

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Housing, Environmental and Economic Development

Council: 25 June 2008

Subject: Draft Standard Delivery Plan

1. Purpose

1.1 This report advises Council of the issues raised in the Draft Standard Delivery Plan (appendix 1) and seeks in principle agreement to progress the development of the recommended option for the future viability of the Council's housing stock. It also asks Council if it wishes all regeneration areas to be added to the recommended option and seeks approval to consult on this plan and report back to the October Council meeting.

2. Background

2.1 In February 2004, the Scottish Executive introduced the Scottish Housing Quality Standard (SHQS) and requested all councils to produce a Standard Delivery Plan to demonstrate how they would meet this standard for all their housing stock by the year 2015.

2.2 The Scottish Housing Quality Standard requires that all stock must:

- meet the Tolerable Standard
- be free from serious disrepair
- be energy efficient
- be equipped with modern facilities and services
- be healthy safe and secure

2.3 The Council submitted an SDP and an application to join the Community Ownership Programme in 2006, however, Communities Scotland in assessing the plan asked the Council to re-examine the options for meeting the SHQS for all of its stock by 2015.

2.4 In order to re-examine the Plan, consultants were employed to undertake a Housing Needs and Supply Study, prepare an Asset Management Plan and a revised SDP. The Asset Management Plan is included in the Standard Delivery Plan at appendix 1, and the Housing Needs and Supply Study will be reported to the next meeting of the Housing Environment and Economic Development Committee.

2.5 Regular contact has been maintained with the Housing and Regeneration Division of the Scottish Government (formerly Communities Scotland) in developing the SDP and Elected Members were invited to a briefing on this plan presented by the consultants on 2 June 2008.

2.6 The Draft Standard Delivery Plan has been built on the work undertaken on the Asset Management Plan and Housing Needs and Supply Study with outputs from the Asset Management Plan providing key data for the SDP. Elected Members were invited to a briefing on the Asset Management Plan held on 17 March 2008.

2.7 The outputs from these plans inform the options identified in the Draft SDP and will assist in the development of a comprehensive and sustainable strategy for the stock with a 30 year business plan.

2.8 The clear focus of this Draft SDP is on how the Council can meet the SHQS, and is not linked to the Community Ownership Programme which is no longer available to councils. In view of this, the option of a full stock transfer has not been explored.

3. Main Issues

3.1 The Draft SDP uses a stock figure of 11,670 dwellings comprising a range of houses types. 48% of the stock is identified as being of a non traditional construction type and includes 26 multi storey blocks.

3.2 88.1% of the Council's housing stock currently fails on one element or more of the SHQS, while the remaining 11.9% will fail between now and 2015 unless there is sufficient investment in them.

3.3 The cost of bringing these properties up to the standard and preventing them from deteriorating below the standard up to 2015/16 is £51.582M. Additional costs for programmed renewals and improvements will take this figure to £88.884M in the same period of time. In terms of investment there would be a cumulative shortfall of £62m at year 2014/15.

3.4 Section 6 of the Draft SDP shows that the Council cannot meet and maintain properties to the SHQS on the basis of current business plans and assumptions and with rent increases restricted to the Retail Price Index (RPI) + 1%.

3.5 A rental increase of 10% (RPI + 7.5%) would be needed in years 2-5 of the business plan followed by 3.5% (RPI + 1%) in years 6-15 and 2.5% (RPI) thereafter. These figures assume RPI to be 2.5%.

3.6 Based on the figures shown above, it is the view of the consultants that the Council cannot meet and maintain the SHQS under the current Housing Revenue Account stock structure with rents remaining at affordable levels.

3.7 In considering how to meet the SHQS by 2015, the Asset Management Plan provides essential information to inform this process.

3.8 The Asset Management Plan considered whether, in terms of demand, voids, current performance costs and future investment costs the stock was:

- the best stock (32%)
- requiring further investigation (52%)
- key risk stock in relation to demand, current cost and future investment requirements (17%)

3.9 Decisions made about the future of the stock will influence the requirement for investment and the resources available to invest. It is therefore essential that investment is directed towards stock which is considered to be viable in the long term. In order to achieve viability the following is required:

- restructuring/disposal of low demand stock
- ensuring that stock is in the right areas and of the right type to promote sustainable communities
- rents being kept at affordable levels
- stock being kept in good repair and modernized
- stock meeting and maintaining the SHQS

3.10 Section 9 of the Draft SDP provides 6 options for meeting the SHQS and establishing a thirty year investment strategy. The methodology for using the categories below is shown in Section 7 of the Draft SDP and also in the attached Asset Management Plan. In summary the options are:

3.10.1 Option 1 - Demolition of Key Risk Stock

This would involve demolishing 1,096 houses at a cost to the Council of approximately £5m. There is no debt write off in this option therefore the debt of approximately £7,000 per house would continue to be serviced by the remaining tenants after demolition. The rent increase required in years 3-6 would be RPI + 8%. In years 7-10 it would be RPI +1% and thereafter RPI.

3.10.2 Option 2 - Demolition of Key Risk and Top Score Stock

This would involve demolishing 2,070 houses at a cost to the Council of approximately £9.2m. There is no debt write off in this option therefore the debt of approximately £7,000 per house would continue to be serviced by the remaining tenants after demolition. The rent increase required in years 3-6 would be RPI + 8%. In years 7-10 it would be RPI+ 1% and thereafter RPI.

3.10.3 Option 3 -Transfer of Key Risk and Top Score Stock

This would involve transferring 2,070 houses at a cost to the Council of approximately £860,000. There would be debt write off provided that it was transferred to a registered social landlord as part of a strategic plan. The rent increase required in years 3-6 would be RPI + 4% and RPI+ 1% and thereafter.

3.10.4 Option 4 -Transfer of Key Risk, Top Score and Low Demand Stock

This would involve transferring 2,127 houses at a cost to the Council of approximately £884,000. There would be debt write off provided that it was transferred to a registered social landlord as part of a strategic plan. The rent increase required in years 3-6 would be RPI + 4% and RPI + 1% thereafter.

3.10.5 Option 5 - Same as 3.10.4 with the addition of Stock with High Current and High Future Investment Costs

This would involve transferring 30% of the stock (3,522 houses) at a cost to the Council of approximately £1.465M. There would be debt write off provided that it was transferred to a registered social landlord as part of a strategic plan. The rent increase required in years 3-6 would be RPI + 3% and RPI + 1% thereafter.

3.10.6 Option 6 - Same as 3.10.4 with the addition of Stock with High Future Investment Costs

This would involve transferring 4,366 houses at a cost to the Council of approximately £1.816M. There would be debt write off provided that it was transferred to a registered social landlord as part of a strategic plan. The rent increase required in years 3-4 would be RPI + 4% and RPI + 3% in year 5. Thereafter it would be RPI + 1%.

3.11 Section 10 of the Draft SDP focuses on the development of a Plan which builds upon the delivery model (Option 5), and which offers the most appropriate route towards viability.

The properties within Option 5 relate to the methodology of the Asset Management Plan and reflect a strategic assessment of requirements. In applying this methodology there are 1,842 properties within the 10 regeneration areas agreed by Council on 26 March 2008 (appendix 2) which are not included in this option. The addition of these properties to Option 5 would result in 46% of the stock being considered for transfer to another landlord. Council may wish to decide if they want all Council stock within these regeneration areas to be added to Option 5 and re-calculated. Officers are also currently reviewing the properties included in this option. It is therefore anticipated that there could be amendments to the stock identified through the Asset Management Plan. As a result, a re-calculation of this option will be required to ensure viability, and this will be reported to Council. In all instances it will be essential to ensure that all properties identified for transfer are within a clear strategic framework and that the remaining stock can be brought to the SHQS by 2015.

3.12 Consultation with Registered Tenant and Resident Organisations (RTOs) and Trades Unions on the key issues of the Standard Delivery Plan and the preferred option of Council will be undertaken and reported to Council in October 2008. Where there is no RTO representation Community Organisations with Council tenant representatives will be consulted wherever possible. The focus of this consultation will be on the principles and issues surrounding the need to meet the SHQS and ensuring the viability of the stock. This consultation will therefore not include the identification of stock which may be included in the preferred option.

4. Personnel Issues

4.1 There will be issues for staff if the Council decides to adopt option 5, or through any other route which will see a significant reduction in stock through demolition or stock transfer. These issues will be addressed after the Council has decided on its preferred option and agrees the Standard Delivery Plan to be submitted to the Scottish Government. In the meantime the appropriate Trades Unions will be consulted on the principles of the Draft SDP.

4.2 There will be a need to assess the capacity of departments to deliver the preferred option once it has been agreed by Council.

5. Financial Implications

5.1 The Draft SDP provides details of the financial implication for Council if it chooses to retain all of its stock. It also lays out costs for the 6 options stated within the document.

5.2 Option 5 in the Draft SDP is considered to be the most viable and provides the opportunity to seek debt write off for its transferring stock. In the absence of the Community Ownership Programme there are costs for the Council in transferring stock.

6. Risk Analysis

6.1 Paragraphs 10.5 -10.8 of the Draft SDP provide a full risk analysis which includes:

- there are no Scottish Government resources available to support stock transfers and the administration of transfer
- option 5 assumes that there will be 100% debt write off for the stock proposed for transfer
- it remains to be established if registered social landlords will be interested in taking over the stock for disposal if funding opportunities are limited

7. Conclusion

- 7.1** The Draft Standard Delivery Plan provides a comprehensive analysis of how the council can ensure that its stock meets the Scottish Housing Quality Standard by 2015.
- 7.2** It states that it is not possible to cost effectively deliver the SHQS based on current costs and stock structure. It also identifies options for Council's consideration and the issues which will have to be addressed to meet the SHQS and have a robust 30 year business plan.
- 7.3** There is scope to amend the stock to be included in the recommended option provided that it is part of an overall strategic plan for the future of the Council's housing stock. It should be noted that a re-calculation of the financial impact of any change to the base figures will be required to identify how the SHQS will be met by 2015.

8. Recommendation

8.1 Council is asked to:

8.1.1 Give in principle agreement to the development of option 5 as stated in Section 10 of the Standard Delivery Plan.

8.1.2 Decide if it wishes all Council stock within regeneration areas, as specified at the Council meeting of 26 March 2008, to be added to Option 5 and for the impact of any additions to this option to be reported to Council.

8.1.3 Agree to the consultation process identified at paragraph 3.12 above.

8.1.4 Agree to consider a final Standard Delivery Plan for submission to the Scottish Government at the October 2008 Council meeting.

Elaine Melrose

Executive Director of Housing, Environmental and Economic Development

Date: 12 June 2008

Person to Contact: Jeff Stobo - Manager of Strategy, Garshake Road, Dumbarton, G82 3PU, telephone: 01389 737580.
jeff.stobo@west-dunbarton.gov.uk

Appendices: Appendix 1: Draft Standard Delivery Plan 2008
Appendix 2: Regeneration Areas

Background Papers: Council 26 March 2008: Priority Regeneration Areas

Wards Affected: All