

EAST RENFREWSHIRE COUNCILCABINET10 November 2016Report by Director of EnvironmentCOUNCIL HOUSE BUILDING PROGRAMME**PURPOSE OF REPORT**

1. The purpose of this report is to seek approval in principle to build up to 120 new Council houses in the next 3-5 years to be owned and managed by East Renfrewshire Council and the intention to consult upon the proposals within this paper as required by the Housing (Scotland) Act 1987.

RECOMMENDATIONS

2. The Cabinet is asked to:
- (a) Approve in principle and subject to consultation the proposal to build up to 120 new Council houses in the next 3-5 years to be owned and managed by East Renfrewshire Council;
 - (b) Note the intention to expand the proposal if this proves possible; and
 - (c) Note the intention to consult upon the proposals within this paper.

BACKGROUND

3. Council housing remains an extremely desirable tenure type with many people opting for the Council as a landlord as opposed to a private landlord or housing association.

4. The 1970's saw the introduction of changes that restricted the ability of Councils to invest in housing, preventing them from subsidising it from local taxes. Following this Council tenants were given the Right to Buy through the Housing Act 1980 offering significant discounts on the purchase price of homes based on length of tenancy. These changes meant that the financial ability of Councils to build housing were substantially diminished.

5. With new Council house building declining, government capital funds were diverted to Registered Social Landlords (RSLs) to assist with the provision of new homes. Initially this funded 100% of the costs of new homes, but funding has gradually decreased over time with RSLs borrowing from banks and other financial institutions to provide the remaining funding required.

6. In the past 36 years within East Renfrewshire approximately 50% of Council homes have been sold through Right to Buy. This has left a stock of just under 3,000 homes. As expected, the greatest proportion of homes sold were more popular family homes in sought after areas.

7. Limited measures have been available to offset the impact of this. For example the Council was the first Council in Scotland to apply for, and be awarded, Pressured Area Status for the Eastwood area from 2005 to present. This was aimed at limiting the impact of Right to Buy by removing this right for new tenants in this area.

8. However, while the recent abolition of Right to Buy is welcomed, this has seen a substantial increase in applications to buy (around 90 applications) with previous years' sales in single figures.

Council House Building Reintroduction

9. In the last decade the financial foundation upon which Council housing rests has begun to change. The aim of the Council House Building Programme, introduced in 2009, was to incentivise local authorities to build new homes – the first such central government support to Councils in a generation. This is extremely welcome but it is perhaps disappointing to note that grant subsidy levels were lower than the subsidy provided to RSLs.

10. From 2012-13 onwards, funding for Council homes was brought into one budget for both Council and RSL funding streams. This aimed at allowing each Council to exercise its strategic role more flexibly, and to put forward to the Scottish Government its proposals for social and affordable housing developments, based on local housing strategy priorities.

11. However, there remains a distinction in grant funding levels awarded to Councils and RSLs despite increases in subsidy levels for both being introduced in 2013 and again in 2016. This is broadly outlined below, though there are slight variations in subsidy for greener standard homes and mid-market rent:

Benchmark Grant Subsidy Levels (City & Urban)	2009	2013	2016
Council social rent (flat rate)	£30,000	£46,000	£57,000
RSL social rent (3 person equivalent, benchmark)	£42,000	£58,000	£70,000

12. The view of the Scottish Government is that Councils and registered social landlords are crucial to delivering the ambitious target of at least 50,000 affordable homes across Scotland over the lifetime of the next Parliament.

REPORT

13. Due to an inability to build new houses East Renfrewshire Council Housing Services have previously focused on maintaining and improving the quality and condition of the existing stock.

14. However, changes to the funding regimes (as noted above), additional sources of subsidy through Council tax discount and commuted sums and a robust housing revenue account business plan have now made the building of Council housing in East Renfrewshire financially viable.

15. It is therefore proposed that the Council will build up to 120 units in Barrhead and Newton Mearns in the next 3-5 years.

16. This is just a starting point. It is possible, depending upon a variety of site acquisitions and disposals, that this figure of 120 could be further increased. The situation is being closely monitored and may be the subject of a future report to Cabinet.

17. Based on the financial proposal that will be adopted the rental income from the new units will be sufficient to cover the additional annual costs (e.g. loan charges and repairs). Rents for the new units will be set at an affordable level although they will be higher than rents for comparative Council stock in that area. This is to reflect the fact that the properties will be newly built with modern features including energy saving measures. It is expected that, despite this additional supplement, demand for the properties will be high.

18. Given that the rental income from the units will be sufficient to cover the additional annual cost this proposal should not have a detrimental impact upon existing tenants either through response repairs or capital investment.

19. Some of the new build properties will be on land already within the ownership of the Housing Revenue Account. Other sites may currently rest within the General Fund. The proposal assumes that all such land will be made available to the Housing Revenue Account at nil value.

20. The sites will be selected from the existing LDP and the new proposed LDP. Most sites will therefore already be included within existing housing supply numbers. They are not therefore additional housing supply numbers.

21. For each site an options appraisal will be undertaken to determine the appropriate house types and size required in relation to the capacity of the site and the local demand for housing. A key feature of the Council house building programme will be creation of communities that will provide not just new houses, but homes within a wider environment that maximises the enjoyment of the households that will occupy them. Therefore the specification to be adopted will be crucial.

22. A similar options appraisal will be undertaken to determine the delivery method of building the properties. On some sites the properties will be purchased from the developer as a part of a wider mixed tenure development. On other sites Council housing will be the sole tenure and a developer will be contracted by the Council to deliver the properties.

23. Selected sites will be aligned with the Council's Strategic Housing Investment Plan (see separate report on this agenda).

FINANCE AND EFFICIENCY

24. A full and detailed financial options appraisal has been undertaken to confirm that the proposals are affordable. The Housing Revenue Account (HRA) business plan model permits the service to assess and modify a range of financial scenarios that may present themselves to the service in the next 5 years, next 10 years and next 30 years. Variables that are assessed include (but are not restricted to) build costs, interest rates, borrowing periods, rent levels, maintenance costs and inflation. Proposals will be worked up in full consultation with Accountancy Services.

CONSULTATION

25. The proposals will be discussed with Registered Tenant Organisations, with the wider tenant body and the Education Department.

26. In addition consultation will take place with people in housing need who are likely to benefit from this proposal. This will include consultation over factors such as lay out, garden design, kitchen and bathroom specification.

PARTNERSHIP WORKING

27. This project has involved and will continue to involve colleagues from accountancy, regeneration, planning, procurement and Property & Technical Services. Future partnership working will also include Legal Services.

28. In line with ERC's sustainable procurement policy all new build housing proposals will endeavour to secure the maximum economic, social and environmental benefit for local residents and businesses within East Renfrewshire from investment in the area. The Council promotes sustainable procurement clauses in its contracts that seek to introduce measures to secure opportunities for training and employment, work placements, school curriculum support, community enhancement and SME supply chain development based on the evidence of need in the East Renfrewshire area.

IMPLICATIONS OF THE PROPOSALS

29. This report does not have any implications in terms of property, staffing, equalities, IT or sustainability.

30. The legal and financial implications will be addressed as part of the options appraisal process.

CONCLUSIONS

31. Changes in the subsidies available to local authorities for Council housing present East Renfrewshire Council with a major opportunity to increase the size of its portfolio and to assist the Council in addressing local housing need. Prudent local management of the HRA means that East Renfrewshire Council is in a position to take advantage of this situation. The provision of new affordable Council homes will be welcomed by all those in housing need.

RECOMMENDATIONS

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