

EAST AYRSHIRE COUNCIL

CABINET – 13 JANUARY 2010

KICK START COUNCIL HOUSE BUILDING BID SUBMISSION

Report by the Executive Director of Neighbourhood Services

1. PURPOSE OF THE REPORT

- 1.1 To advise Cabinet of the successful outcome of the submission to the Scottish Government for funding to assist in the provision of the new Council housing on three sites at Creelshaugh Road, Fenwick, Newlands Drive and Lammermuir Road, Kilmarnock in accordance with the approved East Ayrshire Strategic Housing Investment Plan 2009/ 10 – 2013/ 14 and to recommend the appointment of Atrium Initiatives, a subsidiary of Atrium Homes as the Council's agent to manage the design and build projects in respect of the second phase of the Council's house building programme.

2. BACKGROUND

- 2.1 In November 2008, the Scottish Government announced a programme of £25 million funding to encourage a new generation of Council house building. A letter was issued by the Scottish Government on 17 November 2008 inviting Local Authorities to bid for funding under the scheme.
- 2.2 The East Ayrshire Strategic Housing Investment Plan 2009/10 - 2013/14 was approved by Cabinet on 3 December 2008, and was submitted to the Scottish Government, to include the provision of new Council house building as follows:

Year	Sub Area	Number	Type	Cost (£)	
				Subsidy/	Council* per unit
2009/ 2010	Kilmarnock Central	10	Older people	25000	100000*
2010/ 2011	Northern	10	Older people	25000	100000*
2011/ 2012	Cumnock - Auchinleck	10	Older people	25000	100000*
2012/ 2013	Kilmarnock North	10	Older people	25000	100000*
2013/ 2014	Kilmarnock South	10	Older people	25000	100000*

- 2.3 An initial funding bid was submitted on 12 January 2009 in respect of the funding identified at 2.1 above to both the Scottish Government and to COSLA on the basis of the Strategic Housing Investment Plan proposals agreed by Cabinet on 3 December 2008.

- 2.4 Although the bid was initially unsuccessful, on 26 June 2009, the Council received confirmation from the Scottish Government that its first phase submission in the sum of £0.25M for the provision of ten new Council houses had been re-considered and approved.
- 2.5 In April 2009, the Deputy First Minister announced that notwithstanding ongoing consideration in respect of the initial funding bids, further applications for a second round of funding would be invited, bringing the total funding available for new Council house building to £50M.
- 2.6 On 26 June 2009, a letter was received from the Scottish Government inviting Local Authorities to bid for a second phase of funding for new Council house building, with the overall aim of maximising the number of new houses built of sufficient quality, in the right place.
- 2.7 Following approval by Cabinet on 16 September 2009, a second stage bid was submitted by the Council by the deadline of 25 September 2009 to both Scottish Government and to COSLA.

3. FIRST PHASE BID

- 3.1 Following Cabinet Authority of 3 June 2009 to appoint Atrium Initiatives as the Council's agents to manage the design and build project in terms of the bid that was approved by Scottish Government on 26 June 2009 for the development of part of the site of the former St. Matthew's school at MacDonald Drive, Kilmarnock to provide ten new Council houses for older/ambulant disabled people, negotiations in respect of the finalised terms and conditions of contract are ongoing. Site start is due to be achieved by March 2010, in accordance with the award criteria.

4. SECOND PHASE BID

- 4.1 The second stage bid allowed for the provision of ten, two bedroom sized social rented houses per the developments proposed in Cumnock-Auchinleck and Kilmarnock South, with seven houses being provided in the Northern Area where the site will only support that number of houses and thirteen houses being provided in the Kilmarnock North area, as the site can support a larger development. These proposals broadly reflect the priorities as set out in the East Ayrshire Strategic Housing Investment Plan from 2010/11 – 2013/2014, i.e. excluding 2009/ 2010, for ambulant disabled/ older people, in response to identified housing need to provide a total of forty new build Council houses.
- 4.2 An announcement was made by the minister on 14 December 2009 to confirm that funding in the sum of £0.750M has been awarded to East Ayrshire Council for the development of 30 Council houses, in response to a second phase Council house building bid. The award letter confirms that three of the four sites contained within the bid are to be developed using the funds awarded.

- 4.3 The total thirty houses proposed are in addition to the ten houses already approved by the Scottish Government. The thirty houses have been selected as follows by the Scottish Government and COSLA expert group:

Area	Proposed Sites	Number of Units
Northern	Creelshaugh Road, Fenwick	7
Kilmarnock North	Newlands Drive, Kilmarnock	13
Kilmarnock South	Lammermuir Road, Kilmarnock	10

- 4.4 The site at Drumbrochan in Cumnock has failed to meet the criteria for the award of funding as a result of both the initiative being oversubscribed, and as it is not contained currently in the East Ayrshire Affordable Housing Policy. This policy will be reviewed following completion of the Housing Needs and Demand Assessment as part of the new Local Housing Strategy which to be completed in summer 2010.
- 4.5 The successful bid provides for three sites being developed within financial year 2010/ 2011, rather than spread over the life of the Strategic Housing Investment Programme 2009/ 2010 – 2013/ 2014, in response to the bid criteria for the second phase bid proposals.
- 4.6 The thirty proposed additional new, affordable houses have been identified specifically to meet the needs of an identified growing older population, and will therefore be allocated only to older/ ambulant disabled people.

5. FUNDING

- 5.1 There will be no requirement for additional resources to manage the proposed new Council houses, as they will be incorporated into the stock currently managed by existing staff located within Housing Divisional Area Teams. In this way, a consistent approach to effective housing management will be provided. The proposed additional Council housing stock will be incorporated into existing housing management systems at no additional cost.
- 5.2 The effect on the overall cost per unit has been calculated by the Finance Service based on 2009/ 2010 data and stock numbers. With regard to ensuring designated resources to support the proposed new Council House Building programme, it is anticipated that the scheme will incur no additional management costs and that, all other things being equal, the increased stock due to house building proposals will dilute overall per unit costs. The funding required to meet the additional borrowing costs, i.e. debt charges, will be incorporated into the annual rent setting exercise.
- 5.3 Any increase in rent required will assume the same methodology as that used in preparing the 2009/ 2010 Housing Revenue Account budget, and that the debt will be repaid over 60 years. Any future rent setting proposals will be

subject to Cabinet approval and tenant consultation, in accordance with Council's procedures for affordable housing.

- 5.4 In terms of resources to fund the proposed new houses, it is anticipated that each house will cost in the region of £0.1M net of land valuations with a maximum subsidy of no more than £0.025M per house, in accordance with the funding criteria. The total borrowing requirement for three sites will therefore be £2.25M.
- 5.5 The required funding to achieve the Scottish Housing Quality Standard has been calculated, monitored on an annual basis and set aside as indicated in the Council's financial plans to 2015 and this funding remains exclusive of any requirements within this bid. Further funding requirements to maintain the Standard beyond the achievement date of 2015 have also been calculated within the Council's 30 year Housing maintenance financial plan to ensure that future stock maintenance and improvement can be sustained.

6. REGISTERED SOCIAL LANDLORD DEVELOPER PARTNER

- 6.1 Of the developing Registered Social Landlords operating across East Ayrshire, two have a joint Framework Agreement in place; namely Atrium Homes and Shire Housing Association. Arising from discussions with the two Registered Social Landlords or in the case of Atrium, their nominated subsidiary company, Atrium Initiatives, it was agreed by Cabinet on 16 September 2009 to negotiate with the Registered Social Landlords as follows:

Area	Site	Proposed Registered Social Landlord
Northern	Creelshaugh Road, Fenwick	Atrium Homes
Cumnock -Auchinleck	Drumbrochan, Cumnock	Shire Housing Association
Kilmarnock North	Newlands Drive, Kilmarnock	Atrium Homes
Kilmarnock South	Lammermuir Road, Kilmarnock	Atrium Homes

- 6.2 As the site at Drumbrochan in Cumnock has not been successful, the approved Council house building activity will be undertaken by Atrium Homes' subsidiary Atrium Initiatives.

7. TIMESCALES

- 7.1 As part of the submission, it is anticipated that a site start may be achieved before the end of the year 2010/ 2011 for each of the three sites, in accordance with the bid criteria.
- 7.2 Allowing for the appointment of the preferred Registered Social Landlord partner by negotiation, and taking advantage of their Framework Agreement

for Construction, it is anticipated that Atrium Initiatives will be formally appointed in January 2010. Site start may be achieved in December 2010 in accordance with the funding criteria, with a ten month on-site phase, so as to achieve a completion around October 2011.

8. CONCLUSIONS

- 8.1 The provision of further new Council housing across East Ayrshire will continue to support the creation of sustainable communities, by redressing stock lost in popular locations such as through the Right to Buy. It will also provide new, smaller sized houses suitable for older service users in response to demographic trends data, thereby allowing larger sized accommodation to be allocated to families wishing to remain within their local communities. In this way, Council-led new housing development will contribute to alleviating pressures on affordable housing waiting lists and promoting area regeneration across East Ayrshire.
- 8.2 Key to the development of new Council house building is a recognition that national and local demographic trends report a growing older population. In developing housing specifically for older and ambulant disabled people, the Council seeks to enhance the supply, thereby making existing larger sized properties available for existing and new residents to East Ayrshire. Local service delivery and joint-working arrangements already identified to support those residents to remain in their own homes may then be delivered in a more co-ordinated and efficient manner.

9. FINANCIAL/ PERSONNEL IMPLICATIONS

- 9.1 There will be no requirement for additional resources to manage the new Council houses proposed as they will be incorporated into the stock currently managed by existing staff located within Neighbourhood Housing Teams.
- 9.2 The effect on overall cost per unit has been calculated by the Council's Finance Service based on 2009/ 2010 budgets which indicate that there will be no impact on Supervision and Management and Repair costs per unit. In addition, it is anticipated that there will be no material effect on average rents as no premium will be applied to new build stock compared to current rents.
- 9.3 The effect on debt charges of the additional 30 new build houses as a result of the successful second phase bid is estimated to be equivalent to an increased rent of 22p per week, assuming the borrowing will be repaid over 60 years and 48 weeks rent.
- 9.4 The Standard Delivery Plan financial model which is used to ensure that achieving the Scottish Housing Quality Standard remains financially viable has been updated to take account of the proposed house building programme. Indicators contained within the model suggest that both the building programme and achievement of the Scottish Housing Quality Standard remain financially viable. However, it may be that further efficiencies and/or rent increases above the previously agreed Retail Price Index plus 1%

may be required to offset additional debt charges in future years, and this will form part of the Council's consultation on its 2010/2011 budget proposals.

10. POLICY/ LEGAL IMPLICATIONS

- 10.1 The provision of new Council house building supports the East Ayrshire Strategic Housing Investment Plan objectives 2009/ 10 – 2013/ 14 approved by Cabinet on 3 December 2008. The annual update to the East Ayrshire Strategic Housing Investment Plan 2010/ 2011 – 2014/ 2015 was approved by Cabinet on 18 November 2009.

11. COMMUNITY PLANNING IMPLICATIONS

- 11.1 Within one of the four Main Themes of Delivering Community Regeneration, the Community Planning partners seek to promote a wide range of housing which is attractive to people who live in East Ayrshire, recognising the needs of older people, people with a disability and homeless people, so as to provide suitable accommodation for people as they move through their various life situations.
- 11.2 This further Council house building award for thirty new build affordable houses for ambulant disabled/ older people supports the East Ayrshire Community Plan theme 'Delivering Community Regeneration', through the provision of high quality affordable accommodation, developed to reflect identified housing need within an existing community.

12. RISK MANAGEMENT IMPLICATIONS

- 12.1 The development of new build Council housing seeks to promote and sustain housing standards across East Ayrshire through the provision of high quality new build affordable housing, making a more efficient use of public resources complemented with public sector borrowing so as to meet identified housing need.
- 12.2 The Standard Delivery Plan financial model referred to in 9.4 above will continue to be updated on an annual basis and corrective action taken where necessary to ensure both the house building programme and achievement of Scottish Housing Quality Standard remain financially viable.
- 12.3 Work progress on the proposed additional thirty new build houses development, and therefore risk management of the project, will be linked to the Royal Institute of British Architects' Plan of Work Stages.

13. ASSET MANAGEMENT IMPLICATIONS

- 13.1 The Council house building proposals meet the Council's policy objectives in respect of asset management and partnership working in so far as the proposals will enhance the Council's range and supply of affordable housing in terms of its existing stock through a collaborative arrangement with an identified preferred developing partner Registered Social Landlord. The

proposals will further complement the ongoing Housing Improvement Programme works so as to promote achieving the Scottish Housing Quality Standard for East Ayrshire-owned housing stock by 2015, as set out in the East Ayrshire Single Outcome Agreement and the East Ayrshire Local Housing Strategy.

14. RECOMMENDATIONS

14.1 It is recommended that Cabinet:

- (i) Note the three sites to be developed from the second stage award of funding in the sum of £0.750M for the provision of new Council housing at Creelshaugh Road, Fenwick, Newlands Drive, Kilmarnock and Lammermuir Road, Kilmarnock;
- (ii) Approve the appointment of Atrium Initiatives, a subsidiary of Atrium Homes, as the Council's agent to manage the design and build projects on each of the approved sites;
- (iii) Note that further reports on progress will be submitted to future Cabinet meetings; and
- (iv) otherwise note the content of the report.

Chris McAleavey
Head of Housing

WS/CMCA/DB
14 December 2009

LIST OF BACKGROUND PAPERS

- 1 Scottish Government letter dated 26 June 2009 inviting Local Authorities to bid for a second phase of funding to encourage new Council house building.
- 2 East Ayrshire Council: Council House Building Submission, 12 January 2009.
- 3 East Ayrshire Council - Council House Building Bid submission, 29 May 2009.
- 4 Scottish Government letter dated 11 December 2009 advising Local Authorities of the outcome of the award of a second phase of funding to encourage new Council house building.

IMPLEMENTATION OFFICER:

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