

EAST RENFREWSHIRE COUNCIL

CABINET

2 October 2014

Report by Director of Environment

RENTAL OFF THE SHELF

**PURPOSE OF REPORT**

1. To seek the approval of the Cabinet to accept the Scottish Government's offer of funding of £400,000 from the Council's Affordable Housing Resource Planning Allocation and provide Council funding of around £420,000 to participate in a "rental off the shelf" programme.

**RECOMMENDATIONS**

2. It is recommended that the Cabinet:
- (a) Accepts the Scottish Government's offer of funding of £400,000 from the Council's Affordable Housing Resource Planning Allocation to participate in a rental off the shelf programme be accepted;
  - (b) Commits around £420,000 from its second home Council tax discount and commuted sums fund to partially finance this project; and
  - (c) Delegates to the Director of Environment the authority to make all the necessary arrangements to purchase suitable properties.

**BACKGROUND**

3. A significant existing need has been identified for smaller social rented properties in East Renfrewshire. This is due to a number of reasons, for example limited social stock, decreasing household size, demand from homeless households, as well as anecdotal evidence on the impact of welfare reform and that is often referred to as the 'bedroom tax'.

4. Whilst the long term solution to this issue is to build additional new homes restrictions in the availability of land prevents this being a short term solution. Therefore in the short term a potential solution is for local authorities to purchase existing houses.

5. As well as assisting in increasing the stock of smaller properties, such a programme would assist in ensuring the spend of allocated resources within the early years of the Council's Strategic Housing Investment Plan (given that a number of previously identified projects have changed or slipped).

## **REPORT**

6. The proposed solution to the shortage of one bedroom properties that are available for social rent would be to purchase a number of smaller 1 bedroom properties (predominantly but not exclusively) in the Eastwood area of the authority. As such a proposal was developed and submitted to the Scottish Government for consideration.

7. It is proposed that this would be a relatively small scale project, with the purchase of up to 10 properties over the financial years 2014/15 and 2015/16.

8. Based upon an analysis of the current East Renfrewshire housing market, it is estimated that a 1 bedroom property in Eastwood would cost the Council around £90,000 (including refurbishment), and a 1 bedroom property in the Lavern Valley around £70,000 (including refurbishment).

9. Based on these property costs, and the assumption that the Council would purchase a majority of 1 bedroom properties in Eastwood, the overall programme purchase cost is currently estimated at £820,000.

10. It was proposed that the Council commit around £420,000 from its Council tax discount and commuted sums fund to partially finance this project. This would leave an additional funding requirement of £400,000.

11. It would not be desirable to borrow additional funds to finance such a project. The already significant cost pressures on the Housing Capital Programme to achieve the Scottish Housing Quality Standard have already resulted in considerable loan charges for the Housing Revenue Account.

12. The Council therefore sought from the Scottish Government Housing Investment Division a grant of approx £40,000 per property.

13. On 6<sup>th</sup> August 2014 the Scottish Government accepted this proposal.

## **FINANCE AND EFFICIENCY**

14. A multi service working group has been established to develop clear procedures to ensure transparency in developing criteria for purchasing properties and to ensure value for money.

15. Final purchase will only be agreed following confirmation that repair and improvement costs can be adequately met through future rental income. All properties will be purchased competitively on the open market.

16. Rentals will be set according to purchase price. This requires further work which is ongoing. However, they will be set at an affordable level.

## **CONSULTATION**

17. Cross departmental consultation has taken place.

## **PARTNERSHIP WORKING**

18. The proposal submitted to the Scottish Government arose as a result of partnership work between Housing Services, Legal Services, Accountancy and the Affordable Housing Development Officer.

## **IMPLICATIONS OF THE PROPOSALS**

19. There are no significant implications of these proposals in terms of staffing, property, finance, legal, IT, equalities and sustainability.

## **CONCLUSIONS**

20. The proposal to purchase property off the shelf is seen as an innovative approach to address, in the short term, some of the pressures faced by waiting list applicants looking for one bedroom properties which are in short supply due to recent changes in entitlement to Housing Benefit.

## **RECOMMENDATIONS**

21. It is recommended that the Cabinet:
- (a) Accepts the Scottish Government's offer of funding of £400,000 from the Council's Affordable Housing Resource Planning Allocation to participate in a rental off the shelf programme be accepted;
  - (b) Commits around £420,000 from its second home Council tax discount and commuted sums fund to partially finance this project; and
  - (c) Delegates to the Director of Environment the authority to make all the necessary arrangements to purchase suitable properties.

Director of Environment

Further details can be obtained from Phil Daws Housing Services Manager on 0141 577 3186.

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## **KEY WORDS**

A report seeking the Cabinet's agreement to accept the Scottish government's offer of funding of £400,000 from the Council's Affordable Housing Resource Planning Allocation to participate in a rental off the shelf programme. Affordable housing, resource planning allocation.