

**EAST AYRSHIRE COUNCIL**

**CABINET REPORT – 3 JUNE 2009**

**KICK START COUNCIL HOUSE BUILDING BID SUBMISSION**

**Report by the Executive Director of Neighbourhood Services**

**1. PURPOSE OF THE REPORT**

1.1 To retrospectively seek Cabinet authority to the terms of a revised submission made to the Scottish Government on 29 May 2009 for funding to assist in the provision of new Council housing across East Ayrshire, in accordance with the approved East Ayrshire Strategic Housing Investment Plan 2009/10 - 2013/ 14 and to seek authority in the event of that submission being successful (1) to transfer part of the site of the former St. Matthew's Primary School, Macdonald Drive, Kilmarnock amounting to 0.75 acres or thereby from the General Services Account to the Housing Revenue Account and (2) to appoint Atrium Homes as the Council's agent to manage the design and build project in respect of the initial 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 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 The six overarching principles that governed the allocation included:

1. the Council has the ability to manage the new stock effectively,
2. the Council has prudential borrowing capacity and/ or uses other financial resources,
3. the required subsidy for any proposed development from the Scottish Government will be less than £0.025M per home,
4. the area has housing need and the new homes will contribute to the Council meeting its 2012 homelessness target,
5. the Council can demonstrate that it has well developed plans to ensure delivery of the proposed new housing, and
6. 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.

An initial funding bid was submitted on 12 January 2009 to both Scottish Government and COSLA on the basis of the Strategic Housing Investment Plan agreed by Cabinet in December 2008.

### **3. BID PROPOSALS**

3.1 The bid allows for the provision of ten, two bedroom sized social rented houses per development, per year of the East Ayrshire Strategic Housing Investment Plan 2009/10 - 2013/ 14, for ambulant disabled/ older people, in response to identified housing need with the first phase of building being in the Kilmarnock Central area.

3.2 At the time of the bid submission, there were 121 applicants on the housing list who had been assessed as having an identified need for older people's supported accommodation. The following figures denote the number of applications from people age 60 and over seeking housing in specific areas with an estimated first choice, excluding those applicants who are already queuing for older people's supported accommodation:

i.	Kilmarnock Central	229
ii.	Northern	68
iii.	Cumnock and Doon Valley	179
iv.	Kilmarnock North	11
v.	Kilmarnock South	48

The fifty proposed new, affordable houses were identified specifically to meet the needs of an identified growing older population, and would therefore be allocated only to older and ambulant disabled people.

### **4. FUNDING**

4.1 The bid confirmed there would be no requirement for additional resources to manage the proposed new Council houses, as they would be incorporated into the stock currently managed by existing staff located within Housing Area Teams. In this way, a consistent approach

to effective housing management would be provided. The proposed additional Council housing stock would be incorporated into existing housing management systems at no additional cost.

- 4.2 The effect on the overall cost per unit was calculated by the Finance Service based on 2009/10 budget and stock numbers. With regard to ensuring designated resources to support the proposed new Council House Building programme, it was anticipated that the scheme would incur no additional management costs and that, all other things being equal, the increased stock due to house building proposals would dilute overall per unit costs. The funding required to meet the additional borrowing costs, i.e. debt charges, would be incorporated into the annual rent setting exercise.
- 4.3 Any increase in rent required would assume the same methodology as that used in preparing the 2009/ 10 Housing Revenue Account budget, and that the debt would be repaid over 60 years. Any future rent setting proposals would be subject to Cabinet approval and tenant consultation, in accordance with Council procedures for affordable housing.
- 4.4 In terms of resources to fund the proposed new houses, it was anticipated that each house would cost in the region of £0.1M gross with a maximum subsidy of no more than £0.025M per house, in accordance with the funding criteria. The total borrowing requirement net of land contributions would therefore be £3.75M.
- 4.5 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.

## **5. PROCUREMENT**

- 5.1 It was proposed that the new build houses would be built through a collaborative agreement with locally based Registered Social Landlords.

## **6. INITIAL BID SUBMISSION OUTCOME**

- 6.1 A letter was received from the Scottish Government dated 7 April 2009 to advise that the Council's initial bid had been unsuccessful. However, notwithstanding that, the Scottish Government indicated that they were keen to maximise the number of houses that could be built and intended to work closely with those councils with proposals to be on site including East Ayrshire during 2009/10 to clarify their proposals.

## 7. RESUBMISSION OF BID

7.1 On 19 May 2009 the Scottish Government issued an invitation to all Local Authorities that had previously bid for funding, both successful and unsuccessful, to apply for the balance of unallocated monies from the approved £25M programme in the sum of £8.1 million still available to support Council house building.

7.2 Local authorities that chose to re-submit an application to build Council houses were advised to liaise with their relevant Scottish Government Housing Investment Division office. Whilst full revised submissions were not required in this instance, Local Authorities were expected either to expand on details previously provided or to supply further documentation by 29 May 2009.

7.3 The Housing Investment Division therefore requested further information from the Council, as follows:

### 7.3.1 Site location

The preferred site for the initial phase of the new Council house build programme is part of the site of the former St Matthew's Primary School at MacDonald Drive, Kilmarnock.

The school building requires to be demolished. Otherwise, there are no known development issues with the site being the location of the proposed Council housing.

The site was therefore proposed within the bid as the preferred location of the first Council housing.

A location plan of the site of the former St. Matthew's school at MacDonald Drive, Kilmarnock is attached.

### 7.3.2 Ownership details

The site of the former St. Matthew's school sits within the General Services Account (Education), with a proposed transfer of this site to the Housing Revenue Account, with the associated accounting exercise to reflect its value. It is also proposed to seek consent from the Scottish Government to include the site in the Housing Revenue Account in terms of Section 205 (2) of the Housing (Scotland) Act 1987.

### 7.3.3 Acquisition timescale

As the site is presently within the Council's ownership, there is no other issue on acquisition other than that highlighted in para 7.3.2 above.

#### 7.3.4 Planning status

The school site is not identified for any particular purpose either in the adopted Local Plan or the Local Plan alteration. Housing development is therefore acceptable in principle subject to all the usual considerations such as access, infrastructure, design etc.

##### I. Planning Application

It is anticipated that the planning application will be dealt with within the statutory timeframe, which is two months. Given the size of the proposed development, the determination of any planning application would fall within the Council's Scheme of Delegation unless there are more than ten objections received which would then require a referral to the local Planning Committee for determination.

##### II. Building Warrant

Building Warrants that relate to any development that include a social element are automatically fast-tracked. Provided the required minimum level of information is supplied, which can be accommodated via pre-warrant discussions, a warrant application may be processed in ten days, with one additional day to issue the required paperwork.

#### 7.3.5 Critical development constraints

The former St Matthew's school building has already been declared surplus to operational requirements, and will be demolished while the proposed residential development is at the design/ planning stage.

#### 7.3.6 Housing mix

It is proposed to develop 10 x 2 bed houses for ambulant disabled/ older people.

#### 7.3.7 Management and Procurement

It is proposed that the Council will, subject to Cabinet authority, negotiate directly with a Registered Social Landlord that not only has its main operational base in East Ayrshire, to be able to better project manage the design and build process, but which also has a Framework Agreement in place for Construction works.

Of the developing Registered Social Landlords operating across East Ayrshire, only two are known to have Framework Agreements in place namely Atrium Homes and Shire Housing Association.

Arising from discussions with the two Registered Social Landlords, it is proposed to negotiate with Atrium Homes as they have capacity in terms of their current development programme, having recently and successfully completed the new build development at Shortlees

Crescent, to commence the works within the requisite timescale. In addition they employ an experienced in house development team and have undertaken development work to include the provision of general needs, amenity and wheelchair access housing.

#### 7.3.8 Costs

No cost plan has been prepared for the site at this stage. Atrium Homes will develop detailed scheme designs and costs for the site in response to the identified housing mix and type. It is anticipated however, that Cost Plan to Tender Application submissions will be made from October 2009 to January 2010.

The Council House Building programme assumes Scottish Government subsidy of no more than £0.025M per unit to total £0.25M for ten units. Council funding requirements, net of land contributions, would amount to approximately £0.75M for the initial 10 unit phase.

The former school site has recently been valued for the Council's Asset Register on a cleared site basis. It is considered that the appropriate valuation rate would be £250,000 per acre. On the basis that only part of the site amounting to 0.75 acres would be required for the initial 10 unit phase, this values the required site at £0.187M. This assumes that the demolition costs will be met from the General Services Account.

#### 7.3.9 Timescales

As part of the original submission, it was anticipated that a site start may be achieved before the end of financial year 2009/ 2010.

Allowing for the appointment of a preferred Registered Social Landlord partner by negotiation, and taking advantage of its Framework Agreement for Construction, it is anticipated that Atrium Homes would be formally appointed in July 2009, following Cabinet approval. A further nine month period would be required to achieve site start in March 2009, with a nine month on-site phase with completion in December 2010.

#### 7.3.10 Work plan

In terms of current work planning, having identified the preferred location for this new Council housing development, the next key project lead-in milestone will be to negotiate the appointment of the preferred Registered Social Landlord. This appointment is anticipated to be completed by July 2009.

In the interim, approval will be sought to demolish the site and undertake necessary site investigations.

#### 7.3.11 Critical risk factors

Critical risk factors associated with the new build housing development proposals relate to:

i. Demolition of the current building on the site

Demolition works will be undertaken by the Council during the design stage, so that the appointed Registered Social Landlord will have a cleared site on which to develop.

ii. Site investigations

Site investigation works will be commissioned immediately, to ensure that all site data is made available to the preferred developer partner to feed into the design phase.

iii. Utilities

The site has a building in situ, and is therefore serviced in terms of the required infrastructure.

7.3.12 Given the timeframe for re-submission there was no opportunity for these matters to be considered by Cabinet prior to submission to the Scottish Government. The Scottish Government have advised that a report on the submissions will shortly be forwarded to COSLA. It is anticipated that COSLA's Shared Services Board will consider the report and make recommendations about the allocation of the £8million in mid-June. Thereafter the Minister is likely to announce further grant allocations to Councils by Friday 26 June 2009.

## **8. CONCLUSIONS**

8.1 The provision of new Council housing across East Ayrshire will support the creation of sustainable communities, by replacing stock lost in popular locations through Right to Buy sales. It will also provide new, smaller sized houses suitable for older service users 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 promote 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 coordinated 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/ 10 budgets and stock numbers which indicates that there will be no additional management costs in relation to the proposed new additional houses.
- 9.3 The effect on debt charges is estimated to be equivalent to an increased rent of 37p per week, assuming the borrowing will be repaid over 60 years.
- 9.4 The standard delivery plan financial model which is used to ensure that achieving 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.

## **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.
- 10.2 It is proposed to seek consent from the Scottish Government to include the required site at the former St. Matthew's school at MacDonald Drive, Kilmarnock in the Housing Revenue Account in terms of Section 205(2) of the Housing (Scotland) Act 1987.

## **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 The Council house building bid proposal for ten 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.

## **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 a 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) Authorise the retrospective submission of a revised bid for funding to the Scottish Government to assist in the provision of new Council housing across East Ayrshire in accordance with the approved East Ayrshire Strategic Housing Investment Plan 2009/10-2013/14.
  - (ii) Subject to Scottish Government approval of the revised bid:-
    - a) Authorise the transfer of 0.75 acres or thereby, being part of the site of the former St. Matthew's school at MacDonald Drive, Kilmarnock from the General Services Account (Education) to the Housing Revenue Account for the purpose of the new council house building programme subject to the consent of the Scottish Government in terms of Section 205 (2) of the Housing (Scotland) Act 1987;

- b) Approve the proposed demolition and reinstatement works of the building of the site of the former St. Matthew's school at MacDonald Drive, Kilmarnock located on the site of the former St. Matthew's school at MacDonald Drive, Kilmarnock as identified in Appendix One to facilitate the development of new build affordable Council housing;
  - c) Authorise the appointment of Atrium Homes to manage the design and build process relative to the initial phase of the council house building programme for the reasons detailed in paragraph 7.3.7 of this report in accordance with the provisions of paragraph 20 (1) of the Council's standing orders relating to contracts ;
- (iii) Due to the timescales involved, agree that authorisation be given to implement the recommendations in (i) and (ii) above, prior to any consideration by the Governance and Scrutiny Committee as to delay implementation would seriously prejudice the Council's position in relation to achieving a site start in the current financial year.
  - (iv) Note that a further report on progress will be submitted to a future Cabinet meeting; and
  - (v) otherwise note the contents of the report.

**Chris McAleavey**  
**Head of Housing**

WS/CMCA/DB  
 2<sup>nd</sup> June 2009

#### **LIST OF BACKGROUND PAPERS**

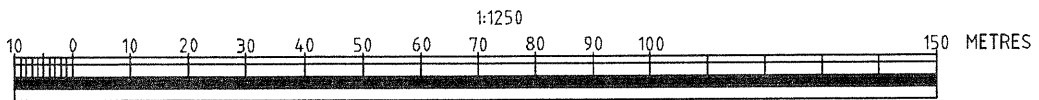
- 1 Scottish Government letter dated 17 November 2008 inviting Local Authorities to bid for funding to encourage new Council house building.
- 2 East Ayrshire Council: Council House Building Submission, 12 January 2009.
- 3 Scottish Government letter dated 7 April 2009 to advise that the Council's bid had been unsuccessful.
- 4 Scottish Government letter dated 19 May 2009 inviting bids for funding.
- 5 East Ayrshire Council - Council House Building Bid submission, 29 May 2009

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 Anyone wishing further information should contact: Chris McAleavey, Head of Housing. Telephone 01563 576651.

# LOCATION PLAN



LOCATION PLAN (SCALE 1:1250)



TITLE

**PLAN 2**  
**Social Housing Sites**  
**Former St Matthews Primary School,**  
**MacDonal Drive, Kilmarnock**  
**area coloured pink 1.778 Hectares.**

**LAND SURVEY**

**Alexander McPhee ACMA**  
**Head of Finance and**  
**Asset Management**

**East Ayrshire**  
**COUNCIL**

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