business Plan model has been prepared in real terms, which means it does not include inflation and only real inflationary assumptions are modelled.

Each of the Business Plan models (Options A-C) have been assessed assuming 2.5% inflationary assumption and the results are as follows:

- **Option A** – Rental Increase of 7% Years 2-5 and Debt Charges as a % of Rental Income would peak at 50% for 3 years;
- **Option B** – Rental Increase of 4% Years 3-4 and 3.5% thereafter and Debt Charges as a % of Rental Income would peak at 50% for 5 years; and
- **Option C** – Rental Increase of 5% Years 2-4 and Debt Charges as a % of Rental Income would peak at 50% for 3 years.

Table 3.6 below details the rent per week at Year 10 under each of the four options. (Nominal Terms –including Inflation (2.5%)).

Option	Rent per week at Year 10
Option A – Stock Retention	£75.75
Option B – WDC Partial Transfer	£66.96
Option C- Area Partial Transfer	£69.24
Option D – Full Stock Transfer	£66.32

**Table 3.6: Comparison of options**

As can be seen from the results above, including inflation reduces the rental increase required with modelling in Real Terms. This is because old debt is constant and is not subject to an inflationary increase.

However, this method of modelling is subject to greater risk and sensitivity, in particular interest rate increases. For example, a 1% increase interest rates would result in the following change to the rental assumptions:

- **Option A** – Rental Increase of 7% Years 2-5 would increase to 9% for years 2-5;
- **Option B** – Rental Increase of 4% Years 3-4 and 3.5% thereafter would increase to 5.5% Year 3-4 and 3.5% thereafter; and
- **Option C** – Rental Increase of 5% Years 2-4 would increase to 6% Year 2-4.

As can be seen above, a small increase in interest rate assumption illustrates how sensitive this model is to change. Modelling in Real terms is a less risky approach and provides greater comfort in the Business Plan assumptions that have been made.

### **3.6.2 Conclusion**

Having considered and assessed the above options available, Option B and D will be considered and assessed further throughout this report.

The first base option under discussion is Option B, which is the West Dunbartonshire Council partial transfer of areas.

The second base option is Option D, which is the full stock transfer.



## **4. RISK ASSESSMENT AND SENSITIVITY ANALYSIS**

### **4.1 Introduction**

An integral part of the development of a Business Plan for the Housing Service and the associated production of the Standard Delivery Plan is the identification, and mitigation of risk in the Business Plan framework. Effective organisations are aware of the risks that exist for their business and take action to deal with them appropriately. West Dunbartonshire Council has adopted a positive approach to risk management that involves:

- identifying the current risks to the Council associated with the provision of housing services;
- identifying any additional risks arising or likely to arise in lifetime of this plan;
- quantifying and understanding the significance of these risks in terms of likelihood and impact, and therefore enable prioritisation;
- considering existing arrangements for avoiding risk where possible and managing risks otherwise; and
- developing action plans to assist in mitigating/controlling these risks.

Risk management is an ongoing process. Over time some risks reduce in importance or disappear whilst other risks become more important or appear for the first time. As part of the strategy for managing risk the Council should ensure that the appropriate steps are taken to identify and address risks in all aspects of their operations.

#### **4.1.1 Identifying Risk**

The tables below outline a number of potential risks, to which the Council's will be exposed to under Option B and D.

Tables 4.1 and 4.2 will assess the effect individual and multiple financial risks which may impact on the viability of the business plan under option B, which is RPI+3% Years 3-4, RPI+2.5% Year 5-6, and RPI+1% thereafter (Real Terms).

Table 4.3 will assess the impact of risks against the model including an inflation assumption of 2.5%, which is the rental increase of 5.5% in years 3 & 4, 5% in years 5 & 6 and 3.5% thereafter.

Table 4.4 will assess the non-financial risks surrounding option B.

Tables 4.5 and 4.6 will outline the financial and non-financial risks respectively, of Option D, which is the full stock transfer option.

## 4.2 Option B - WDC Suggested Partial Transfer

Individual Risk Factors	Current BP	SHQS met @ current BP assumptions	Affect on current BP Assumptions	Future Action Required
Void Rates Double	Option B	NO	Further rent increase of 1% in year 3&4	Monitor void rates on a monthly basis
Professional Fee rate increase (10% to 12 %)	Option B	YES		
Admin Costs Increase from RPI+0.3% to RPI+1%	Option B	YES		
Building Cost inflation increases to RPI+1.5% Years 2-10.	Option B	NO	Further rent increase of 0.5% in year 3-10	Monitor inflation increase periodically and review programme timescale
Building Cost inflation continues at RPI+1% for 30 years	Option B	NO	Further rent increase of 0.5% in year 3-6 and 1% in years 7-8.	Monitor inflation increase periodically and review programme timescale

**Table 4.1(A): Financial Risks -Affect on current business plan assumption of rents increase at RPI+3 % years 3-4 & RPI+2.5% years 5-6 and RPI+1% thereafter (Option B)**

Individual Risk Factors	Current BP	SHQS met @ current BP assumptions	Affect on current BP Assumptions	Future Action Required
Programme Renewals -5% underestimated	Option B	NO	Further rent increase of 0.5% in year 3-4	Review programme timescales
Non- Traditional and Multi Costs underestimated by 10%	Option B	NO	Further rent increase of 0.5% in year 3-4	Review programme timescales
Response and Voids Cost per unit underestimated by 10%	Option B	NO	Further rent increase of 1.5% in year 3-4	Monitor Statutory Performance Information
RTB Sales assumption decreased by 1/4	Option B	NO	Further rent increase of 0.5% in year 7	Monitor Sales
Interest Rate Increases by 1.5%	Option B	NO	Further rent increase of 3% in year 3-4	Monitor Interest rates

**Table 4.1(B): Financial Risks -Affect on current business plan assumption of rents increase at RPI+3 % years 3-4 & RPI+2.5% years 5-6 and RPI+1% thereafter (Option B)**



#### 4.2.1 Option B – Financial Risks (Multiple Risk Factors)

It is important to identify and test individual risks. However, it also important to contemplate the possibility, that a number of risks will impact the Business Plan simultaneously. Such modelling allows the plan to be tested rigorously against the most trying of circumstances. The table below illustrates the multiple risks and sensitivities carried out. The sensitivities are measured against the same benchmark as used for the individual risks:

Multiple Risk Factors	Current BP	SHQS met @ current BP assumptions	Affect on current BP Assumptions	Future Action Required
Professional Fee rate increase (10 to 12 %) and Programmed renewals underestimated by 5%	Option B	NO	Further rent increase of 0.5% in year 3-4	Review programme timescales and procurement procedures
Void Rates Double & Bad debt rate doubles	Option B	NO	Further rent increase of 0.5% in year 3-4	Monitor void rates on a monthly basis
Multi & non-trad costs underestimated by 10% and building costs inflation increases to RPI+1% years 1-30	Option B	NO	Further rent increase of 0.5% in year 3 and 1% Years 7-10	Monitor inflation increases periodically and review programme timescales
Interest rate increases by 1% and Building Cost Inflation increases by an additional 1% for years 1-30s	Option B	NO	Further rent increase of 1.5% in year 3&4 and 0.5% Years 7-15	Monitor inflation increases & interest rates periodically

**Table 4.2: Multiple Risk Factors -Affect on current business plan assumption of rents increase at RPI+3 % years 3-4 & RPI+2.5% years 5-6 and RPI+1% thereafter (Option B)**



#### **4.2.2 Option B-Assessing the Financial Risk on Inflated Model**

The Business Plan Model was inflated by 2.5%, which effectively meant that the rental increases were 5.5% in year 3 & 4, 5% Year 4 & 5 and 3.5% thereafter. The Financial risks identified were assessed under these circumstances.

The 30 Year HRA Projection (Including Inflation) for Option B is shown in Appendix E.

Most of the risks were met under these circumstances, which illustrates a degree of comfort in the business plan model assumptions. However, risks that were not met were generally risks where an interest rate increase was modeled. For example:

- Interest rate increases by 1.5% - an additional rent increase of 1% in years 3 & 4 is required.

As a result of this assessment, all risks identified in table 4.1 & 4.2 above were coupled with an interest rate increase of 1% and the affect on the current business plan assumptions were assessed.

<b>Risk Factor</b>	<b>Affect on current BP Assumptions</b>	<b>Risk Factor</b>	<b>Affect on current BP Assumptions</b>
<b>Void Rates Double</b>	<b>Further rent increase of 1.5% in year 3-4</b>	<b>Programmed Renewals underestimated by 5%</b>	<b>Further rent increase of 0.5% in year 3</b>
<b>Professional Fee Increase (10% to 12%)</b>	<b>Further rent increase of 0.5% in year 3</b>	<b>Non- Traditional and Multi Costs underestimated by 10%</b>	<b>Further rent increase of 0.5% in year 3</b>
<b>Admin Cost Increase of RPI+0.3% from RPI+1%</b>	<b>Further rent increase of 0.5% in year 3</b>	<b>Response and Voids Cost per unit underestimated by 10%</b>	<b>Further rent increase of 1.5% in year 3&amp;4</b>
<b>Building Cost Inflation increases to RPI+1.5% Years 2-10</b>	<b>Further rent increase of 1% in year 3</b>		

**Table 4.3 Financial Risks– Inflated model and 1% interest Rate Increase**

#### **4.2.3 Option B –Non-Financial Risk Factors**

The following Table highlights the non-financial risks associated with Option B:

Non-Financial Factor	Future Action Required
The housing service will not be made more efficient	Effectively Monitor Performance Indicators and perform Best Value reviews
There will be a significant impact on the Council Structure	Quantify the effect of reduction in resources from the Housing Service
Efficiency of delivering the Housing Service at a local level	Service Delivery restructure across new profile of remaining stock
SHQS not met and maintained	Effective Business Planning/Preparation of Capital Programme and monitoring of risks surrounding the Business Plan Assumptions
Ability to perform Statutory duties under Homeless Legislation	Establish effective Section 5 Protocols with new landlord
Customer Access to Housing will be made more complex	Develop common advice and access resources between receiving organisation and Council
Negative impact on DLO efficiency	Need for "Fit for Purpose" Audit

**Table 4.4 Non Financial Risks(Option B)**

Most of the risks were met under these circumstances, which illustrates a degree of comfort in the business

### 4.3 Option D – Full Stock Transfer

#### 4.3.1 Option D Financial Risk Factors

The following Table highlights the financial risks associated with Option D:

Financial Factor	Future Action Required
Reduction in resources available to the Council	Quantify effect and restructure accordingly
Redistribution of Council Fixed Costs	Quantify effect and restructure accordingly
In absence of HRA general fund will be required to support the net expense currently borne by the HRA	Quantify effect and restructure accordingly

**Table 4.5 Financial Risks (Option D)**

#### **4.3.2 Option D Non-Financial Risk Factors**

The following Table highlights the non-financial risks associated with Option D:

<b>Non-Financial Factor</b>	<b>Future Action Required</b>
<b>Significant impact on the Current Council Structure</b>	<b>Quantify effect and restructure accordingly</b>
<b>Reduction in Democratic Influence</b>	<b>Ensure appropriate Council representation on board of receiving organisation</b>
<b>Reduction in effective relationship with the Council</b>	<b>Establish a range of protocols and working relationships prior to transfer</b>
<b>Concerns for Council Employees</b>	<b>Develop TUPE and staff matching Procedures</b>
<b>Question over the efficiency of Council Services</b>	<b>Review Council Structures and intermediate Service Delivery Contracts with new Organisation</b>
<b>Ability to perform Statutory duties under Homeless Legislation</b>	<b>Establish effective Section 5 Protocols with new landlord</b>
<b>Impact on the availability of affordable Housing, for example: displacement programmes as a result of regeneration significantly limit turnover in the short to medium term</b>	<b>Establish effective protocols on nominations</b>

**Table 4.6: Non-Financial Risks (Option D)**



## **5. CONCLUSIONS**

### **5.1 Introduction**

The viability of the Council achieving and maintaining the SHQS, under the following Options was assessed and analysed:

- Option A – Stock Retention;
- Option B – WDC Partial Transfer Option;
- Option C – Partial Transfer of entire Areas; and
- Option D – Full Stock Transfer.

Options B and D were considered to be the most viable Options and further risk assessment was performed on each of these options. This section reiterates the effect of each of the options and draws some comparative conclusions.

### **5.2 Conclusion**

#### **5.2.1 Option B Partial Transfer**

This Option results in 41% of the Stock transferring. For the stock remaining with the Council this option is sustainable and the SHQS can be achieved and maintained at rents being RPI+3% for years 3-4, RPI+2.5% Year 5-6, followed by RPI+1% thereafter.

Debt per unit would increase by approximately 72% from year 1. It provides significant opportunities for area regeneration and will result in approximately £31 million of debt write off.

The Business plan is subject to various financial and non-financial risks, and is particularly sensitive to increases in interest rates and building cost inflationary increases. Appropriate risk mitigation strategies should be implemented in order to control the affect of these risks, for example effective Business Planning and monitoring of the capital programme should aid in ensuring the SHQS is met and maintained under this Option.

#### **5.2.2 Option D Full Stock Transfer**

This Option is sustainable at RPI+1% rent increases, with no shortfall. It provides significant opportunities for area regeneration and will result in £77 Million debt write off.

This Option is subject to various financial and non-financial risks. In order to manage and control these risk, the Council should pro—actively quantify the effect of each of the risks and take the appropriate action to address each of the risks accordingly.

A range of protocols and effective working relationships should be established prior to transfer in order to ensure effective relationships between the receiving organisation and the Council and to ensure minimum disruption to the Customer and Council employee.



Under the transfer element of Option B and Option D, there is a requirement for a detailed examination to identify and programme an area regeneration strategy, with particular reference to Communities Scotland early action programme.

## **APPENDIX A**

### **HRA – 30-YEAR PROJECTIONS (OPTION A- REAL TERMS)**

## Appendix A

Appendix A

HRA West Dunbartonshire Council																																
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Totals		
2005/06 2006/07 2007/08 2008/09 2009/10 2010/11 2011/12 2012/13 2013/14 2014/15 2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33 2033/34 2034/35																																
Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
4,901	4,766	4,666	4,578	4,501	4,438	4,381	4,325	4,269	4,215	4,166	4,122	4,077	4,034	3,990	3,947	3,904	3,862	3,819	3,777	3,736	3,699	3,662	3,623	3,586	3,548	3,511	3,475	3,438	3,404	120,419		
Variable Element Administration																																
Revenue Expenditure																																
Response & Void Repairs																																
6,795	6,677	6,599	6,534	6,451	6,385	6,297	6,208	6,121	6,037	5,960	5,889	5,817	5,749	5,680	5,611	5,543	5,477	5,410	5,344	5,282	5,223	5,165	5,104	5,046	4,988	4,931	4,874	4,818	4,764	170,781		
Cyclist																																
1,634	1,605	1,587	1,571	1,551	1,535	1,514	1,493	1,472	1,452	1,433	1,416	1,399	1,382	1,366	1,349	1,333	1,317	1,301	1,285	1,270	1,256	1,242	1,227	1,213	1,199	1,185	1,172	1,158	1,145	41,064		
Open Space Maintenance & Related Assets																																
308	311	314	318	319	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	321	9,592	
Special Services																																
465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	465	13,940	
Other Revenue Expenditure																																
774	750	732	716	702	690	679	669	658	648	638	630	621	613	604	596	588	580	571	564	556	549	542	534	527	520	513	506	499	493	487	18,264	
9,976	9,809	9,697	9,604	9,488	9,397	9,276	9,155	9,037	8,922	8,817	8,721	8,623	8,529	8,435	8,341	8,249	8,159	8,068	7,978	7,893	7,813	7,733	7,651	7,572	7,493	7,415	7,338	7,261	7,188	253,639		
Revenue Expenditure Total																																
Adjustment for Fixed Costs- Admin																																
Fixed Costs																																
91	221	335	436	527	603	675	746	816	885	948	999	1,058	1,117	1,176	1,235	1,295	1,353	1,410	1,467	1,523	1,577	1,632	1,685	1,739	1,792	1,845	1,897	1,949	2,001	35,034		
Capital Financing Costs																																
Instalment of Debt (Original Debt)																																
6,196	6,237	6,768	7,142	6,588	6,143	5,532	4,705	4,145	3,189	2,443	2,519	2,007	1,917	1,708	1,532	1,262	1,069	954	1,026	480	358	303	309	309	259	215	211	197	180	198	75,794	
Interest & Expenses (Original Debt)																																
5,315	4,892	4,466	4,004	3,516	3,066	2,646	2,268	1,947	1,664	1,446	1,279	1,107	970	839	723	618	532	459	393	323	291	266	245	224	207	192	178	164	152	44,392		
Loan Charges - Prudential Borrowing																																
0	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	172,442	
Total Capital Financing Costs																																
11,511	12,113	12,218	12,130	11,088	10,956	10,959	10,979	10,914	10,652	10,612	10,785	10,351	10,329	10,175	10,044	9,979	9,888	9,934	10,169	9,793	8,873	8,916	9,021	9,073	8,371	7,918	6,247	5,218	4,246	292,629		
GROSS EXPENDITURE																																
26,480	26,910	26,917	26,748	25,604	25,393	25,291	25,022	24,674	24,542	24,627	24,110	24,410	24,010	23,777	23,567	23,377	23,262	23,230	23,391	22,945	21,963	21,943	21,979	21,970	21,204	20,089	18,956	17,867	16,840	701,722		
INCOME																																
Rents - Dwelling Houses																																
-25,375	-24,881	-24,553	-24,277	-24,054	-23,899	-23,775	-23,644	-23,517	-23,390	-23,215	-23,131	-23,054	-22,968	-22,883	-22,798	-22,712	-22,622	-22,533	-22,452	-22,370	-22,285	-22,241	-22,241	-22,169	-22,094	-22,018	-21,943	-21,864	-21,794	691,460		
Other Income																																
-1,305	-1,298	-1,321	-1,347	-1,372	-1,394	-1,417	-1,440	-1,463	-1,488	-1,508	-1,530	-1,551	-1,573	-1,596	-1,619	-1,642	-1,666	-1,690	-1,715	-1,738	-1,761	-1,785	-1,809	-1,834	-1,858	-1,883	-1,909	-1,936	-1,963	-48,412		
Interest on Revenue Balances																																
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-2,991	
-26,779	-26,279	-25,974	-25,724	-25,575	-25,393	-25,291	-25,184	-25,080	-24,977	-24,898	-24,845	-24,782	-24,727	-24,664	-24,601	-24,540	-24,478	-24,412	-24,348	-24,289	-24,231	-24,207	-24,150	-24,103	-24,052	-24,001	-23,951	-23,899	-23,856	-23,812	743,962	
TOTAL INCOME																																
-300	631	943	1,023	78	0	0	-161	-44	-303	-356	-218	-672	-717	-887	-1,034	-1,163	-1,216	-1,182	-957	-1,345	-2,288	-2,264	-2,170	-2,133	-2,048	-1,957	-1,862	-1,765	-1,668	-1,571	-41,540	
NET EXPENDITURE/(INCOME)																																
CAPITAL INCOME																																
Useable Capital Receipts (Houses)																																
-6,759	-5,892	-5,152	-4,609	-4,082	-3,479	-3,804	-3,925	-4,056	-4,190	-3,723	-3,928	-3,867	-4,031	-3,935	-3,927	-3,928	-4,031	-3,935	-3,927	-3,928	-3,665	-3,688	-3,653	-3,619	-3,601	-3,572	-3,531	-3,507	-3,503	-3,440	120,998	
Additional Capital Receipts - (Other Property)																																
-10,567	0	0	0	-8,180	-11,102	-11,199	-10,712	-10,498	-9,910	-8,856	-2,683	-2,203	-2,006	-1,717	-2,792	-2,561	-2,506	-2,450	-2,377	-2,362	-1,312	-1,287	-1,327	-1,298	0	0	0	0	0	0	0	104,086
Mortgage Repayments (Ex-tenants)																																
-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-900	
CFR (Net Expenditure/Income)																																
-300	0	0	0	0	0	0	0	-161	-44	-303	-356	-218	-672	-717	-887	-1,034	-1,163	-1,216	-1,182	-957	-1,345	-2,288	-2,264	-2,170	-2,133	-2,048	-1,957	-1,862	-1,765	-1,668	-1,571	-44,213
-118,479	-5,922	-5,182	-4,639	-4,082	-3,479	-3,804	-3,925	-4,056	-4,190	-3,723	-3,928	-3,867	-4,031	-3,935	-3,927	-3,928	-4,031	-3,935	-3,927	-3,928	-3,665	-3,688	-3,653	-3,619	-3,601	-3,572	-3,531	-3,507	-3,503	-3,440	270,971	
Total																																
CAPITAL EXPENDITURE																																
Other Capital Expenditure																																
80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	2,400	
Major Component Replacements																																
9,769	9,579	9,454	9,350	9,220	9,117	8,981	8,846	8,714	8,585	8,456	8,326	8,196	8,066	7,936	7,806	7,676	7,546	7,416	7,286	7,156	7,026	6,896	6,766	6,636	6,506	6,376	6,246	6,116	5,986	214,066		
Achievement of Standard																																
146	143	142	140	139	137	135	134	132	130	0	0	0	0	0	64	63	62	61	61	60	59	58	57	0	0	0	0	0	0	0	1,982	
Demolitions																																
342	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0															

## **APPENDIX B**

### **HRA – 30-YEAR PROJECTIONS (OPTION B – REAL TERMS)**



HRA West Dunbartonshire Council		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Total		
		Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's		
Variable Element Administration		2,839	2,768	2,707	2,653	2,604	2,563	2,527	2,492	2,457	2,423	2,393	2,366	2,340	2,314	2,288	2,262	2,238	2,213	2,188	2,164	2,140	2,118	2,095	2,074	2,052	2,031	2,010	1,989	1,968	1,947	69,220		
Revenue Expenditure		4,135	4,072	4,023	3,980	3,926	3,882	3,824	3,769	3,714	3,659	3,612	3,567	3,524	3,481	3,439	3,396	3,355	3,315	3,274	3,235	3,196	3,160	3,123	3,088	3,052	3,017	2,983	2,950	2,916	2,882	103,548		
Response & Void Repairs		970	955	944	933	920	910	896	883	870	857	846	835	825	815	805	795	785	776	766	757	748	739	731	722	714	706	698	690	682	674	24,247		
Cyclical		182	184	186	188	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	5,665		
Open Space Maintenance & Related Assets		154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	4,608		
Special Services		459	447	435	426	417	409	402	395	389	382	376	371	366	361	356	351	346	341	336	331	327	322	318	314	310	306	301	297	293	289	10,773		
Other Revenue Expenditure		5,900	5,812	5,741	5,680	5,605	5,543	5,465	5,390	5,316	5,242	5,177	5,116	5,058	4,999	4,942	4,884	4,830	4,775	4,719	4,667	4,613	4,565	4,515	4,468	4,419	4,372	4,326	4,280	4,234	4,189	148,440		
Revenue Expenditure Total																																		
Adjustment for Fixed Costs- Admin																																		
Fixed Costs		40	117	187	250	307	357	402	446	490	532	571	607	642	677	712	746	781	814	848	882	914	946	977	1,009	1,039	1,070	1,100	1,131	1,161	1,191	20,948		
Capital Financing Costs																																		
Instalment of Debt (Original Debt)		3,668	3,692	4,006	4,227	3,900	3,637	3,275	2,785	2,454	1,887	1,446	1,491	1,188	1,135	1,011	907	747	633	565	608	284	212	179	183	153	127	125	117	107	117	44,865		
Interest & Expenses (Original Debt)		3,146	2,896	2,644	2,370	2,081	1,815	1,566	1,343	1,153	985	856	757	655	574	497	428	366	315	271	233	193	172	158	145	133	122	114	105	97	90	26,278		
Loan Charges - Prudential Borrowing		0	429	961	1,557	2,211	2,871	3,501	4,113	4,700	5,277	5,822	6,351	6,825	7,301	7,781	8,261	8,741	9,221	9,701	10,181	10,661	11,141	11,621	12,101	12,581	13,061	13,541	14,021	14,501	14,981	15,461	159,281	
Total Capital Financing Costs		6,814	7,017	7,610	8,154	8,192	8,322	8,342	8,240	8,307	8,150	8,129	8,179	7,878	7,613	7,661	7,520	7,389	7,258	7,127	7,000	6,868	6,736	6,607	6,481	6,359	6,240	6,121	6,003	5,886	5,770	5,654	195,281	
GROSS EXPENDITURE		15,592	15,714	16,245	16,737	16,707	16,785	16,736	16,569	16,347	16,270	16,268	15,919	15,803	15,603	15,412	15,237	15,100	14,984	14,877	14,778	14,686	14,594	14,502	14,410	14,318	14,226	14,134	14,042	13,950	13,858	13,766	438,290	
INCOME																																		
Rents - Dwelling Houses		-16,001	-15,727	-15,813	-15,927	-15,993	-16,102	-15,997	-15,798	-15,696	-15,622	-15,559	-15,505	-15,442	-15,383	-15,319	-15,264	-15,205	-15,141	-15,084	-15,023	-14,978	-14,923	-14,879	-14,825	-14,775	-14,726	-14,678	-14,626	-14,573	-14,520	-14,467	-460,484	
Other Income		-754	-750	-765	-780	-795	-809	-822	-836	-851	-865	-878	-891	-904	-917	-931	-945	-959	-973	-988	-1,003	-1,017	-1,031	-1,046	-1,060	-1,075	-1,090	-1,105	-1,121	-1,137	-1,153	-1,169	-28,255	
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Interest on Revenue Balances		-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-61	-1,830	
TOTAL INCOME		-16,816	-16,539	-16,639	-16,769	-16,849	-16,972	-16,880	-16,796	-16,710	-16,622	-16,561	-16,511	-16,470	-16,420	-16,375	-16,324	-16,284	-16,239	-16,190	-16,149	-16,101	-16,071	-16,030	-16,000	-15,961	-15,926	-15,892	-15,859	-15,824	-15,787	-15,749	-490,569	
NET EXPENDITURE/(INCOME)		-1,224	-825	-393	-31	142	186	144	-227	-140	-276	-291	-243	-551	-618	-771	-912	-1,047	-1,187	-1,324	-1,446	-1,577	-1,699	-1,812	-1,926	-2,041	-2,156	-2,271	-2,386	-2,501	-2,616	-2,731	-2,846	
CAPITAL INCOME																																		
Useable Capital Receipts (Houses)		-4,183	-3,756	-3,366	-3,017	-2,711	-2,339	-2,440	-2,489	-2,567	-2,600	-2,320	-2,326	-2,347	-2,436	-2,434	-2,402	-2,399	-2,387	-2,411	-2,398	-2,244	-2,259	-2,237	-2,221	-2,199	-2,177	-2,176	-2,134	-2,132	-2,131	-2,130	-75,236	
Additional Capital Receipts - (Other Property)		-457	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-457	
Additional Capital which could be borrowed		-4,609	-5,702	-6,406	-7,018	-7,062	-7,664	-8,570	-9,310	-10,191	-10,996	-11,823	-12,671	-13,540	-14,431	-15,344	-16,280	-17,248	-18,149	-19,084	-20,054	-21,059	-22,099	-23,174	-24,284	-25,429	-26,609	-27,824	-29,074	-30,359	-31,679	-33,034	-34,424	-71,501
Mortgage Repayments (Ex-tenants)		-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-18	-539	
CFPR (Net Expenditure/Income)		-1,224	-825	-393	-31	142	186	144	-227	-140	-276	-291	-243	-551	-618	-771	-912	-1,047	-1,187	-1,324	-1,446	-1,577	-1,699	-1,812	-1,926	-2,041	-2,156	-2,271	-2,386	-2,501	-2,616	-2,731	-2,846	-59,279
Total		-10,491	-10,301	-10,183	-10,084	-9,952	-9,807	-9,172	-9,044	-8,916	-8,789	-8,752	-8,702	-8,655	-8,607	-8,560	-8,512	-8,466	-8,420	-8,374	-8,328	-8,282	-8,236	-8,190	-8,144	-8,098	-8,052	-8,006	-7,960	-7,914	-7,868	-7,822	-7,776	-90,005
CAPITAL EXPENDITURE																																		
Other Capital Expenditure		47	47	47	47																													

**APPENDIX C**  
**COMMUNITY OWNERSHIP PRICING MODEL 30-YEAR VALUATION**  
**(OPTION D)**

West Dunbartonshire Council Pricing Model	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30		
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's		
INCOME																															TOTAL	
Rental Income	28,042	28,225	28,507	28,792	29,080	29,371	29,665	29,961	30,261	30,564	30,869	31,178	31,490	31,805	32,123	32,444	32,768	33,096	33,427	33,761	34,099	34,440	34,784	35,132	35,483	35,838	36,197	36,559	36,924	37,293	396,570	
Less: Voids & Bad Debts	-	2,633	-	2,650	-	2,731	-	2,758	-	2,786	-	2,828	-	2,957	-	3,016	-	3,077	-	3,108	-	3,139	-	3,266	-	3,332	-	3,365	-	3,399	-	3,502
Net Rental Income	25,408	25,575	25,830	26,089	26,350	26,613	26,879	27,148	27,419	27,694	27,971	28,250	28,533	28,818	29,106	29,397	29,691	29,988	30,288	30,591	30,897	31,206	31,518	31,833	32,151	32,473	32,798	33,126	33,457	33,791	880,889	
Garage Income	159	160	162	163	165	167	168	170	172	173	175	177	179	180	182	184	186	188	190	192	194	195	197	199	201	203	205	207	210	212	2,250	
Other Income	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	882	26,460	
TOTAL INCOME	26,449	26,617	26,874	27,134	27,397	27,662	27,930	28,200	28,473	28,749	29,028	29,309	29,593	29,881	30,171	30,463	30,759	31,058	31,360	31,665	31,972	32,283	32,597	32,914	33,235	33,558	33,885	34,215	34,548	34,885	912,865	
EXPENDITURE																															372,904	
CAPITAL																																
Major Component Replacement	11,954	12,033	12,153	12,274	12,336	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	12,397	146,163	
Catch-up	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Spare	179	180	182	184	185	185	185	185	185	185	-	-	-	-	-	-	98	98	98	98	98	98	98	98	98	98	-	-	-	-	1,589	
Structural & environmental reports	9,327	9,420	9,513	9,605	9,653	7,295	7,285	7,285	7,285	7,285	85	85	85	85	85	176	176	176	176	176	176	306	306	306	306	306	194	194	194	194	87,760	
Demolitions	342	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	342	
REVENUE																																
Reactive and void maintenance	9,081	8,134	8,216	8,298	8,339	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	8,381	250,594	
Cyclical maintenance	1,945	1,957	1,977	1,997	2,007	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	60,303	
Open Space maintenance and related assets	361	365	369	372	374	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	376	11,239	
Special Services	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	31,245	
Management and Administration	5,320	5,318	5,334	5,350	5,366	5,382	5,398	5,414	5,430	5,447	5,463	5,479	5,496	5,512	5,529	5,545	5,562	5,579	5,595	5,612	5,629	5,646	5,663	5,680	5,697	5,714	5,731	5,748	5,766	5,783	166,188	
TOTAL EXPENDITURE	38,351	38,448	38,784	39,121	39,301	37,075	37,081	37,098	37,114	37,130	37,015	37,030	37,047	37,063	37,080	37,155	37,171	37,188	37,205	37,221	37,238	37,255	37,272	37,289	37,306	37,323	37,340	37,357	37,374	37,391	935,765	
NET SURPLUS / (DEFICIT) IN THE YEAR	- 12,102	- 11,832	- 11,910	- 11,987	- 11,904	- 9,413	- 9,152	- 8,898	- 8,641	- 8,381	- 2,013	- 2,279	- 2,547	- 2,817	- 3,091	- 3,369	- 3,658	- 3,961	- 4,243	- 4,525	- 4,807	- 5,089	- 5,371	- 5,653	- 5,935	- 6,217	- 6,499	- 6,781	- 7,063	- 7,345	- 7,627	
CUMULATIVE	- 12,102	- 23,933	- 35,843	- 47,830	- 59,734	- 69,147	- 78,299	- 87,197	- 95,837	- 104,218	- 102,205	- 99,926	- 97,380	- 94,562	- 91,471	- 88,104	- 84,549	- 82,106	- 79,339	- 76,279	- 72,922	- 69,264	- 65,303	- 61,036	- 56,569	- 51,932	- 47,183	- 42,324	- 37,357	- 32,182	- 26,797	
DISCOUNTED SURPLUS / (DEFICIT) IN YEAR	- 11,699	- 10,690	- 10,056	- 9,459	- 8,779	- 8,088	- 7,397	- 6,706	- 6,015	- 5,324	- 4,633	- 3,942	- 3,251	- 2,560	- 1,869	- 1,178	- 500	- 188	- 76	- 34	- 82	- 130	- 178	- 226	- 274	- 322	- 370	- 418	- 466	- 514	- 562	
CUMULATIVE	- 11,699	- 22,389	- 32,445	- 41,905	- 50,684	- 57,172	- 62,468	- 66,573	- 70,498	- 74,243	- 77,693	- 81,243	- 84,518	- 87,543	- 90,368	- 92,993	- 95,418	- 97,643	- 99,668	- 101,493	- 103,118	- 104,643	- 106,068	- 107,393	- 108,618	- 109,743	- 110,768	- 111,693	- 112,518	- 113,243	- 113,868	

**APPENDIX D**  
**COMMUNITY OWNERSHIP PRICING MODEL 30-YEAR VALUATION**  
**(OPTION B)**



West Dunbartonshire Council Pricing Model																																											
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30														
2005/06 2006/07 2007/08 2008/09 2009/10 2010/11 2011/12 2012/13 2013/14 2014/15 2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33 2033/34 2034/35																																											
£000's £																																											

**APPENDIX E**

**HRA – 30-YEAR PROJECTIONS (OPTION B – INFLATED)**

**HRA**  
**West Dunbartonshire Council**

[illegible]

## **WEST DUNBARTONSHIRE COUNCIL**

### **Report by Director of Housing and Technical Services**

**Council Meeting: 21 December 2005**

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**Subject: Community Ownership Programme - Housing Business Plan and Options Study**

#### **1. Purpose**

- 1.1** This report advises Council of comments made by interested parties on proposals relating to the Community Ownership Programme - Housing Business Plan and Options Study. It also asks Council to decide on the options identified at Section 5 of this report.

#### **2. Background**

- 2.1** Council agreed at its meeting held on 31 August 2005 to continue to a future meeting of Council the item "Community Ownership Programme – Housing Business Plan and Options Study" (a copy of this report is attached at appendix 1). It was continued to allow all interested parties sufficient time to view the proposals and submit their comments to the Council for consideration.
- 2.2** In order to provide information on this subject, 1 meeting was held for the Association of Clydebanks Residents Group, 4 for all registered tenant and resident association committee members, 3 for community organisations and 1 for trade union representatives. 18 tenant and resident associations were represented, with 87 people attending these meetings. A list of the meetings is attached at appendix 2.
- 2.3** The meetings followed a set format and started with a presentation on the key issues identified in the 31 August 2005 report to Council (appendix 1). This was followed by questions and discussion. No voting was invited since it was recognised that representatives attending did not have a mandate from their respective organisations to vote on issues arising from the presentation. All representatives were advised of the opportunity to comment individually or collectively by 16 November 2005. The Castlehill and Westcliff Action Group representatives chose to express their view at their meeting, and stated their desire for transfer to a new landlord.
- 2.4** A copy of the Council's "Housing News" was issued to all council tenants in October 2005 and a copy was also distributed to elected members. This newsletter provided tenants with 2 pages of information on the future options for the Council's housing stock and invited tenants to comment by 16 November 2005.



### **3. Main Issues**

#### **3.1** A wide range of issues were raised at the meetings which included:-

- the location of the areas proposed for transfer;
- Community Ownership Programme funding and timescales;
- the areas which would benefit from Early Action Funding;
- homelessness provision after stock transfer;
- housing debt;
- the effect of stock transfer on house owners;
- information for tenants;
- the selection of a new landlord;
- stock condition.

#### **3.2** The most frequently asked questions concerned how a new landlord would be created, what opportunities there would be to transfer stock to multiple landlords, and stock transfer voting processes.

#### **3.3** As stated at 2.3 above, tenants were not invited to vote at the meetings, however, there was an overall recognition of the need to meet the housing quality standard by 2015, the associated costs involved and the impact on rental charges. This led to a general acceptance that there was a need to transfer stock to address these issues.

#### **3.4** A letter was received from West Dunbartonshire Housing Federation which represented Dumbarton District Housing Federation and the Association of Clydebank Residents. This letter did not give its view on the proposed application to the Community Ownership Programme, but raised specific queries which primarily related to the effect of joining this programme. The Federation also felt that more consultation was required to address the issues raised.

#### **3.5** Overall 7 comments or queries were received. 3 were from elected members, 2 from individuals and 2 from registered tenant and resident associations. Generally the comments or queries sought further information or clarification of specific points rather than expressing a view on the Community Ownership Programme.

### **4. Options**

#### **4.1** The report to the 31 August 2005 Council meeting provided a partial and full transfer option. The partial transfer option identified 5020 properties to be transferred and this amounted to 41% of the current stock. This figure will not remain constant, and in fact has changed since the report was written due to house sales and demolitions.

**5. Recommendation**

**5.1 Council is asked to note this report and consider the recommendations made in the report to Council on 31 August 2005. This report asked Council to:**

- a) agree to a partial transfer of its housing stock as stated in Option B at paragraph 3.5 , or a full stock transfer as stated in Option D in paragraph 3.6 of this report;**
- b) agree to submit a bid to enter the Community Ownership Programme on the basis of Option B or D; and**
- c) agree to establishing a Community Ownership Programme Committee with delegated powers.**

**David McMillan  
Director of Housing and Technical Services  
Date: 15 December 2005**

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<b>Wards Affected:</b>	All
<b>Appendix 1:</b>	Council Meeting 31 August 2005: report - Community Ownership Programme – Housing Business Plan and Options Study”
<b>Appendix 2:</b>	Meetings - Community Ownership Programme
<b>Background Papers:</b>	None
<b>Person to Contact:</b>	Jeff Stobo, Manager of Strategy, Council Offices, Garshake Road, Dumbarton G82 3PU Tel No. 01389 737580

**APPENDIX 2****Meetings: Community Ownership Programme**

<b>Date of Meeting</b>	<b>Organisation(s)</b>
28 September 2005	The Association of Clydebank Residents (ACRG)
3 October 2005 (2 meetings)	Registered Tenant & Resident Association Committee Members – Clydebank Area
6 October 2005 (2 meetings)	Registered Tenant & Resident Association Committee Members –Dumbarton & Vale of Leven Area
7 October 2005	Trades Union Representatives
17 October 2005	Whitecrook Tenant and Resident Representatives
20 October 2005	Haldane Regeneration Group
24 October 2005	Castlehill and Westcliff Action Group

**Appendix 2**  
**Letter from Leader of the Council**



Reply to:- Council Offices, Garshake Road, Dumbarton, G82 3PU

Our Ref: AW/njb 2609  
Your Ref:

Date: 11 May 2006

## **D R A F T**

Mr Malcolm Chisholm  
Minister for Communities  
Scottish Executive  
Edinburgh

Dear Mr Chisholm,

### **Community Ownership Programme**

I am writing to you on behalf of West Dunbartonshire Council to confirm its support for our application to the Scottish Executive's Community Ownership Programme for a partial transfer involving 41% of the Council's housing stock.

The Council is committed to this stock transfer proposal and a copy of the Council minute agreeing to the transfer is included as part of the Community Ownership Programme Gateway 1 Application.

The Council has made this decision following an evaluation of the options and after consultation with our tenants. We recognise that the proposals will bring a significant contribution to area regeneration which will benefit tenants. We are confident that we can meet the Scottish Housing Quality Standard for the stock we wish to retain by 2015.

The timescales for the tenants' ballot and subsequent transfer have not been finalised with Communities Scotland but it is anticipated that the ballot for transfer will take place during the financial year 2008/09. The timetable for transfer will be agreed as part of the Gateway 1 evaluation process.

I would like to emphasise again our support for these transfer proposals and hope that you will consider our application favourably.

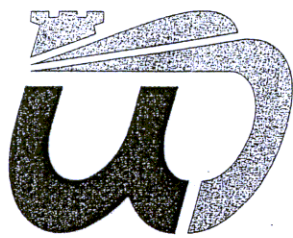
Yours sincerely

**Councillor Andy White**  
**Leader of the Council**

## **Appendix 3**

### **Tenants Newsletters**





West  
Dunbartonshire  
Council

# Housing News

January 2005

Issue 9

## A New Director for Housing & Technical Services

My name is David McMillan and, as Director of Housing and Technical Services, I would like to introduce myself to everyone.

We have been busy adapting to the new arrangements within the Council, however, for the majority of service users there has been little or no change. The new Department has responsibility for a wide range of services such as:

Anti Social Investigation  
& Support Team  
Architectural Services  
Building Cleaning  
Capital Works  
Caretaking & Concierge Services  
Catering  
Estate Management  
Grounds Maintenance  
Homelessness  
Housing Allocations  
Housing & Council Tax Benefits  
Housing Repairs & Maintenance

Internal Transport  
Leisure Services  
Maintenance of Public Buildings  
Rent Payments  
Road Safety  
Roads Maintenance  
Sold Property  
Street Cleaning  
Street Lighting  
Tenant Participation  
Traffic Management  
Warden Services  
Winter Maintenance

We are currently reviewing our operational requirements with a view to merging similar functions to generate new structural proposals which will enable the department to provide outstanding public services that will make a difference to the quality of life of residents in West Dunbartonshire.

**David McMillan**

Director of Housing and Technical Services



David McMillan



# STOP PRESS

The Scottish Executive has awarded the Council a further £500,000 for the next financial year.

West Dunbartonshire Council plans to use the cash to strengthen the Community Warden Service, and boost the number of Anti Social Investigation and Support Team (ASIST) officers.

The Council will also increase the number of staff operating the out-of-hours mobile patrol team to enable the service to be extended from Thursday to Monday, from 7pm to 3am, to seven days a week, from 5pm to 3am.

A mediation co-ordinator will also be appointed, as well as a witness/victim support officer to handle urgent cases.

The Council is also seeking to appoint a solicitor to undertake work relating to anti social behaviour.

The existing Rapid Response Environmental Team, which removes items that may pose a threat to the health and safety of residents, will now provide an out-of-hours service.

## New Standards For Housing

West Dunbartonshire Council has employed Arneil Johnston Consultants to carry out an option appraisal of its housing stock. The purpose of the option appraisal is to gather information about the housing stock and the housing service. This will include considering housing needs and demand, the condition of the housing stock, and Council budgets. The information will be used to assess how we can meet the requirements of the Scottish Housing Quality Standard (SHQS). This is a standard set by the Scottish Executive and all local authorities have to achieve this standard by 2015. The standard sets out the condition and repair that tenants can expect of council property.

We will use this information to consider a number of options for the future management and ownership of the Council's houses and how best we can meet tenants' needs and aspirations. The options to be considered include the Council continuing to be your landlord and housing transfer.

The first stage of the option appraisal is complete and we have reviewed the information with Councillors and representatives from the two tenant's federations, Dumbarton and District Housing Federation and the Association of Clydebank Residents Groups. During the study, we identified gaps in the stock condition survey when trying to compare it against the new SHQS. As a result, we have commissioned an update of our stock condition survey to take the SHQS into account. The new survey will be complete by March 2005. We will then review the options for our housing stock.

We will continue to keep you informed about the option appraisal, timescales, and how it will affect you. If you would like any further information about the stock option appraisal, please contact Michelle Oliver on 01389 737591.



## Future Options for Housing

The Council recently considered a report on the future of its housing stock. The report was based on the findings of a study undertaken by Arneil Johnston Consultants. The study established how the Council's houses can be brought up to, and maintained at, the Scottish Housing Quality Standard. This is a standard set by the Scottish Executive and all local authorities have to achieve it by 2015. The standard sets out the condition and repair that tenants can expect of their Council property. Councillors agreed to continue the report to allow interested parties to comment.

In January and February of this year, the Council employed surveyors to carry out a survey on the condition of the houses. Arneil Johnston Consultants used the results together with income and expenditure information to assess how much money is required to meet the Scottish Housing Quality Standard and what this will mean for the level of rent you pay.

Arneil Johnston's report stated that the Council cannot meet the Scottish Housing Quality Standard for all its houses by 2015 with current rent levels. The Consultants considered many options and narrowed them down to four. They are:

- retain all Council houses;
- transfer some Council houses based on whole areas;
- transfer some Council houses based on regeneration areas; or
- transfer all Council houses.

A comparison of the options for transferring some Council houses showed that the regeneration model provided the best value for money and therefore the transfer of some Council houses based on whole areas will not be considered.

## Retain all Council houses

If this option is considered, an average weekly rent of £43.84 would have to increase by £27.00 to £70.84 a week by 2015. This is how the rent increase is calculated:

Year	Rent Increase%	Actual Increase	Rent Charge
06/07	8.0%	£3.51	£47.35
07/08	8.0%	£3.79	£51.13
08/09	8.0%	£4.09	£55.23
09/10	8.0%	£4.42	£59.64
10/11	3.5%	£2.09	£61.73
11/12	3.5%	£2.16	£63.89
12/13	3.5%	£2.24	£66.13
13/14	3.5%	£2.31	£68.44
14/15	3.5%	£2.40	£70.84

## Transfer some Council houses based on regeneration areas

The transfer of some houses will involve 41% (5,020 houses) transferring to a new landlord. The areas selected for transfer are based on current or proposed regeneration areas, and are:

Estate	No. of Properties Transferring
Bellsmyre	251
Brucehill	450
Castlehill	401
Clydebank East	419
Faifley	112
Haldane	561
High Flats (Dumbarton)	415
Linnvale	2
Mountblow (Salisbury Place & Lilac Ave)	127
Radnor Park	470
Renton	207
Riverside (Alexandria)	291
Dumbarton Town Centre	132
Westcliff	290
Whitecrook	892
<b>Total</b>	<b>5,020</b>

If this option is considered, an average weekly rent of £43.84 would have to increase by £20.05 to £63.89 a week by 2015. This is how the rent increase is calculated:

Year	Rent Increase %	Actual Increase	Rent Charge
06/07	3.5%	£1.53	£45.37
07/08	5.5%	£2.50	£47.87
08/09	5.5%	£2.63	£50.50
09/10	5.0%	£2.53	£53.03
10/11	5.0%	£2.65	£55.68
11/12	3.5%	£1.95	£57.63
12/13	3.5%	£2.02	£59.65
13/14	3.5%	£2.09	£61.73
14/15	3.5%	£2.16	£63.89

If we transfer some of our houses the Scottish Executive will write off the Council's debt for the transferring properties which will be £31m. The Council will become eligible for Early Action Funding which can be used for regeneration. This should be at least £10m. Early Action Funding may be used for:-

- demolitions and new build
- environmental improvements
- buying land
- owner occupied costs linked to demolition

### Transfer all Council houses

This option would involve all of our houses being transferred to a new landlord. If a full transfer is considered an average weekly rent of £43.84 would increase by £15.91 to £59.75 a week by 2015. This is how the rent increase is calculated:

Year	Rent Increase %	Actual Increase	Rent Charge
06/07	3.5%	£1.53	£45.37
07/08	3.5%	£1.59	£46.96
08/09	3.5%	£1.64	£48.61
09/10	3.5%	£1.70	£50.31
10/11	3.5%	£1.76	£52.07
11/12	3.5%	£1.82	£53.89
12/13	3.5%	£1.89	£55.78
13/14	3.5%	£1.95	£57.73
14/15	3.5%	£2.02	£59.75

The Scottish Executive will write off the Council's housing debt which will be around £77m. This option will also allow the Council to be eligible for Early Action Funding.

The consultants indicated in their report that a transfer of some or all of the houses are the most viable options.

## Tenant Information and Consultation

Over the past year the Council has kept tenants informed of progress with the appraisal and house condition survey through its tenants' newsletter and information to individual tenants and residents associations. In October 2004 and June 2005, tenant representatives were invited to attend workshops held by the Council's Consultants Arneil Johnston. Meetings have been arranged throughout October 2005 with all tenants and residents groups and other interested parties. You also have the opportunity to express your views directly to us by emailing or writing to us at the address at the bottom of this page. We will listen to the views of tenants and feed them back to Council.

If a decision is taken to enter the Community Ownership Programme, the Council will ensure that all tenants receive independent advice and information about any proposal submitted by the new landlord. The Council will appoint an Independent Tenant Adviser if we are accepted onto the Community Ownership Programme.

The Council has still to make a decision on applying for entry to the Community Ownership Programme. The earliest date it will consider this issue will be December 2005. If the decision is made to apply to the Community Ownership Programme it will take approximately three years before tenants are asked to vote on the transfer. The houses can only transfer if tenants vote for it. The Council is at a very early stage of a process that might result in the transfer of some or all the Council's houses and tenants will be kept fully informed at every stage of the process.

You can view a copy of the report and business plan on our website [www.wdcweb.info/housing](http://www.wdcweb.info/housing) and click on 'Community Ownership Programme' or you can call Graham on 01389 737288 for a copy. If you wish to comment on the above you can either email us at [h&ts@west-dunbarton.gov.uk](mailto:h&ts@west-dunbarton.gov.uk) or write to us (no stamp required) at:

**West Dunbartonshire Council  
Strategy Section  
Housing and Technical Services  
Freepost SC06367  
Dumbarton G82 3BR**

Closing date for comments is 16<sup>th</sup> November 2005.



## Community Ownership Programme

Following consultation with tenants on the findings from a housing option appraisal report, Council agreed at its meeting held on 21 December 2005 to apply to the Community Ownership Programme (COP) for the transfer of 5020 properties (41% of the housing stock) to a new landlord. The areas selected for transfer are existing or proposed regeneration areas and are directly linked to the target data zones and the strategic regeneration objectives identified in the Community Planning Partnership Regeneration Outcome Agreement.

By applying to the COP, West Dunbartonshire Council will become eligible for funding to assist the transfer process and should tenants vote in favour of transfer, £31m of West Dunbartonshire Council housing debt will be written off.

Additional funding will also be made available to the new landlord to bring the transferring properties up to the Scottish Housing Quality Standard albeit the exact amount is subject to future negotiations. The selection of a landlord to receive the transferred stock has not been made and will not be considered until after the Council has been accepted onto the programme.

The figure of 5020 properties for transfer will not remain constant due to Council house sales and demolitions. Council has also agreed to establish a Community Ownership Committee with delegated powers to facilitate decision making and monitoring of the COP and transfer arrangements.

## Timescales

It is anticipated that Council will submit an application to the Community Ownership Programme by April 2006. Communities Scotland will take approximately 3 months to evaluate the application and West Dunbartonshire Council should know by the summer of 2006 if it has been accepted onto the programme.

Once accepted onto the programme, it will take approximately 3 years to select a new landlord and develop a business plan for the new organisation. At the end of this period tenants will be asked to vote in a secret ballot if they wish to transfer to the new organisation or remain with the Council.

## Early Action Funding

As part of the COP application, West Dunbartonshire Council will submit a bid for Early Action Funding (EAF). The EAF is a Scottish Executive grant available to Councils which gain entry onto the COP and which can be used to target specific areas of housing regeneration activity directly linked to the transfer including demolitions, new build and environmental improvements.

Bids for EAF must demonstrate how they link to the Local Housing Strategy and the Regeneration Outcome Agreement. Communities Scotland will consider every EAF application individually however other Councils accepted onto the COP have received at least £10m.

## The areas selected for transfer are:

Estate	Council Stock
Bellsmyre	251
Brucehill	450
Castlehill	401
Clydebank East	419
Faifley	112
Haldane	561
High Flats (Dumbarton)	415
Linnvale	2
Mountblow	127
Radnor Park	470
Renton	212
Riverside	286
Town Centre (Dumbarton)	132
Westcliff	290
Whitcroft	892
<b>Total</b>	<b>5020</b>

**Appendix 4**  
**Financial Appendix – Outline Business Case to Join the  
Community Ownership Programme**



## OUTLINE BUSINESS CASE TO JOIN THE COMMUNITY OWNERSHIP PROGRAMME

Council name	West Dunbartonshire Council
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## Key financial facts/projections

<b>Table A: Base Data</b>	
Base date	Apr-05
Number of houses	12,338
Average Loan debt per house	£6,457
Loan charges as a % of rental income	42.2%
Average Rent (based on 52 weeks)	£43.98

Table B: Stock Condition	
Date of stock condition survey	31/03/05
Based on:	yes
Like for like replacement	no
Local standard	no
Scottish Quality Housing standard	yes
Costs Investment identified in SCS (updated to base date)	years 1-5 years 6-10 years 11-15 years 16-20 years 21-25 years 26-30
Additional costs to meet SHOS (if applicable / known)	£127,013 £121,217 n/a

Notes 1& 2  
Note 3

Table C: Investment available through retention under prudential regime											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Capital Receipts not retained for debt repayment	£7,862	£5,922	£5,182	£4,639	£4,112	£3,509	£3,834	£3,955	£4,086	£4,220	£47,321
Prudential Borrowing	£10,567				£8,180	£11,102	£11,199	£10,712	£10,498	£9,910	£72,168
Capital from Current Revenue (CFCR)								£161	£44	£303	£508
<b>Total investment available</b>	£18,429	£5,922	£5,182	£4,639	£12,292	£14,611	£15,033	£14,828	£14,628	£14,433	£119,997
Rental policy assumed (expressed as RPI/CPI +/- X%)	RPI + 1%	RPI + 1%	RPI + 3%	RPI + 3%	RPI + 2.5%	RPI + 2.5%	RPI + 1%	RPI + 1%	RPI + 1%	RPI + 1%	RPI + 1%

Note 4

<b>Table D</b>	
Rent policy required to meet investment within 10 years under retention	RPI + 5.5%

Note 5

Note 1  
Total investment should be exclusive of VAT but include all add-ons such as prelims and fees

Note 2  
Figures should be quoted in real terms in the current year's prices (i.e. excluding future inflation)

Note 3  
This line should only be completed if the stock condition survey identified only like for like replacement costs

Note 4  
Forward projections should assume rental growth in line with local authority's assessment of rent affordability over time

Note 5  
This is the rental increase that would be required to generate enough CFRCR to meet investment programme over the first ten years under retention