

FALKIRK COUNCIL

**Subject: STRATEGIC HOUSING INVESTMENT PLAN & COUNCIL HOUSE
NEW BUILD**
Meeting: HOUSING AND SOCIAL CARE COMMITTEE
Date: 28 August 2012
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1. INTRODUCTION

- 1.1 This report provides Committee with details of the Council's draft Strategic Housing Investment Plan (SHIP) for the period 2012-15, the draft of which was submitted to the Scottish Government on the 30 March 2012.
- 1.2 The purpose of this report is to seek approval for the submission of a Strategic Local Programme (SLP) attached as Appendix 1 to this report; seek retrospective approval for the draft SHIP attached as Appendix 2 to this report and to consider further Council house new build development opportunities.

2. BACKGROUND

- 2.1 The Local Housing Strategy (LHS) and, specifically, the SHIP are the key statements of housing development priorities in the Local Authority area and guide the application of Government (and other) funding for new Council house building, as well as Registered Social Landlord (RSL) development for both rent and low cost home ownership. The Council has submitted a Strategic Housing Investment Plan to the Scottish Government annually since 2007.
- 2.2 The preparation of the SHIP was undertaken reflecting guidance from the Scottish Government, prioritising investment based on a range of factors including relative need, land availability and development constraints. The LHS and SHIP seek to ensure a twin track approach is in place at a local level to ensure the money available is spent to best effect.
- 2.3 The SHIP was developed through partnership working within Corporate and Neighbourhood Services, Development, Social Work and Finance Services who have all contributed to the information required. In addition, external partners particularly RSLs who sit on the local RSL Forum have been involved.
- 2.4 On 18 January 2012, the Scottish Government issued revised guidance for the SHIP to be submitted by 31 March 2012. The revised guidance required local authorities to take account of the current constraints on public funding when detailing their proposals for the delivery of the Affordable Housing Supply Programme. The guidance however acknowledged that Resource Planning Assumptions (RPAs) for each local authority area would not be issued prior to the SHIP submission at the end of March 2012.

2.5 In the absence of definite funding information from the Scottish Government a practical approach was adopted in the preparation of the SHIP and £5.7m per annum for both Council and RSL new build was assumed. The figure of £5.7m per annum derives from analysis of previous allocations, current budget constraints and the most recent 2011/12 Innovation and Investment Funding awards and was included following consultation with the Scottish Government.

2.6 The SHIP guidance issued by the Scottish Government also confirmed the move to a system which would allow local authorities and housing associations to forward plan and from 2012/13 onwards. A resource planning approach will be adopted based on the following principles:-

- Council and RSL funding streams will be brought together into one budget and from this single budget each Council will receive a combined three year resource planning assumption through to March 2015
- This approach is expected to allow each Council to exercise its strategic role more flexibly, and to put forward to Government a programme of social and affordable housing developments which are in line with the Government's national strategies for housing supply and based on the LHS and the SHIP
- The Scottish Government will continue to hold and manage the budget centrally and make payments to both Councils and housing associations on completion of their approved budgets

2.7 On 8 May 2012 the Scottish Government issued details of the funding allocations for each local authority area several weeks after the draft SHIP was submitted. An announcement of further additional funding was also made at the end of June. Falkirk Council's allocation for the Affordable Housing Supply Programme in the May announcement was £9.194m for the period 2012/13- 2014/15. Whilst the exact value of Falkirk's share of the additional funding announced in June has yet to be confirmed, it is estimated to be in the region of an addition £0.4m. This could give a total allocation of approximately £9.6m. This allocation however includes a significant carry forward of £6.5m for year 1, leaving £3.1m for new projects for both RSL and Council new build for years 2 and 3 (2013/14 and 2014/15), see table below

Table 1

Resource Planning Assumptions (RPAS) 2012 - 15	
Year 1 2012/13 Carry Forward	£6.5m
Year 2 – 2013/14 New Projects	£1.55m
Year 3 – 2014/15 New Projects	£1.55m
Total Allocation	£9.6m

- 2.8 The £9.6m allocation for the next 3 years is well below the planning assumption of £5.7m per annum assumed in the SHIP. The funding allocated to Falkirk is also significantly lower when compared with previous years funding e.g.: in the period 2008/11 the total programme spend equated to £20.521m, meaning the allocation for 2012-15 represents a 55% reduction in funding.
- 2.9 As a consequence of the lower than anticipated funding allocations, a review of the SHIP submitted in March has been undertaken and this has resulted in a significant reduction in the number of new projects which can now be taken forward. This will also result in a reduction of the units to be provided, as both the Council and RSL partners have required to review their development plans based around the funding available for new projects.
- 2.10 At this time the Scottish Government can give no funding commitments for 2015-16 but will inform the Council about long term arrangements later in 2012.

3. STRATEGIC LOCAL PROGRAMME 2012-15

- 3.1 In addition to the funding, the Scottish Government announced a requirement for local authorities to provide a Strategic Local Programme, listing projects prioritised in the SHIP which could form a three year development programme with a requirement for the programme to be completed by March 2015. Approved programmes are required to be submitted formally to the Scottish Government by the 31 August 2012; however, the Scottish Government requested a draft programme by the 29 June 2012. The Scottish Government aims to issue a Strategic Agreement in respect of the Council's Strategic Local Programme by the end of September 2012 allowing the programme to proceed.
- 3.2 The programme aims to utilise the reduced allocation of Affordable Housing Supply Programme resources to best effect and at current subsidy levels would support the construction of around 86 units.
- 3.3 The allocation for Year 1 2012/13 equates to carry forward spend for projects already underway and the allocated spend of new money element of £3.1m will fund new housing developments in the SHIP. This equates to £1.55m per annum for years two and three of the SHIP.
- 3.4 Following the formal notification of the funding allocation in May 2012, a series of discussions have taken place with regard to the Council New Build Programme and RSL partners to establish the implications of the funding settlement.
- 3.5 The key projects of the Strategic Local Programme are outlined as follows:
- Merchiston, Falkirk - Phase 2 (Falkirk Council) 27 units
 - Auchincloch, Banknock (Link Group) 30 units
 - Glenfair Nursery, Camelon (Falkirk Council) 10 units
 - Denny Police Station (Falkirk Council) 9 units

- Tinto Drive, Grangemouth (Falkirk Council) 10 units (part funding)

TOTAL 86 units

3.6 Members agreed to acquire the former Stenhousemuir and Denny Police Station sites for the purpose of providing new Council housing. In addition, a funding bid was unsuccessful in relation to the conversion of both properties. As such, Members were advised that further assessment work would be undertaken and this work has concluded that alteration/conversion of the existing buildings would not represent Best Value. The assessment looked at three options which included a conversion, a development of 4 new homes and a development of 9 new homes on the site. The cost to deliver each option was established to consider which option would represent Best Value. Each option concluded the following cost per unit:

Option 1: Conversion of existing building to form 4 homes	Cost per unit £125,000
Option 2: Demolish and build 4 new homes.	Cost per unit £127,500
Option 3: Demolish and build 9 new homes.	Cost per unit £ 83,888

The outcome of the of the above exercise concluded that the option to demolish the existing building and deliver 9 new homes on the cleared site would provide the better mix of housing that would meet the requirement of the Local Housing Strategy, provide better value for money and allow the Council to access Scottish Government Grant. As such, the Denny site has been included within the programme as new build housing, on a cleared site.

3.7 Falkirk's draft Strategic Local Programme (Appendix 1) has also changed from the SHIP submission at the end of March 2012 due to the following:-

- Withdrawal of Overton, Redding Phase 3 & 4 by Kingdom Housing Association, as they were unable to agree acquisition costs with the private developer
- A proposal by Link Group to bring forward the development at Auchincloch, Banknock while taking forward the project at Bellsdyke, Larbert Phases 3 & 4 as part of the National Housing Trust RSL Variant

3.8 The projects included in the draft programme meet the Councils requirements in terms of its Local Housing Strategy outcomes and provide a deliverable programme for 2012/13 - 2014/15.

3.9 The Scottish Government Guidance for the Strategic Local Programme encourages providers to build to 'greener standards' and indicates units built to this standard will attract increased subsidy. If any provider indicates they intend to build to the higher energy efficiency standard the programme will require to be reviewed to take account of the increased subsidy being drawn down.

3.10 All the projects outlined in the programme are considered capable of being completed by March 2015.

4. COUNCIL HOUSE NEW BUILD

- 4.1 Members will be aware of the Council's on-going programme of new-build. Following completion of phase 2 of the Carron Road site later this financial year, a total of 132 new properties will have been built. Work is also progressing in respect of 3 further sites at Summerford; old Maddiston Primary school and part of old St Mungo's High school. In total, a further 104 properties will be built on these sites. This will bring the overall total of new build properties to 236. Provision for these projects has been included within the 3 year HRA capital programme.
- 4.2 As outlined in paragraph 3.5, the Strategic Local Programme identifies a further 4 Council new build projects. Whilst these projects have been included in the programme to enable Scottish Government funding, the Council will require to meet the balance of costs of c£4.3m in respect of these projects. Funding is contained within the 3 year HRA capital programme for these projects and also new build development on the full site of the old Grangemouth High school.
- 4.3 Members will be aware of the Housing Need and Demand Assessment undertaken as part of the Local Housing Strategy. This assessment identifies an annual shortfall in affordable housing of 233 over the next ten years, of which 100 units per annum should be met through new build affordable housing. Therefore, notwithstanding the restrictions on government financing, there is a clear need to consider the potential to continue to develop a Council house new build programme to help meet the identified housing need going forward.
- 4.4 Two key considerations require to be made in continuing a new build programme i.e.: site availability/feasibility and affordability. In terms of site availability/feasibility, Members will be aware of the on-going site appraisal work previously reported to Committee. This appraisal work considered sites only in Council ownership. Further consideration of the sites previously reported to Members has been undertaken and 10 sites have been identified as potential further new build opportunities. These sites, together with those listed in the Strategic Local Programme above, would provide in the region of a further 500 units, additional to the 236 properties highlighted in 4.1 above.

Potential Site	Estimated number of units
Tinto Drive, Grangemouth (Old High School) *	56
Seabegs Road, Bonnybridge	48
Denny High School **	200
Stenhousemuir Police Station	12
Falkirk High School	25
Torwood Primary School	15
Maddiston Fire Station	25
Oxgang Road, Grangemouth **	20
Denny Town Centre **	42
The Rumlie, Slamannan **	20
TOTAL	463

* Project included in the SLP to allow for any slippage in the programme

** New sites not previously advised to Members

- 4.5 No provision is currently made in the Councils HRA Capital Programme for a continued new build programme, beyond that identified in paragraphs 4.1 & 4.2 above. As such, further consideration would be required as to the affordability and financing of a continued programme.
- 4.6 Members are therefore asked to consider whether they wish further appraisal/feasibility work to be undertaken on the sites listed above and thereafter receive a report on the feasibility and affordability of a continued new build programme. It should also be noted that appraisal and feasibility assessments will continue on any additional sites, as and when they are identified.

5. CONCLUSION

- 5.1 The Scottish Government Affordable Housing Supply Programme: Strategic Local Programme 2012 - 15 guidance has introduced changes to the way the resources for affordable housing are managed. In light of the requirement for an SLP in quick succession following the SHIP submission it is not unreasonable to speculate that this will in the future replace the need for a SHIP, as the Scottish Government have indicated further guidance will be issued on this subject later in 2012.
- 5.2 This report provides the Committee with details of the Councils SHIP submitted to the Scottish Government on 30 March 2012 and draft SLP which will require to be submitted to Government by the 31st August 2012.
- 5.3 In light of the recognised housing need and acknowledging reduced levels of funding to both the Council and RSL's, Members are asked to consider whether further work be undertaken in respect of the feasibility and affordability of a continued Council new build programme.

6. RECOMMENDATIONS

It is recommended that Committee:

- 6.1 Agree the Strategic Local Programme attached in Appendix 1 and submission to the Scottish Government as required by 31 August 2012
- 6.2 Approve the attached draft SHIP in Appendix 2
- 6.3 Consider whether further appraisal and feasibility work be undertaken on the potential Council new build sites listed in paragraph 4.4 and that a report be submitted to the next meeting of Committee on the outcomes of the assessments

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DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES

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Ref: AAL0812

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LIST OF BACKGROUND PAPERS

- 1. Denny Police Station Option Appraisal

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 590833 and ask for Steve Bentley or 01324 590856 and ask for Kenny Gillespie.