
Report to: Place Committee

Date of Meeting: 9 September 2021

Subject: Affordable Housing Update

Report by: Strategic Director (Place)

1.0 Purpose

- 1.1. The report provides an update on the affordable housing programme and highlights the risks arising from the high cost of development in the current climate.
- 1.2. Seeks consideration on closing the funding gap for the Primrose Street Development.
- 1.3. Gives an update on the regeneration site at Engelen Drive, Alloa.

2.0 Recommendations

- 2.1. It is recommended that the Committee
 - 2.1.1. Notes the progress of the affordable housing programme and progress on spend to the year end 2021/22,
 - 2.1.2. Approves to council the funding mix for Primrose Street, Alloa as stated at 6.2, including use of the approved HRA reserve,
 - 2.1.3. Approves to council the funding for the demolition of the blocks at 12-26 and 28-38 Engelen Drive, Alloa.
 - 2.1.4. Notes the remainder of the report, commenting and challenging as appropriate.

3.0 Project progress from report to Committee on 20 May 2021

3.1. Primrose Street, Alloa

The development of 60 units at Primrose Street, Alloa is well under way, despite a slight delay due to COVID shutdown. The units are due to be completed by March 2022, with the additional design elements dependent on the funding gap being addressed (see 6.0).

An allocations group has met monthly from 25 March 2021. Good progress has been made to agree a special allocation policy to target particular needs groups and to ensure the new properties are put to best use. Active marketing activities will begin in September 2021 with the allocation process to start in January 2022.

3.2 Elm Grove, Alloa

Elm Grove is on site and due for completion of 54 units in March 2022.

The site includes 21 units for mid market rent by Kingdom Initiatives following the success of the units for mid market rent at Primrose Place in Alloa, completed in May 2017.

The remaining 33 units for social rent will be transferred to Ochil View on completion and will be let and managed by them.

3.3 Branshill Park, Sauchie

The developer is back on site and 24 units will be transferred to Kingdom Housing in January 2022.

4.0 **Project Approvals for 2021/22**

4.1. Lower Mill Street, Tillicoultry

Kingdom owns the area of land to be developed for affordable housing and planning permission is in place. Kingdom is currently putting the contract back out to tender, to get on site late this year.

4.2. Lochies Road, Clackmannan

The Council is taking this site forward for around 12 affordable bungalows. Officers are currently exploring options to get a contract in place, either via Hubco or via collaboration with another local authority partner.

4.3. Park Street, Tillicoultry

This land is in the process of being valued and sold to Kingdom as approved by Council on 10 December 2021. Site start is planned for this year for 5 affordable houses.

4.4. Carsebridge Road, Alloa

The site has a current planning application submitted to the Council. Kingdom has been in touch with the land owner / developer to purchase pockets of land this financial year with a view to getting start on site with phase 1 in 2022/23.

5.0 **Affordable housing budget 2021/22**

- 5.1. The total grant allocation for 2021/22 is £6.666million. Spend for the year 2021/22 has been impeded due to COVID delays during the three month shut

down in 2020, having a knock on effect into this financial year. A backlog of material supplies and rising costs further exacerbated delays.

- 5.2. Tender costs for new build have risen around 30 – 40% since March 2020. This is a challenge going forward to make projects viable within current Scottish Government grant levels. The Scottish Government were expected to announce a rise in grant funding levels early summer 2021, subject with discussion with COSLA. To date, a formal public announcement has yet to be made.
- 5.3. The expected spend for 2021/22 is detailed below and is expected, unfortunately as a best case scenario, spending to be £1.5 million under allocated grant funding.
- 5.4. It should be noted that underspend outlined below is the best case and could be subject to further underspend for a number of reasons:

Sites at Lower Mill Street, Tillicoultry, Park Street, Tillicoultry and Lochies Road, Clackmannan do not have current tender costs and therefore run the risk of coming in at over benchmark. Dependent on pricing, the sites may either become unviable in the current climate or are delayed by additional scrutiny and technical appraisal required by the Scottish Government to award over benchmark funding.

The site at Carsbridge Road, Alloa is currently in the planning system and, depending on planning requirements, it is not guaranteed that land transactions will take place before end of March 2022

The market for off the shelf purchases is not ideal as open market sales are currently selling at a premium. The Council's policy is not to enter in to 'bidding wars' as not to distort the market and or inhibit someone's own housing options.

- 5.5. Over the next 6 months, the Council and Kingdom will continue to explore opportunities to reduce underspend, looking at opportunities for land banking or purchasing additional units from developers. Officers from the Council and Kingdom Housing Association are to set up a working group to meet on a monthly basis to enable opportunities to be brought forward. Changes to the SHIP will be reported back to committee where necessary.
- 5.6. Projected spend 2021/22

Site	Tenure	Mix	Completion Date	Budget spend 2020-21
Lower Mill Street, Tillicoultry Phases 1 & 2	RSL KHA	50 units	2022/23	£1,492,018
Lochies Road, Clackmannan	Council	8 units	2022/23	£648,000

Park Street, Tillicoultry	RSL KHA	5 units	2022/23	£380,000
Carsebridge Road, Alloa Phase 1	RSL KHA	50 units	2023/24	£500,000 (land purchase)
Carsebridge Road Alloa Phase 2	RSL KHA	50 units	>2023/24	£500,000 (land purchase)
Carsebridge Road, Alloa Phase 3	RSL KHA	50 units	>2023/24	£500,000 (land purchase)
Off the Shelf	Council	20 units	2021/22	£700,000
Off the Shelf	Ochil View	10 units	2021/22	£400,000
				£5,120,018

6.0 Primrose Street, Alloa

6.1. As stated in previous reports to council, the Primrose Street Development is a flagship opportunity for the council. Showcasing dementia friendly design and enhanced architectural links to the town centre. However, these elements critical to the success of the project, are not currently permissible under the governments affordable homes programme. This therefore left a funding shortfall of £990k.

6.2. It is proposed the following funds close the remaining funding gap.

Additional Kingdom Housing Contribution/Value engineering	£80,000
Town Centre Capital Fund (SG Grant Award 2020/21)	£28,500
Place Based Investment Programme (SG Grant Award 2021/22)	£512,000 (Up to)
Council Tax (Second Homes Income ring-fenced for Affordable Housing)	£178,000
Housing Revenue Account (HRA)	£191,500 (minimum)
Total	£990,000

6.3. Town Centre Capital Fund (2020/21)

Works are still ongoing but planning has confirmed a balance being available to transfer to this project to contribute to external landscaping works.

6.4. Place Based Investment Programme (2021/22)

The Council has been awarded £512k for 2021/22 for Place Based Investment Programme. The project at Primrose Street meets the criteria for spend and will ensure that the Primrose Street development can complete successfully and the grant is fully spent. The criteria for spend is as follows:

- to link and align place based initiatives and establish a coherent local framework to implement the Place Principle;
- to support place policy ambitions such as town centre revitalisation, community led regeneration, 20 minute neighbourhoods and Community Wealth Building;
- to ensure that all place based investments are shaped by the needs and aspirations of local communities;
- to accelerate our ambitions for net zero, wellbeing and inclusive economic development, tackling inequality and disadvantage, community involvement and ownership.

6.5. The full use of the £512k award for the Primrose Street development is subject to final Scottish Government approval. Committee and Council will be updated on this approval or any adjustment to the amount allowable to this project.

6.6. Council Tax (Second Homes Income ring-fenced for Affordable Housing)

The council tax regulations relating to second homes collects payments which is ring-fenced for investment in affordable homes. It is recommended that £178k of the current £208k balance is utilised for Primrose Street development.

6.7. Housing Revenue Account (HRA)

The HRA would then fund the balance of the investment required at £191,500, which the council has already budgeted for as part of this years (2021/22) budget approval (£700k). The Housing service is benefitting from the approach to allocations to this development.

6.8. The use and allocation of the above funds is seen as the most prudent way for the financial gap to be closed and ensures the benefits of the development can be maximised for Kingdom, the council and the Health & Social Care partnership.

6.9. If the Scottish Government don't allow for the full £512k to be allocated to the development, then the HRA balancing figure will be adjusted to take that into

account. For example, if we could only use £290k. The HRA contribution would increase by £222k to £413,500, which would still be within the reserve balance approved by Council. Committee could also decide once funds are available in the Council tax affordable homes budget to repay the HRA investment.

7.0 Engelen Drive, Alloa

- 7.1. Engelen Drive was identified as a regeneration site as approved by Council in June 2018. The blocks at 12-26 and 28-38 Engelen Drive have been empty since January 2019.
- 7.2. Originally the site was to be developed under the same contract as Elm Grove in Alloa. However, abnormal costs on the site including the relocation of a power substation, has taken this project over benchmark costs.
- 7.3. The total cost per unit on this site has risen to at least £200k per unit, giving a current funding gap of £47k per unit. Rising construction costs in the current climate have intensified the funding gap.
- 7.4. In order to progress, the Council could fund the demolition of the blocks at Engelen Drive. Preliminary quotes for the demolition are around £60k. It is proposed that the Council funds Kingdom to take forward this as priority. It is recommended that this is funded by £30k commuted sums received for affordable housing and £30k from Council Tax (Second Homes Income ring-fenced for Affordable Housing).
- 7.5. Once conformation of updated benchmark figures have been made public, committee will be updated. However, as above report details with increases in construction tender prices for a variety of reasons, it could be a feature going forward that most projects will need additional funding and or be subject to greater scrutiny by the Scottish Government.

8.0 Future Housing Program

- 8.1. The resource planning assumptions for Clackmannanshire are:

2022/23	-	£5.746 million	2023/24	-	£5.73 million
2024/25	-	£5.75 million	2025/26	-	£5.845 million
- 8.2. The future program can be found at Appendix 1.
- 8.3. The Scottish Government are currently undertaking a review of the grant subsidy benchmark to take into account inflation and additional quality measures. Information of future RPAs were expected to be communicated to Local Authorities in early Summer 2021, no formal announcements have been made to date and spend programmes will be adjusted accordingly.

9.0. Resource Implications

9.1 Financial Details

9.2 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 ☒

9.3 Finance has been consulted and has agreed the financial implications as set out in the report.

Yes ☒

9.4 Staffing

9.5 There are no staffing implications arising from this report

10.0. Exempt Reports

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

11.0. 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 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	<input checked="" type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

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

12.0. Equalities Impact

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

Yes ☐

No ☒

13.0. Legality

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

Yes ☒

14.0. Appendices

- 14.1. Appendix 1 – SHIP programme.

15.0. Background Papers

- 15.1. 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 ☒

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Kate Fleming	Senior Housing Strategy Officer	2361
Murray Sharp	Senior Manager (Housing)	5113

Approved by

NAME	DESIGNATION	SIGNATURE
Pete Leonard	Strategic Director (Place)	

Appendix 1 SHIP programme 2022/23 – 2025/26

2022/23

Site	Tenure	Mix	Completion Date	Budget spend 2022-23
Engelen Drive Alloa	RSL KHA	10 units	2023/24	£760,000
Brook Street, Alva	RSL KHA	29 units	2024/25	£1,204,000
Park Street, Tillicoultry	RSL KHA	5 units	2022/23	£100,000
Carsebridge Road, Alloa Phase 1	RSL KHA	50 units	2023/24	£2,470,000
Carsebridge Road, Alloa Phase 2	RSL KHA	50 units	2025/26	£500,000
Lower Mill Street, Tillicoultry p2	RSL KHA	28 units	2022/23	£1,641,181
Lower Mill Street, Tillicoultry p3	RSL KHA	24 units	2023/24	£1,000,000
Off the Shelf	Council	20 units	2022/23	£700,000
Off the Shelf	Ochil View	10 units	2022/23	£400,000

2023/24

Site	Tenure	Mix	Completion Date	Budget spend 2022-23
Carsebridge Road, Alloa Phase 2	RSL KHA	50 units	2025/26	£1,200,000
Regeneration Alva	RSL KHA	29 units	2024/25	£1,000,000
Regeneration Tillicoultry	RSL KHA	29 units	2024/25	£2,262,000
Pool of Muckhart	RSL KHA	12 units	2024/25	£576,000
Off the Shelf	Council	20 units	2023/24	£700,000
Off the Shelf	Ochil View	10 units	2023/24	£400,000

2024/25

Site	Tenure	Mix	Completion Date	Budget spend 2022-23
Carsebridge Road, Alloa Phase 2	RSL KHA	50 units	2025/26	£2,100,000
Regeneration Alva	RSL KHA	29 units	2024/25	£1,262,000
Blackfaulds North, Clackmannan	RSL KHA	25 units	2025/26	£1,950,000
Carsebridge Road, Alloa Phase 3	RSL KHA	50 units	2026/27	£1,200,000
Glentanna Mill, Alva		44 units	2025/26	£1,000,000
Off the Shelf	Council	20 units	2024/25	£700,000
Off the Shelf	Ochil View	10 units	2024/25	£400,000

2025/26

Site	Tenure	Mix	Completion Date	Budget spend 2022-23
Blackfaulds North, Clackmannan	RSL KHA	25 units	2025/26	£1,950,000
Blackfaulds North, Clackmannan p2	RSL KHA	25 units	2026/27	£1,950,000
Carsebridge Road, Alloa Phase 3	RSL KHA	50 units	2026/27	£2,100,000
Glentanna Mill, Alva		44 units	2025/26	£716,000
Off the Shelf	Council	20 units	2025/26	£700,000
Off the Shelf	Ochil View	10 units	2025/26	£400,000