

**REPORT TO: CITY COUNCIL AS FLEMING TRUSTEES – 9 MARCH 2015**

**REPORT ON: FLEMING TRUST – INCREASING SUPPLY OF AFFORDABLE HOUSING**

**REPORT BY: DIRECTOR OF HOUSING**

**REPORT NO: 119-2015**

## **1 PURPOSE OF REPORT**

- 1.1 This report outlines the aims and objectives of the Fleming Trust and options for how the Fleming Trust may be used as a vehicle to increase the supply of affordable rented housing in Dundee.

## **2 RECOMMENDATION**

- 2.1 It is recommended that consideration be given to the Fleming Trust financing a new build programme of 15-20 units from 2015/16 onwards by prudential borrowing from Dundee City Council reserves at an agreed rate and term such as can reasonably be supported from the ongoing surpluses whilst retaining a prudent level of reserves.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 Making provision for £2,000,000 to finance a new build programme of 15-20 units would ensure that ongoing loan charge repayments can be supported within the Fleming Trust's finances whilst retaining a prudent level of reserves.

## **4 BACKGROUND**

### **4.1 The Fleming Trust**

The Fleming Trust was set up in 1929. The Trust Estate is held and administered by the City Council as Trustees.

The Trust provides that the housing stock shall be "factored" by the City Council. It also provides that, in order to keep down charges, the City Council will allow their officers to manage and undertake all work in relation to the provision of the housing. Decisions in regard to these duties are made by the Trustees.

### **4.2 Objects of the Trust**

The initial objects of the Trust were the clearance and demolition of slum dwelling houses and the provision of suitable accommodation for those in housing need. The objectives further state that once all slums have been cleared that surpluses can be used 'according to schemes of such nature as the [Supervisory] Committee, in their uncontrolled discretion, may from time to time devise'.

### **4.3 Trust Powers**

The Trustees had the powers required for the initial acquisition of land and erection of housing and using the revenue to maintain the housing stock and to invest the surplus. They also have the power, but only in terms of the [Supervisory] Committee's uncontrolled discretion, to use the surplus in the best interests of the people of Dundee.

In addition, the Trustees have extensive statutory powers under the Trusts (Scotland) Act 1921 to do various acts, as long as these are not at variance with the terms or purposes of the Trust.

#### **4.4 Using the Trust to Provide Affordable Housing**

Legal advice is that the powers under the Trusts (Scotland) Act 1921 are pertinent to the Trust and include the power to borrow and invest and buy and sell land. Borrowing money to invest in new build housing for rent would not appear to be at variance with the objects of the Trust.

The ability to invest surplus revenue emanates from the power given by the Trust to the [Supervisory] Committee to devise schemes to use the surplus in accordance with the best interests of the working classes of Dundee. Accordingly it would be for the [Supervisory] Committee to decide.

The provision of new build housing for social rent is in keeping with the objects of the Trust and can be argued to be a responsible approach to meeting the general housing needs of the people of Dundee.

If the Fleming Trust were to borrow to construct new houses then this would be from Dundee City Council General Loans Fund. Such borrowing must be affordable and prudent.

#### **4.5 Fleming Trust Finances**

The Fleming Trust accounts show estimated balances as detailed below.

2014/15	£694,000
2015 /16	£899,000
2016/17	£952,000

Providing for loan charges of £2,000,000 for a new programme of 15-20 units, depending on the size and type of the properties, would incur loan charges of around £100,000 per annum over 50 years. On the basis of implementing a new build programme of this scale predicted levels of reserves would continue to increase from £694,000 in 2014/15 to over £1,500,000 by 2023/24. Depending on the actual financial position of the Fleming Trust going forward consideration can be given to further new build programmes as appropriate.

The existing Fleming Trust properties meet the Energy Efficiency Standard in Social Housing (EESH) which must be met by 2020.

There is a lead in time to any new build project to identify sites, decide on an appropriate housing mix, brief the design team and tender for the construction.

In order to ensure best value and maximise economies of scale it may be prudent to combine any new build with other wider Council new build programmes provided for within the HRA Capital Plan from 2015/16 onwards. Building small developments is costly given the necessary infrastructure, site preliminaries and overheads.

### **5 POLICY IMPLICATIONS**

- 5.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

**6 CONSULTATIONS**

- 6.1 The Chief Executive, the Director of Corporate Services and Head of Democratic and Legal Services have been consulted and are in agreement with the contents of this report.

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26 February 2015