

EAST AYRSHIRE COUNCIL

SPECIAL HOUSING COMMITTEE – 20 APRIL 2005

HOUSING STOCK OPTIONS APPRAISAL

Report by Executive Director of Neighbourhood Services

1. PURPOSE OF REPORT

- 1.1 To inform elected members of the outcome of the Housing Stock Options Appraisal project recently carried out by DTZ Piedad, on behalf of the Council, and to invite members to consider the options as presented.

2. BACKGROUND

- 2.1 At the meeting of the Housing Committee held on 5 November 2003, members approved the submission of a bid to Communities Scotland for funds to undertake a Housing Stock Option Appraisal. That bid was successful and DTZ Piedad was engaged to undertake that work.

- 2.2 The project commenced in August 2004 and included:

- Review of the Council's strategies and policies as they relate to the housing service and the local housing system
- Analysis of housing need and demand
- Verification of the previous stock condition survey undertaken in 2000, and determination of requirements to meet the new Scottish Housing Quality Standard (SHQS)
- Consultation with key Council Members, staff, tenants and other stakeholders
- Housing stock valuation (using the Scottish Executive pricing model) and HRA financial analysis, and
- The evaluation framework

That work has now been concluded and the report is attached as appendix 1.

3. OPTION APPRAISAL FINDINGS

- 3.1 The report and its findings have been examined by officers from Housing and Finance, and it is considered that the report fairly reflects the situation of the housing stock within East Ayrshire.

- 3.2 The report indicates that the stock is in reasonable condition and that it is possible for the Council to retain its stock and meet the requirements of the new SHQS within an annual expenditure that is not significantly in excess of what is currently expended, and that this can be done within the prudential borrowing framework.

- 3.3 However, to achieve the required level of expenditure and meet the timescale of 2015 for the new SHQS, it would be necessary to channel all future housing receipts to housing improvement expenditure and not towards paying off current debt, and in addition agree future rent levels at RPI + 1%.
- 3.4 The report does not indicate a compelling argument for transfer of the stock. The analysis of the various elements within the options appraisal indicates that there is little to separate the options under review. However the one significant difference is in regard to access to regeneration funding. In the case of stock transfer the Executive has stated that regeneration funding will be available, where as in the case on stock retention availability of funding is not guaranteed.

4. CONCLUSIONS

- 4.1 In the absence of a compelling financial or other argument for stock transfer it is considered that it is reasonable to plan for stock retention subject to the caveats highlighted by the consultation that this process be managed very carefully within the Standard Delivery Plan and by adopting a robust business approach to the delivery of the housing service.
- 4.2 The main element that could alter the current balance would be if "Right to Buy" sales run beyond projected levels. Significant loss of stock will affect the Council's ability to maintain momentum on achieving the SHQS by 2015 and, as this is a Scottish Executive requirement, the Council at that stage would have to reconsider its decision. It is therefore important to monitor the situation regularly.
- 4.3 Likewise, there is a need to keep any rent strategy under regular review. The bulk of costs relate to wages and building materials and if inflation in these areas is above RPI then that might put the Council's stock retention strategy at risk. It would be prudent to adopt an approach to rent strategy, similar to that currently in place for Council Tax, whereby indicative rent increases would be set on a rolling three year basis to allow any unforeseen circumstances, including any costs involved in implementing new legislation, to be taken into account.

5. POLICY IMPLICATIONS

- 5.1 The undertaking of a stock options appraisal is part of the strategic planning process, as it openly evaluates the options available to the Council for the future management of the housing stock, how it intends to meet the new SHQS and enables appropriate proposals to be incorporated into the implementation plan of the Local Housing Strategy.

6 FINANCIAL IMPLICATIONS

- 6.1 As indicated within the report, a strategy of whole stock retention anticipates that all future capital receipts will be used to finance capital improvements with no repayment of current debt and in addition future rents would be set at RPI +

1%. Should a whole stock retention strategy be adopted, the relevant business planning assumptions and projections together with future rent strategy will require to be reviewed on an annual basis.

7 LEGAL IMPLICATIONS

- 7.1 There are no legal implications, should the Council decide to retain the housing stock.
- 7.2 Should the Council decide to consider the transfer of its stock then the Council would require to consult with the Scottish Executive and begin consultation with its tenants. Guidance on this subject has been issued by the Scottish Executive.

8 RECOMMENDATIONS

- 8.1 It is recommended that members:
- (i) Consider the terms of the Housing Stock Option Appraisal report appended to this paper;
 - (ii) Determine their preferred strategic option for the future ownership and management of the Council housing stock and recommend accordingly to Council; and
 - (iii) Otherwise, note the contents of this report.

William Stafford
Executive Director of Neighbourhood Services
CMCA/JC/LA
4 April 2005

LIST OF BACKGROUND PAPERS

1. Report to Housing Committee 5 November 2003.
2. Revised Brief for Option Appraisal submitted to Communities Scotland on 4 June 2004.
3. Letter from Scottish Executive dated 7 July 2004 awarding NHP grant funding 2004/2005.

Any person wishing to inspect the background papers listed above should telephone 01563 576617 and ask for Joseph Cassidy, Policy and Strategy Manager.

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