

**ITEM No ...3.....**

**REPORT TO: CITY COUNCIL AS FLEMING TRUSTEES – 21 FEBRUARY 2022**

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

**REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES**

**REPORT NO: 40-2022**

**1 PURPOSE OF REPORT**

- 1.1 This report outlines the aims and objectives of the Fleming Trust and how the Fleming Trust may be used as a vehicle to increase the supply of affordable rented housing in Dundee.
- 1.2 The report outlines the recommended financing option and process for the transfer of assets for 12 new build units at Derby Street to Fleming Trust for affordable rent.

**2 RECOMMENDATION**

- 2.1 It is recommended that approval is given to the financing option and acquisition by way of property transfer as set out within the report to acquire 12 new build units at Derby Street new build development.

**3 FINANCIAL IMPLICATIONS**

- 3.1 It was agreed on 9 March 2015 (Article II of the minute of meeting of this Trust, Report 119-2015 refers) that provision should be made for £2,000,000 to finance a new build programme of 15-20 units.
- 3.2 It is estimated that the 12 new build units at Derby Street will cost £2,000,000 and it is proposed that this be funded by borrowing of £1,000,000 from Dundee City Council and by utilising £1,000,000 of the Fleming Trust revenue reserves. A prudent level of revenue reserves will still be retained by the Fleming Trust.

**4 BACKGROUND****4.1 The Fleming Trust**

- 4.2 The Fleming Trust was set up in 1929. The Trust Estate is held and administered by the City Council as Trustees.
- 4.3 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.

**4.4 Objects of the Trust**

- 4.5 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'.

**4.6 Trust Powers**

- 4.7 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.

4.8 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.

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

4.10 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.

4.11 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.

4.12 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.

4.13 It was agreed that if the Fleming Trust were to borrow to construct new houses then this would be from Dundee City Council. Such borrowing must be affordable and prudent.

### **5 Derby Street New Build**

5.1 The Derby Street regeneration site is a Partnership between Dundee City Council and Hillcrest Homes which will deliver a total of 162 housing units. This will comprise of 80 units for Hillcrest Homes, 70 units for DCC and 12 identified for the Fleming Trust.

5.2 The number and types of units identified for the Fleming Trust are as detailed below.

- 2 x 2 storey terraced houses - 3 apartment 4 person
- 9 x flats; 1 x 2 apartment 2 person, 1 x 3 apartment 3 person and 7 x 3 apartment 4 person
- 1 x wheelchair ground floor fully adapted flat, 2 apartment 2 person

5.3 Once there has been completion of the units Dundee City Council will transfer ownership of the units to the Fleming Trust in exchange for the agreed amount to finance the build.

### **6 Fleming Trust Finances**

6.1 The Fleming Trust accounts show revenue balances as detailed below:

2018/19 £1,312,000  
2019/20 £1,592,000  
2020/21 £1,883,000

6.2 Based on the level of revenue balances, the 12 new build units will be funded from reserves of £1,000,000 and borrowing of £1,000,000 (which at an assumed borrowing rate of 3.5% would cost approximately £54,000 per annum over 30 years).

6.3 It was previously agreed that that installation of External Wall Insulation to the existing 92 Fleming Trust properties at a cost of £711,000 would be funded from revenue balances. Funding the External Wall Insulation from revenue balances and the new build units from a combination of revenue balances and borrowing, will ensure a prudent level of revenue reserves is retained by the Fleming Trust. (Article II of the minute of meeting of this Trust of 22 February, 2021, Report No 40-2021 refers).

**7 CONSULTATIONS**

- 7.1 The Council Management Team and Fleming Trust Supervisory Committee have been consulted in the preparation of this report and agree with its content.

**8 POLICY IMPLICATIONS**

- 8.1 This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. A copy of the Impact Assessment is available on the Council's website at [www.dundee.gov.uk/ia](http://www.dundee.gov.uk/ia).

**9 BACKGROUND PAPERS**

- 9.1 None

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