

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

Housing, Environment and Economic Development Committee: 26 May 2011

Subject: Bid Submission to the Innovation and Investment Fund for New Council House Building

1. Purpose

1.1 This report seeks Committee's approval to submit a bid application to the Scottish Government's Innovation and Investment Fund to build new Council Houses.

2. Background

2.1 In 2009, the Scottish Government allocated nearly £50 million, in two rounds, of capital funding to assist 22 councils to build 2,297 units across Scotland. In 2010, a further £30 million was allocated to 22 councils to 'kick start' the development of over 1,000 homes. The selection process was competitive and offered in 2010 maximum subsidy of £30,000 per unit developed.

2.2 The draft Scottish Government Budget for 2011-12 announced a £50 million competitive funding arrangement for providing affordable housing that is intended to be divided as follows:

- £20m for Councils
- £20m for RSLs
- £10m for innovation

For Councils, maximum subsidy of £30,000 per unit will be available and work must have started on the site by the end of March 2012. Applications will be considered jointly between COSLA and the Scottish Government against a set of principles and criteria provided to all Councils (appendix 1 a&b).

2.3 There are five overarching principles that bids must demonstrate, these are:

- The Council has the ability to manage and maintain the new stock effectively
- The development is affordable at the available level of grant and proposed rent levels are affordable to the tenant
- The new homes are prioritised to contribute to meeting evidenced housing and/or regeneration need and homelessness targets

- The Council can demonstrate that it has well developed plans to ensure delivery of the proposed housing
- The proposed developments fit with the Local Housing Strategy and the number of units that are built is maximised within the resources available but not at the expense of having to compromise on design quality and quality of place

3. Main Issues

3.1 A key issue for the Council is the contribution that any build proposals make towards affordable housing targets for the West Dunbartonshire area and any new council housing must add value to the schemes set out in the Strategic Housing Investment Plan (SHIP). Due to significant changes in investment funding and subsidy for building affordable housing, it is predicted that very few RSLs within the area will be able to build new homes. It is therefore important that the Council secures funding to maintain the flow of new build affordable housing coming into the area whilst utilising available land.

3.2 It is essential that the bid for the Council to build new houses fits with and assists in meeting the Councils Strategic Priorities, Commitments, Values, Vision and Themes. If the Council is successful in building new houses, this will assist in a number of these:

- Corporate Vision
- Theme 1 Corporate Themes & Priorities 2010/14
- SOA National Outcomes 02 and 10

New Council Housing would also contribute to a number of the Housing, Environment & Economic Development Key Departmental Objectives including:

- regenerate in a properly planned, co-ordinated, inclusive and sustainable manner
- improve the mix, quantity, quality, location, access, equality and affordability of housing in West Dunbartonshire

Importantly, new Council Housing would also assist with the delivery of the Economic Development Strategy 2011-16 and contribute to job creation, local supply chains and training opportunities. The targets of the Strategy will be carefully considered when drawing up the contracts for developing the sites so that themes such as 'Improving the skills of our people and supporting them into work' can be assisted by this project.

- 3.3** A corporate approach has been adopted in looking at this bid, with all relevant Departments being represented in a working group to drive the bid forward. The process is being led by the Housing and Community Safety Division but there is a recognition that the quality of the bid and moving forward, the delivery of any resulting projects if the Council successfully secures funding is dependant on cohesive corporate working across directorates.
- 3.4** As the Council seeks to build new properties, a partial stock transfer process is also underway with the Tenants Ballot scheduled for early 2012. The properties that the Council wish to build will have a tight fit with the housing needs in the area and also instantly meet the SHQS whilst having a minimal future cost in maintaining the standard. Largely, the properties that the Council have decided to transfer are unsustainable for the Council for a number of financial reasons including meeting the SHQS but also as a number of them do not meet the future housing needs and demands of the West Dunbartonshire population.
- 3.5** It is proposed to submit a bid application to the Innovation and Investment Fund to build 75 new council houses (8 of these for sale) over the three main sub areas within the authority. An application form will be completed for each of the three sites to allow them to be individually assessed for funding as well as allowing the Scottish Government and COSLA to see the wider picture of what the Council is seeking to achieve with this project.
- 3.6** The three sites all feature in the West Dunbartonshire Council SHIP 2012/13 – 15/16 and are located in areas ranked highly as regeneration priorities.
- 3.7** The sites in question have attracted Housing Association interest in the past and have been ‘worked up’ to various stages in terms of planning permission. All three sites have had development plans drawn up and detailed in Table 1 below is the mix of type and size of accommodation proposed in the plans for the sites. It is important to note that as the process develops, the size of accommodation can be adjusted to reflect housing need in each of the areas and also special needs such as accessible accommodation.

Table 1:

| Address | No of Units | Size/Type Suggestion for Bid |
|--------------------------------|---|--|
| Granville Street, Clydebank | 24 | <ul style="list-style-type: none"> • 10 x 4apt, 5p Terrace • 10 x 3apt Cottage Flats • 4 x 2apt Cottage Flats |
| Valeview, Dumbarton | 36 (including 8 houses for sale) | <ul style="list-style-type: none"> • 10x 2apt 2p Cottage flats • 6x 3apt 4p Cottage flats • 4x 4apt 4p terrace • 8x 4apt 5p terrace • 8x 3apt 4p terrace |
| Miller Road, Vale of Leven | 15 | <ul style="list-style-type: none"> • 2x 4apt, 5p GF Flat (wheelchair) • 2x 2apt, 2p Cottage Flats • 2x 3apt, 4p Cottage Flats • 4x 3apt, 4p Cottage Flats • 5x 4apt, 5p Semi Detached |

Granville Street, Clydebank

- 3.8** This site is largely owned by the HRA although a small proportion sits within the General Fund. It is proposed that the bid application concentrates on building new Council Housing on the proportion owned by the HRA. This would allow consideration of the development or sale of the remainder of the site at a future date with any sale of the General Services land will generate a General Services capital receipt. There is no planning permission in place for this site although it is largely zoned for social housing and previously had council housing situated on the majority of the site although a small proportion sits within the Education Portfolio. Granville Street is within one of the Council's 10 Priority Regeneration Areas and providing new build affordable housing in this area would kick start regeneration of the area. In addition, Granville Street has high priority within the SHIP. There have been ongoing negotiations with a private housing developer over the possible purchase of this site over then last 3 years. There has been considerable discussion over the actual price following ground condition surveys etc and no binding missives have been signed. The site would now not be sold to a private housing developer.

Valeview, Dumbarton

- 3.9** This site is in Bellsmyre Housing Association's ownership after they purchased it from Scottish Homes for a nominal fee of £1. It has detailed planning consent although the Planning Committee would need to approve any new layout and make a decision on any proposed changes. Bellsmyre Housing Association did not pursue developing on this site as they were unable to establish a workable funding package. Positive initial discussions have taken place with Bellsmyre Housing Association over the transfer of the site. Further consideration will require to be given to the details of the terms of the partnership arrangement to be put in place. Bellsmyre is also a regeneration area and the area would benefit greatly from new build affordable housing. Bellsmyre is the highest priority areas within the SHIP.

Miller Road, Vale of Leven

- 3.10** This site is owned largely by the Council and held in the HRA. There are 3 closes of 6 flats each that are in the process of being demolished. Cube Housing Association previously approached the Council to buy this site and assisted in re-housing all 18 tenants including purchasing one flat from an owner occupier in the building. The Association was also responsible for all Home Loss and Disturbance Costs resulting from this process. Agreement will require to be reached with Cube HA over the transfer of the flat in their ownership and possibly a further small land interest on Miller Place. In initial discussions, Cube has been very supportive of the proposal to build council housing on this site. The flats here have been empty for nearly two years now and rental income lost as Cube Housing Association can no longer afford to acquire the site due to the changing financial situation. This site does not have planning permission although it is zoned for social housing. As with the previous 2 sites, Haldane is a regeneration area and has priority within the SHIP.

4. People Implications

- 4.1 As referred to at point 3.3, a corporate approach had been adopted in this process. Following any successful bid, this would continue and resources would therefore be required from a number of Sections across the Council.

5. Financial Implications

- 5.1 The present proposals are estimated to cost between £5.445m and £7.695m, depending on subsidy status as detailed in Table 2 below. Further detailed work will be done on this costing before submitting the application.

- 5.2 The estimated maximum subsidy from Scottish Government is calculated as follows:

- 75 x £30,000 (per unit) = £2,250,000

This can be broken down by scheme:

- Granville Street 24 x £30,000 = £720,000
- Valeview Terrace 36 x £30,000 = £1,080,000
- Miller Road 15 x £30,000 = £450,000

- 5.3 The Council will contribute to the building of new Council houses through the HRA. The approximate borrowing and repayments costs for 75 units are detailed in the table below. These are based on £113,000 per unit build cost for Miller Road (as the Housing Association historically involved had more approximate figures for this individual development) and £100,000 per unit build cost for Granville Street and Valeview Terrace (which is the average figure currently used for calculation purposes).

Table 2:

| Site | Subsidy Status | Total Cost of Build | Av Annual Loan Charges | Loan Charges over 60 yrs | Av Annual Loan Charges | Loan Charges over 60 yrs |
|------------------------------|----------------|---------------------|------------------------|--------------------------|------------------------|--------------------------|
| Granville St & Valeview Terr | Full | £4,200,000 | £268,520 | £16,110,129 | £4,475 | £268,502 |
| | None | £6,000,000 | £383,575 | £23,014,470 | £6,393 | £383,575 |
| Miller Road | Full | £1,245,000 | £79,592 | £4,775,503 | £5,306 | £318,367 |
| | None | £1,695,000 | £108,360 | £6,501,588 | £7,224 | £433,439 |
| Totals | Full | £5,445,000 | £348,094 | £20,885,632 | £4,641 | £278,475 |
| | None | £7,695,000 | £491,934 | £29,516,058 | £6,559 | £393,547 |

5.4 It is important to note that from the 36 units planned at Valeview Terrace, Dumbarton, 8 will be for sale to owner occupiers on the open market. The current average house price for West Dunbartonshire is £105,379. By the time the properties are due off site and ready for sale, it is forecast that this average price will have increased. At this time the figures detailed in Table 2 above do not include any potential capital receipt which may be anticipated from the sale of properties at Valeview Terrace.

5.5 Further work will be carried out to assess the level and impact of rents in order to provide an accurate forecast of the rent levels that require to be charged. At the moment Council rents are lower than those of RSLs operating in the area, weekly rents are the 7th lowest in Scotland and are around £2.50 below the Scottish National Average. Rent restructuring has provided West Dunbartonshire Council tenants with a simpler, fairer and more realistic rent model. As well as having the effect of reducing the number of different rent levels, by 2012/13 it will bring rents more into line with national and local averages. Table 3 below outlines the average weekly rent for 3 apartment properties of the RSLs operating in the areas of the 3 proposed sites:

Table 3:

| RSL | Av Weekly Rent – 3apt |
|---------------|------------------------------|
| Bellsmyre HA | £66.18 |
| Clydebank HA | £57.70 |
| Cube HA | £69.04 |
| Dunbritton HA | £68.91 |
| Trafalgar HA | £56.79 |

The Council can expect to charge similar rents in the future when the new rent structure is fully implemented.

5.6 Rent levels are likely to be consistent with these levels for any new build Council homes, however new build properties will be more energy efficient and provide savings to those living in them. All new build homes need to be as energy efficient and low carbon as possible. New Energy Standards came into force in October 2010 as well as the Housing Policy Papers commitment to energy efficiency across all tenures. The Council will commit to incorporating good practice energy efficiency standards within any Contract for building the properties.

5.7 It should be noted that if the Scottish Government funding is not secured, the proposed council house build programme will have to be re-assessed, as it may not be viable to proceed in the absence of subsidy.

5.8 In respect of the site at Granville Street, anticipated capital receipts related to the disposal of this site have been included within overall available resources in both the HRA and General Services Capital Programme in 2011/12. Therefore, if agreed, financial adjustments will be made in both accounts in recognitions that the HRA site will now not be sold to a private housing

developer, and that the sale of the General Services site is unlikely to occur in 2011/12.

5.9 If successful in securing funding and the Council proceeds to commence with new build on or before 1st April 2012, any preparatory capital works can be accommodated through the contingency fund of the HRA Capital Programme.

5.10 Whilst the cumulative value of all sites is in excess of £3.9 million (the threshold for European Procurement) because these are works contracts with each one driven by its own unrelated requirement, it is believed that less onerous domestic procurement arrangements will best accommodate the tight timescales.

6. Risk Analysis

6.1 There is a risk that failure to secure grant from the Innovation and Investment fund will severely hinder the development of new affordable housing in West Dunbartonshire. This will ultimately affect already stressed waiting lists and those in the greatest housing need.

7. Equalities, Health & Human Rights Impact Assessment (EIA)

7.1 No significant issues were identified in a screening for potential equality impact of this report. In progressing any future development arising from this bid process, full cognisance will be taken of the need to consider equalities issues in the design, delivery and occupation of any housing.

8. Conclusions and Recommendations

8.1 The changing economic environment has impacted significantly on direct grant funding available to registered social landlords to support affordable housing investment. This has created an environment for local authorities to consider its role as developer as well as enabler as supporting the delivery of affordable housing.

8.2 An opportunity exists for this Council to bid for grant funding to support direct investment in new Council housing in support of the Council's vision and strategic aims. Based on the work undertaken by Officer viable options have been identified to support a bid to the Innovation and Investment Fund and potentially secure 75 new Council homes for rent.

8.3 It is recommended that the Committee:

- (i) approves the content of the proposals to be submitted to the Scottish Government; and
- (ii) note that a further report will be submitted to Committee to advise on the outcome of the submission and advising of any further steps to be taken.

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Date: 20 May 2011

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Appendices: Appendix 1 a&b: Innovation & Investment Fund – New Council House Building, Bid Application Form

Background Papers:

Wards Affected: All