

REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE - 9 FEBRUARY 2009

REPORT ON: SCOTTISH GOVERNMENT £25 M. FUNDING TO KICK START COUNCIL HOUSING BUILDING - DUNDEE CITY COUNCIL BID

REPORT BY: DIRECTOR OF HOUSING

REPORT NO.: 67-2009

1. **PURPOSE OF REPORT**

- 1.1. The purpose of the report is to seek Committee approval to the Council's bid for a share of the £25 M. funding from the Scottish Government to kick start Council housing.

2. **RECOMMENDATIONS**

- 2.1. It is recommended that Committee agree the attached bid for £704,000 from the Scottish Government fund of £25 M. to kick start Council housing.

3. **FINANCIAL IMPLICATIONS**

- 3.1. The Council has approved capital expenditure of £18.232 M. over 2008/09 to 2010/11 to build 135 new Council houses.
- 3.2. This bid for additional funding if successful will enable the Council to improve the specifications for the wheelchair properties, include the latest smart technologies to assist independent living, and minimise ongoing running costs by including sustainable design features.

4. **THE BID**

- 4.1. The Scottish Government published its proposals for housing in 2007 in the document "Firm Foundations : the Future of Housing in Scotland". Within Firm Foundations the Scottish Government proposed providing incentives for new Council house building. The intention being to make incentives available by awarding subsidy on a competitive basis to those Councils demonstrating the most effective and efficient ways of using their prudential borrowing requirement to meet need for social housing in their areas.
- 4.2. In 2008 the Scottish Government announced that it would make available £25 M. as subsidy to Councils to kick start Council house building. In November 2008 a joint letter from the Scottish Government and COSLA was issued to Councils setting out the criteria for bids and requesting the submission of bids by 12th January 2009. In order to comply with the timescales the bid has been submitted subject to Committee approval.

4.3. The letter states that the aim in allocating the £25 M. is to maximise the number of new houses built of sufficient amenity, in the right places. Six overarching principles for allocating the subsidy are set out, these are:

- The Council has the ability to manage the stock effectively;
- The Council has the prudential borrowing capacity and/or uses other financial resources;
- The required subsidy will be less than £25,000 per house;
- The area has housing need and the new homes will contribute towards meeting the 2012 homelessness target;
- The Council has well developed plans to ensure delivery of new housing;
- The number of units built is maximised within available resources without having to compromise on design quality.

4.4. Report No. 624-2007 approved by Committee on 10th December 2007 approved proposals to increase the supply of accessible Council housing through purchase of suitable properties on the open market and the development of new Council housing.

4.5. The attached bid, if successful will provide additional resources for the delivery of the agreed programme and assist the Council in meeting identified housing need.

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 and risk assessment. There are no major issues.

6. **CONSULTATIONS**

6.1. The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance), Head of Finance, Assistant Chief Executive and all other Chief Officers have been consulted on this report.

7. **BACKGROUND PAPERS**

7.1. None.

Elaine Zwirlein
DIRECTOR OF HOUSING

January 2009

Dundee City Council Application to access the £25M Scottish Government Funding to kick start council house building

Proposal

Background

Report 624-2007 approved by the Council's Housing, Dundee Contract Services and Environment Services Committee on the 10th December 2007 approved the proposals contained within the report to increase the supply of accessible council housing through the purchase of suitable properties on the open market and the development of a new build council housing programme.

The report approved the financing for the acquisition and building of 40 fully wheelchair accessible properties and 95 mainstream properties over a three year programme.

The Council maintains a waiting list in conjunction with RSLs in the City for those who have been assessed as needing disabled adapted housing. Despite working closely with RSL partners to provide this type of accommodation the waiting list continues to grow. In October 2007 there were 56 applicants assessed as requiring fully adapted wheelchair housing. The waiting list continues to grow, with 19 lets over 2008/09 to date, at November 2008 the waiting list has 58 applicants.

77% of properties within the social rented stock consist of flatted properties with only 23% cottages. The Council works with RSL partners to deliver regeneration across the City and in doing so aims to increase the supply of lower density cottage type accommodation in order to meet expressed need and demand. There is significant housing need for larger family homes 3 and 4 bedroom properties with a bedroom and bathroom on the ground level. Therefore the 95 properties will be built to barrier free standards to meet the changing needs of families and ambulant disabled families. The new build housing will be built to high energy efficiency standards thereby helping to address the issues of fuel poverty within the City.

Dundee City Council faces problems of reducing population and declining demand for the type of social rented housing available i.e. lack of popularity of multi storey flats. Therefore the Council has adopted a strategy for the demolition of the less popular housing and linking re-provisioning of more popular low density cottage type housing to regeneration within the City.

The new build programme is focused on meeting the housing needs of those on the council's housing waiting list for those requiring disabled adapted housing. Within the current demolition programme we are currently encountering difficulties in re-housing families with particular needs requiring larger family homes with downstairs bedroom and bathroom and fully adapted wheelchair houses. This is delaying demolition programmes.

This bid is aimed at acquiring additional monies from the £25m available to kick start council house building in Dundee by focusing on the development of fully adapted wheelchair housing and cottage type accommodation with ground floor bedrooms and bathroom/shower room, designed to Housing for Varying Needs standards meeting identified need within the City.

The bid

Identified need for wheelchair housing is very area specific. From the survey work we have completed it has been identified that whilst the households require this type of housing they are very reluctant to move from the area in which they currently live and are often dependant upon support networks in the immediate vicinity. We face difficulties too in providing suitable housing for some re-housing cases within demolition areas where existing tenants require to be re-housed within the immediate area yet no suitable Council or RSL housing currently exists.

Council sites available for re-development within the areas where identified demand exists are not readily available. A land audit has been completed to identify small sites within Council ownership where identified need exists. We plan to build 42 units on these sites across the City. In order to meet local needs, the needs of the demolition programme and to achieve an appropriate housing mix we will create a balance of 32 wheelchair housing units and 10 units of cottage type accommodation of the type specified spread across the sites.

There are substantial additional costs in constructing wheelchair housing due to additional space standards and additional equipment and technology requirements for residents. We aim to incorporate SMART technology and latest lifting and bathing and kitchen equipment to best meet the particular needs of the individual households. On average the additional cost is £22,000 per unit.

Therefore the total subsidy applied for is £22,000 per each of the proposed wheelchair units, a total of £704,000.

The design specification for all units incorporates sustainable design with high thermal insulation standards, low lifetime maintenance, maximising exposure to sunlight and south facing aspects and use of recyclable materials. We also aim to incorporate innovative heating solutions including the use of solar power. The Council has already successfully installed solar panels in modernisation programmes.

Set out in the table in appendix 1 is the information required to support the six overarching principles governing the allocation of monies from the £25m funding as set out in the letter from the Scottish Government and COSLA dated 12th November 2008.

Appendix 1

Criteria to support the six overarching principles governing the allocation of monies from the £25m funding

Principle	Criteria	Example Indicators / Evidence
Maximum number of homes in the right place	Consistent with LHS	<p>The current Dundee CC LHS contains the following objectives: to tackle low demand in all sectors; assist those in housing need; to secure warm dry homes to the Dundee standard which meet individual needs at reasonable cost and to enable a well managed and maintained environment.</p> <p>To secure warm dry homes to the Dundee standard which meet individual needs at reasonable cost.</p> <ul style="list-style-type: none"> • Meeting SHQS by 2015 • Deliver fuel poverty strategy • Secure investment in physical quality in all sectors • Regenerate unpopular areas <p>Tackle low demand in all sectors</p> <ul style="list-style-type: none"> • Ensure that supply matches demand through new build or rehabilitation to ensure homes of size/type/location that people want • Remove unwanted housing <p>Assist those in housing need</p> <ul style="list-style-type: none"> • Remove the requirement to sleep rough • Provide bespoke housing or adapt existing housing to meet the needs of those with disabilities/particular needs • Provide housing support services • Ensure equality of access <p>To enable a well managed and maintained environment</p> <ul style="list-style-type: none"> • Encourage good management in all sectors • Tackle anti social behaviour • Ensure that the design of housing and environmental improvements contribute to community safety
	Contributes to	The Council commissioned a housing needs, demand and affordability study by Craigforth in 2007.

	meeting local housing need	<p>The final report will be received shortly. The findings from the initial draft report have been incorporated within the SHIP. The current LHS prioritises the replacement of unwanted low demand housing and new build to provide replacement housing to meet the current unmet housing need.</p> <p>The Council currently has 58 applicants on its waiting list who have been prioritised by its special needs housing committee as requiring housing provided to varying needs for those with disabilities. Presently the Council has no properties designed to wheelchair user standards.</p> <p>Demand for those demonstrating need for wheelchair housing is high in the areas in the East of the city. Therefore this proposal seeks to meet these needs by providing wheelchair housing within established communities within the east of the city where possible.</p> <p>The LHS and SHIP identify the need to build 200 units per year for social rent. The HAG programme within Dundee City reduced by over 40% in 2008/09 to £7.6M. This has severely limited the number of new build units currently under development by RSLs.</p>
	Fits with SHIP	Meeting the identified housing need is a priority contained within the SHIP.
	Effective procurement	The properties will be developed on a design and build basis thereby achieving best value.
Ability to manage and maintain new stock effectively	Consistent with existing stock management and maintenance approach	The council provides housing management services to its tenants from two district offices in the east and west of the city. The council will provide housing management services to the tenants within these new build properties from the existing office bases and within existing management resources and using current IT systems.
	Contributes to reducing per unit management cost	The council will manage the additional properties within existing staffing resources thereby maximising value for money and marginally reducing management costs to benefit the HRA.

Prudential borrowing capacity / other resources	Available resources to fund new houses	<p>The Prudential code requires the Council's Head of Finance to prepare a set of indicators that demonstrate that the HRA Capital Plan is affordable and prudent. The indicators are:</p> <ol style="list-style-type: none"> 1. Level of capital expenditure, measuring affordability and control of the Council's capital expenditure. 2. Ratio of financing costs to net revenue stream, measuring the current and future commitments based on the capital plan and shows the revenue budget used to fund the financing costs of the capital expenditure. 3. Estimate of incremental impact of Council investment decisions on housing, showing the relative impact of the capital programme on housing rents.
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		<p>4. Treasury management indicators, showing the authorised limit for external debt, operational boundary for external debt, the upper limit for fixed interest rate exposure, the upper limit for variable rate exposure and the upper limit for total principal sums invested over 364 days.</p> <p>An extract from Council Committee Report 317-2008 (see appendix 2) containing the 3 year capital estimates 2008/09 to 2009/10 containing the above indicators is attached to the submission. ++</p> <p>These indicators demonstrate that the Council has the necessary prudential borrowing capacity to contribute to the development of the new build properties. The Council agreed in 2007 to allocate capital funding of £2.466M (£316k) in 2008/09, £7.663M (£2.5M) in 2009/10 and £7.663M (£2.5M) in 2010/11 for the provision of 135 new build properties, including 40 homes built to wheelchair standards.</p> <p>The council's rent strategy sets rents for properties linked to GAV. Rents will be calculated on achieving a NPV of zero over 40 years. These rents are set in accordance with existing council rents for similar sized properties with additions for the added amenities within the properties</p>
	Required subsidy per unit less than pre determined maximum level	The amount of subsidy required per house is £22K. For the 32 units of wheelchair housing the total bid is £704,000.
	Resources are not needed for other purposes e.g. to meet the SHQS, mitigate the financial risk to the HRA	The SHQS delivery plan is based on delivering the standard by prudential borrowing and capital receipts from council house and land sales. The HRA has the capacity to provide the level of prudential borrowing required and providing the capital sums necessary for the acquisition of the 135 new build units, including the 40 wheelchair units, 32 of which are included in the proposal.
Housing need	Pressured area in terms of the 2012 homelessness target	The council is faced with high, and increasing levels, of homelessness presentations. There were 2,419 presentations in 2007/08 and there were 1,281 presentations during the first six months of 2008/09. Presently there are 691 homeless applicants on the council's waiting list, up from 669 in April 2009
	Consistent with views on housing need locally	The need is identified by waiting list data across the Council and RSLs. Interviews have been held with applicants to assess individual requirements. Prospective tenants will be involved in final design of their homes.

Well developed plans	Consistent with requirements for housing with varying needs	Houses will be constructed to full wheelchair needs standards and will meet the housing for varying needs standards.
	Consistent with building regs	Houses will be fully compliant with current building regulations.
	Sustainability	The properties will be built to maximise sustainability and will be designed to encourage environmental quality, promote access opportunities and encourage healthy living. Properties will be designed to maximise optimal response to climate, with high thermal insulation standards reducing energy use using materials designed for long term recycling.
	Can be on site within 1 year of agreeing funding allocation	Construction is planned will begin for 2009/10.
	Home not completed already or in council ownership	The properties are new build and not presently in council ownership
	Council has agreed scope and committed to funding for the project	See above ++
	Robust delivery arrangements are being developed or are in place	The houses will be built on land currently in the council's ownership on a design and build basis
	Consistent with legal requirements	The land on which the properties will be constructed is currently within the ownership of the council. all necessary consents are in place/currently being applied for and will be approved by .. The Council has met all necessary statutory and legal requirements relating to the construction of these properties.

EXTRACT FROM

POLICY & RESOURCES COMMITTEE - 23 JUNE, 2008

REPORT NO. 317-2008

HOUSING CAPITAL BUDGET 2008/09, 2009/10 AND 2010/11 - REVISION

4.7. Prudential Indicators

The Prudential Code requires the Head of Finance to prepare a set of indicators that demonstrate that the Housing Revenue Account's Capital Plan is affordable and prudent. These are shown in Appendix One to this report.

The Indicators demonstrate that the Capital Plan 2008-2011 is indeed affordable and prudent. An explanation of the Prudential Indicators, as shown in Appendix One, is shown below.

Level of Capital Expenditure:

This indicator measures affordability and gives a basic control of the Council's capital expenditure.

Ratio of Financing Costs to Net Revenue Stream

This indicator measures affordability. The measure includes both current and future commitments based on the Capital Plan and shows the revenue budget used to fund the financing costs of capital expenditure.

Variations to the ratio implies that the proportion of loan charges has either increased or decreased in relation to the total funded from Housing Rents.

Estimate of Incremental Impact of Council Investment Decisions on the Housing

This is also a measure of affordability. It shows the relative impact of the capital programme on the Housing Rents.

Treasury Management Indicators

The Treasury Management Indicators for 2008-2011 were reported on 11 February 2008. The indicators shown in Appendix One to this report have been updated to reflect expenditure included in the Housing HRA Capital Plan 2008-2011.

HOUSING CAPITAL PLAN 2008 - 2011

PRUDENTIAL INDICATOR	2006/07	2007/08	2008/09	2009/10	2010/11
(1) CAPITAL PLAN PRUDENTIAL INDICATORS	£	£	£	£	£
	actual £'000	actual £'000	estimate £'000	estimate £'000	estimate £'000
Capital Expenditure					
Housing HRA	21,036	14,496	18,539	23,965	23,207
Ratio of financing costs to net revenue stream					
Housing HRA	35.6%	38.1%	38.1%	38.5%	38.2%
Net borrowing requirement					
brought forward 1 April	319,671	314,075	315,000	329,000	353,000
carried forward 31 March	314,075	315,000	329,000	353,000	367,000
in year borrowing requirement	-5,596	925	14,000	24,000	14,000
In year Capital Financing Requirement					
General Services	6,868	2,658	13,000	13,000	8,000
HRA	4,631	-281	2,000	12,000	7,000
TOTAL	11,499	2,377	15,000	25,000	15,000
Capital Financing Requirement as at 31 March					
General Services	207,342	210,000	223,000	236,000	244,000
HRA	124,599	125,000	127,000	139,000	146,000
TOTAL	331,941	335,000	350,000	375,000	390,000
Incremental impact of capital investment decisions					
Increase in Average Weekly Housing Rents	£0.62	-£0.04	£0.15	£1.50	£0.78

PRUDENTIAL INDICATOR	2006/07	2007/08	2007/08	2008/09	2009/10
(2) TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000	£'000	£'000	£'000
Authorised limit for external debt -					
borrowing	345,000	340,000	354,000	378,000	392,000
other long term liabilities	5,000	4,500	4,500	4,500	4,500
TOTAL	350,000	344,500	358,500	382,500	396,500
Operational boundary for external debt -					
borrowing	314,075	315,000	329,000	353,000	367,000
other long term liabilities	249	500	500	500	500
TOTAL	314,324	315,500	329,500	353,500	367,500
Upper limit for fixed interest rate exposure					
expressed as					
Net principal re fixed rate borrowing/investments	100	100	100	100	100
Upper limit for variable rate exposure					
expressed as					
Net principal re variable rate borrowing/investments	30	30	30	30	30
Upper limit for total principal sums invested for over 364 days	N/A	N/A	N/A	N/A	N/A

Maturity structure of new fixed rate borrowing during 2007/08	lower limit	upper limit
under 12 months	-	10%
12 months and within 24 months	-	15%
24 months and within 5 years	-	25%
5 years and within 10 years	-	25%
10 years and above	50%	95%

Adoption of Cipfa Code of Practice for Treasury Management	YES
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