
Report to Housing Health and Care Committee

Date of Meeting: 29 October 2013

Subject: Housing Development Update (SHIP)

Report by: Director of Services to Communities

1.0 Purpose

- 1.1. This report comments on progress with the Strategic Housing Investment Plan (SHIP) and the Strategic Local Programme (SLP), approved by Council at its meeting on 27th June 2013 and then submitted to the Scottish Government. These set out investment priorities and the programme over the next five years to achieve the Clackmannanshire Housing Strategy outcomes.

2.0 Recommendations

- 2.1. It is recommended that Committee,
- 2.1.1. Note the report, including the increase in subsidy allocated and amendments to the programme contained in the report,
- 2.1.2. Support the search for additional priority development sites from the shadow programme,
- 2.1.3. Support the continued search for additional RSL partner(s) to help deliver the Strategic Local Programme.

3.0 Background

- 3.1 The SHIP sets out the Council's overall plans for delivering additional affordable housing, whilst the SLP lists opportunities identified to deliver the Affordable Housing Supply Programme (AHSP) grant funding received from the Scottish Government.
- 3.2 The SLP includes identified resources from the Council and potential RSL partners required to support the AHSP.

4.0 Update on Funding

- 4.1. The Scottish Government has increased the funding available for new affordable housing over the last year. At the point of submitting the approved SHIP in June, the AHSP allocation had increased three times since the

previous SLP was submitted in 2012, bringing the total 'new money' allocation for affordable housing up to March 2015 to £2.675 million.

- 4.2. On 8 July 2013, notification was received from the Scottish Government that, as a result of a national review of subsidy rates and affordability of social rents, there had been an immediate increase of £16,000 per unit in the subsidy benchmark levels. This means that the revised benchmarks for newbuild social rented units in Clackmannanshire are £46k per unit for Council and £58k for Registered Social Landlords, with an additional £4k if 'greener' homes are to be built (these must meet Silver Level under the 2011 Building Regulations). Although benchmarks are higher there is still an expectation that Scottish Government subsidy should be minimised.
- 4.3. To allow forward planning to 2017/18, the Scottish Government had set out provisional minimum annual Resource Planning Assumptions (RPA) for Clackmannanshire. To take account of the increased subsidy levels, an additional £474k had been added to the RPA for 2013/15. On 1st October 2013 the Scottish Government announced one further addition to funding of £352,000 taking the 2013/15 total to £3.501m. The Service will work to accommodate this very recent change to programme, however for now the SLP is based upon funding as stated in the SLP submitted in June, taking the total assumed allocation to March 2018 up to £6.352 million, as follows:

2013/15	£3.501 million
2015/16	£1.245 million
2016/17	£0.955 million
2017/18	£0.651 million
Total	£6.352 million

5.0 Update on Strategic Local Programme (SLP) Sites

- 5.1. The programme (appendix 1) submitted to the Government in June has been amended to take into account the new subsidy levels, except of course that only announced in October 2013. It is essential that the Scottish Government funding allocated to Clackmannanshire for affordable housing is spent, otherwise it will be lost to the area. The Government has already asked that additional sites be brought into years 1 and 2, to ensure maximum spend and unit delivery is achieved. Progress is outlined below.

Primrose Street, Alloa

- 5.2. Members will be aware that this site occupies a prime position in Alloa town centre. Its redevelopment for housing (with or without retail) would bring a number of benefits to the town centre beyond meeting housing needs. Unfortunately a bid for additional funding from the Scottish Government's Regeneration Fund was unsuccessful. The developer still intends to submit for planning approval a mixed retail and residential scheme. The scheme will only progress if the developer can sell, or identify tenants for the retail units, with the residential units (around 47) purchased by a third party for rent or sale.

- 5.3. The SLP identifies this site for RSL development and £2.1m of grant funding is attached to the scheme to provide 60 affordable housing units. As yet, no RSL has expressed willingness to be involved in the project.
- 5.4. Given the uncertainty surrounding this site and the requirement to spend the grant allocated and meet the unit target, it is intended to bring forward other schemes as alternatives to pick up the grant funding allocated to this site.

Alloa Road, Tullibody (Tullis)

- 5.5. This site was included in the SLP shadow programme and is Council owned. The SHIP notes that 50 affordable units can be accommodated on this site and that it was subject to a 'capital stimulus initiative' procurement process approved at Council March 2012. The potential which the site offers remains a key consideration including the opportunity to include an RSL in the development process for part of the site. This final proposal will remain a consideration for engagement with a future external development partner and this will be set out in a future Council paper.

Tillicoultry Community Centre

- 5.6. This site, in Council ownership and identified in the SLP for development in year four, was also included in the above 'capital stimulus initiative' alongside the Tullis and Alva school sites. Once again the future of this site will require to be the subject of a forthcoming Council paper. In the event that Primrose Street or the Tullis site do not progress, this project could present an opportunity for mixed use development and access some of the available grant funding.

The Shore, Alloa

- 5.7. This site is also identified in the shadow programme. A private developer is about to submit a planning application to develop land next to the site owned by the Council, and indicated a willingness to work in partnership. Again it would be intended to consider this site as an alternative should development of Primrose Street not prove possible in the required timescale.

Pension Fund Development (Earlsfield)

- 5.8. There is a growing interest in affordable housing from Pension Fund holders. The Council has been made aware of opportunities regarding an innovative funding and delivery mechanism for new housing, which could help unlock stalled private owned sites such as Earlsfield, Alloa.
- 5.9. Following meetings with the Government and the Scottish Futures Trust, it is clear that other councils are working on similar schemes and that further independent external financial advice is required before this scheme can be progressed. Further work is also required to develop the tendering mechanism which would be employed to select a partner. Given the issues identified are common to any local authority seeking to be involved in such a scheme, it is hoped that all such advice can be co-ordinated and appraised by Government or by a number of local authorities working in partnership. A further meeting is to be arranged with Government (through the Association of Local Authority Chief Housing Officers (ALACHO)) in December, which will bring together local authorities and RSL partners to identify where shared

approaches to such initiatives can provide greater benefits. As such, this initiative will not be progressed further until after this meeting.

RSL Partner and HRA contribution

- 5.10. As reported in June, the delivery of the SLP currently relies on funding from the Housing Revenue Account (HRA). The funding identified for newbuild in the HRA Business Plan is £1.25 million per year, amounting to £6.25 million over the 5 year programme. The HRA cannot afford to support the entire Programme and an RSL partner will be needed to maximise the units. This is supported in the Government Guidance on the SHIP which asks for a balanced investment portfolio which includes RSL and private sector investment.
- 5.11. Ochil View Housing Association (OVHA) had been identified previously as the Council's preferred developer but withdrew from active development when the subsidy framework changed in 2012. OVHA is considering the potential for future development now that subsidy rates have increased. However, its development capacity is limited. OVHA owns a potential future development site at Elm Grove, Alloa (40 units) which appears in the SLP's 'shadow programme' of standby sites.
- 5.12. Whilst discussions with OVHA regarding future development opportunities are ongoing, it has become clear that involvement of RSLs new to Clackmannanshire would be beneficial to ensure a proactive approach is taken by partners to identifying sites and meeting SHIP targets. Early discussions have identified interest from one large RSL based in a neighbouring authority and others will be contacted to ensure that there is always an active developing RSL in the area.

6.0 Property Acquisitions

- 6.1. There are currently two parallel initiatives ongoing to acquire properties from the open market. Firstly, there is the part government grant supported acquisitions, with the remaining funds coming from the Housing Revenue Account (HRA). These properties are added to the main housing stock for re-let to people on the housing list.
- 6.2. The second initiative is the acquisition of properties funded entirely by the General Fund, without subsidy. These properties are added to the pool of temporary accommodation in order to minimise the use of bed & breakfast establishments for homeless clients.
- 6.3. Progress against each venture is set out below.

Property Acquisitions: HRA

- 6.4. It was agreed that 40 units should be acquired from the open market up to 31st March 2015. There are 6 confirmed acquisitions (4 x 2 bed; 2 x 1 bed), 4 in Sauchie, 1 in Tillicoultry and 1 in Alloa. A further 7 are under offer, including properties in Alloa, Tillicoultry and Tullibody. A number of surveys have also been instructed and the intention is that 20 units will be acquired prior to the year end.

- 6.5. The SLP programme estimated average acquisition and upgrade costs of approximately £55k per unit. Actual costs are nearer £66k per unit. The average purchase price is £60,500, with £4,500 repairs and upgrade costs, and fees of £500. The average grant funding expected is to be in the region of £25K, leaving a total cost to the HRA of £41K.

Property Acquisitions: General Fund

- 6.6. The acquisition of properties for temporary accommodation (following the approved General Fund Business Case) has resulted in 17 properties purchased to date, with 3 further being finalised and 2 pending survey. At the time of writing this report, 13 of the 17 were let, the remainder are in the process of letting. It is intended that 50 units will be acquired this financial year.
- 6.7. The average acquisition price for these has been around £45,000 (the majority of purchases have been smaller flats) and properties are located in all main settlements in Clackmannanshire. The estimated works costs are £4,500, bringing total costs along with fees to £50,000.
- 6.8. Comparison of these costs with recent Council and RSL new build developments shows the following:

Site	Units	Cost/unit	Notes
Hallpark	27 (plus 1 office)	£69,390	Excludes demolition, design and site acquisition
Alva refurb	4	£ 115,974	Excludes site acquisition
Alva new build	5	£82,482	Excludes site acquisition
Tullibody	16	£70,600	Excludes site acquisition
RSL	16	£115,373	
Off The Shelf	5	£66,000	HRA only

- 6.9. It can be seen that off the shelf purchase is cheaper than new build, but only marginally so than the HRA acquisitions in some cases. Off the shelf purchase has the advantage of bringing the properties into use quicker, and development risk is eliminated. The disadvantage is that long-term maintenance costs are less certain and may be higher over the next 30 years compared with a new build.

7.0 Update on other Housing Developments

Working with Social Services

- 7.1. Discussions with colleagues in Social Services has identified some potential areas for joint working that could achieve better services for clients and savings for the Council. This would require widening the scope of the off the shelf acquisition programme to meet the needs of clients. Discussions to date have revealed the need for a more secure type of accommodation that, in one case, was costing £132,000 per year in an external placement (now met within the housing stock) and, in another case, a 24 hour care package for one person costing £92,000 where this package might be shared with others in a different accommodation setting. Senior officers from the services are to meet regularly to identify where capital budgets and refurbishment programmes can be diverted to meet the needs of clients with high cost care

packages and / or out of region placements. Options for income generation will also be explored.

- 7.2. Where viable projects are identified that provide savings and service improvement, officers will jointly construct a Business Case and feasibility study, including options for funding, which would be reported as part of the Council's wider budget update process.

National Housing Trust (NHT), The Glen, Coalsnaughton

- 7.3. Work has started on site by Hadden Construction Ltd to build 28 'Mid Market Rent' houses on this privately owned site in Coalsnaughton. A Limited Liability Partnership has been set up involving the developer, the Council and the Scottish Futures Trust and this will oversee the development which utilises the £2.9 million contribution from the Council's General Fund, underwritten by the Scottish Government.
- 7.4. The Council has registered an interest in Phase 3 of the National Housing Trust scheme and further details are awaited.

Greener Homes, Former Alva Academy

- 7.5. The Council has now approved the land for sale at Queen Street, Alva, to the developer Tigh Grian Ltd. The developer, who secured £2.268 million of Scottish Government grant-funding for the project through the Greener Home Innovation Scheme, is working with Link and Paragon Housing Associations to deliver 48 highly energy efficient units (16 x1 bed; 24 x2 bed; 8 x 3 bed). The Council will have 100% nomination rights in perpetuity. Planning permission was granted on 12 September.

Empty Homes Initiative

- 7.6. The recently appointed Empty Homes Officer, shared with Falkirk and Stirling Councils, has delivered the first private sector long term empty property back into residential use. The officer worked with the owner of the 2 bedroom flat in Alloa, empty for over 2 years, to get it on the market and sold.
- 7.7. A further 25 owners are currently engaging with the officer, who has developed a wide range of information and advice, as well as practical assistance, such as discounts on DIY supplies and the 'Matchmaker Scheme', to match potential buyers with sellers of empty properties.
- 7.8. The proposal, which successfully obtained £75,000 funding from the Scottish Government's Empty Homes Loan Fund, has not so far proved popular with empty homes owners. The scheme aims to bring one bedroom properties back into use for private renting to young, single homeless people. Neighbouring Councils are experiencing similar problems. Work continues to target eligible properties and owners, but consideration is also being given to amending the scheme, subject to Government approval, to utilise the funding allocated. The priority is to bring 10 long term empty private sector properties back into use.

Local Authority Mortgage Scheme (LAMS)

7.9. The Lloyds Bank has currently put LAMS on hold pending further details on the Westminster Government's Help to Buy Guarantee Scheme, due to be launched in England in January 2014.

8.0 Development Programme Risks

8.1. Risks associated with the delivery of the SLP include;

- Lack of RSL partners able to meet grant targets. Officers are currently in discussion with RSLs and aim to select partners with strong development records, which will be confirmed by the Government's Investment Division.
- Timely delivery of the units approved in the SLP is essential to maximise the amount of Government funding attributed to the Council. Slippage and under achievement could mean that the Council's allocation is reduced and that reputation in respect of delivering results is damaged (which could impact on future monies). The programme is being over committed to ensure spend is achieved.
- Unit costs at this early stage are indicative and based upon known prices of recent developments and tenders. Costs may increase depending on individual site conditions. For property acquisitions, projections have been based on average figures from properties purchased to date. There is a risk that there will not be enough suitable properties on the market to complete the 40 units projected in the SLP. In this case officers will liaise with the Government to divert funding to one of the potential slippage projects identified.
- All sites in the plan are assessed against a range of criteria including 'deliverability' and could be subject to change. There is a risk that the sites identified will slip because of technical issues. In this instance, a site from the shadow programme also contained in Appendix 1, will be brought forward to ensure that the number of units agreed in the SLP is delivered.
- Work with the private sector, where land or future investment are not entirely within Council control, will be fully assessed for legal and financial risk as projects progress.

9.0 Sustainability Implications

9.1. The supply of new, energy efficient affordable housing helps with the Council's commitment to reduce carbon emissions. The project at Alva will provide 48 carbon zero homes to gold energy standards. Every attempt will be made to negotiate enhanced home energy standards with prospective developers for all new affordable homes. The Council will also pursue the inclusion of renewable technology where feasible in the developments it supports.

9.2. Overall the delivery of more affordable housing is central to the sustainability of a thriving and vibrant Clackmannanshire.

10.0 Resource Implications

10.1. Financial Details

The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes

10.2. Finance have been consulted and have agreed the financial implications as set out in the report.

Yes

10.3. The funding for affordable housing is set out in the Strategic Local Programme (appendix 1). This shows the Affordable Housing Supply Programme allocation from the Scottish Government, which is £6 million over 5 years:

2012/15	£3.149 million
2015/16	£1.245 million
2016/17	£0.955 million
2017/18	£0.651 million

The allocation for future years is indicative at the moment and are likely to increase once annual budgets are confirmed.

10.4. In addition, the SLP assumes an HRA contribution of £6.25m from 2013 to 2018 (£1.25 million per annum), approved in the HRA Capital Plan approved by Council in February 2013. The SLP identifies a higher contribution of £7.596m which, over the life of the plan, is anticipated will be reduced by a RSL becoming involved.

10.5. Staffing

There are no direct staffing implications and all are assumed within existing resources. Any additional staffing required for the developments will be included in the direct project costs.

11.0 Exempt Reports

11.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

12.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

- | | |
|--|-------------------------------------|
| The area has a positive image and attracts people and businesses | <input checked="" type="checkbox"/> |
| Our communities are more cohesive and inclusive | <input checked="" type="checkbox"/> |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/> |
| Our communities are safer | <input checked="" type="checkbox"/> |
| Vulnerable people and families are supported | <input checked="" type="checkbox"/> |
| Substance misuse and its effects are reduced | <input type="checkbox"/> |

- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail)

The SHIP helps to deliver the priorities identified in Clackmannanshire's Housing Strategy 2012-17, approved by Council on 20 December 2012.

13.0 Equalities Impact

13.1. Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

14.0 Legality

14.1. It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

15.0 Appendices

15.1. Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1: Summary Strategic Local Programme 2013- 2018.

16.0 Background Papers

16.1. Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

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STRATEGIC LOCAL PROGRAMME 2013-2018 : MAIN PROGRAMME
Appendix 1

Site		Tenure			Start year					Completions year					Unit Cost £000	Grant/ Unit £000	HRA cost/ unit £000	RSL cost/ unit £000	Total Grant £m	Total HRA £m	Total HRA & Grant £m
		Soc Rent	MMR /LCO	Tot	13/ 14	14/ 15	15/ 16	16/ 17	17/ 18	13/ 14	14/ 15	15/ 16	16/ 17	17/ 18							
Years 1 and 2 2013/14 - 2014/15 Assumed Govt funding available £3.149m See sites # earmarked for slippage for years 1 and 2																					
Property Acquisitions	C	40		40	20	20				20	20				66	25	41	0	1.000	1.640	2.640
Primrose St, Alloa (Co-op) (H01)	RSL	60		60		60					60				75	42	0	33	1.260	0	1.260
Fairfield, Sauchie (H20)	C	19		19		19					19				120	46	74	0	0.874	1.406	2.280
Total yrs 1+2		88		88	20	68	0	0	0	20	68	0	0	0					3.134	3.046	6.180
Year 3 2015/16 Assumed Govt funding available £1.245m																					
Primrose St, Alloa(H01)	C	30		30			30								75	30	45	0	0.900	1.350	2.250
Earlsfield Alloa (H09 & 10)	D/C +	25		25			25								110	20	0	0	0.500	0	0.500
Earlsfield Alloa	D/C +		25	25			25								110	0	0	0	0	0	0
Totals yr 3		55	25	80	0	0	80	0	0	0	0	80							1.400	1.350	2.750
Years 4 and 5 2016/17 - 2017/18 Assumed Govt funding available £1.606m																					
Earlsfield Alloa	D/C +	25		25					25					25	110	20	0	0	0.500	0	0.500
Earlsfield, Alloa	D/C +		25	25			25						25	110	0	0	0	0	0	00	0
Former Comm Cntre, Tilli (H49)	C #	40		40			20	20					20	20	110	30	80	0	1.200	3.200	4.400
Totals yr 4 + 5		65	25	90	0	0	0	45	45	0	0		45	45					1.700	3.200	4.900
Total		208	50	258	20	68	80	45	45	20	68	80	45	45					£6.234	£7.596	£13.830

Figures are estimates

C: Council RSL: Registered Social Landlord

D: Developer

MMR: Mid Market Rent

+ Planning s75 sites

STRATEGIC LOCAL PROGRAMME 2013-2018:				SHADOW PROGRAMME - POTENTIAL FUTURE SITES						
	Tenure			Unit Cost £000	Grant per Unit £000	HRA cost per unit £000	RSL cost per unit £000	Total Grant £m	Total HRA £m	Total cost £m
	Soc Rent	MMR	Tot							
Alloa Road, Tullibody (Tullis) #	50		50	tbc	tbc	tbc	tbc	tbc	tbc	
Elm Grove, Alloa (H11)	20		20	tbc	tbc	tbc	tbc	tbc	tbc	
Branshill Park, Sauchie (H18) +	7		7	tbc	tbc	tbc	tbc	tbc	tbc	
Main Street, Sauchie (H22)	22		22	tbc	tbc	tbc	tbc	tbc	tbc	
The Shore, Alloa (H13)	20		20	tbc	tbc	tbc	tbc	tbc	tbc	
Stirling Street, Alva (H44)	17		17	tbc	tbc	tbc	tbc	tbc	tbc	
Sauchie West (H19) +	100		100	tbc	tbc	tbc	tbc	tbc	tbc	
Total	236		236							

In the event that a project in the main programme slips, or additional resources are made available, the Government will expect the Council to pull forward schemes to maximise allocation spend. These sites were approved in principle by the Council in June 2013 and can be brought forward if required and if feasible.

Identified substitution site for programme slippage

+ Planning s75 sites

() Local Development Plan references are in brackets