

FALKIRK COUNCIL

Subject: PENSION FUND – SOCIAL/AFFORDABLE HOUSING INVESTMENT
Meeting: EXECUTIVE
Date: 28TH April 2015
Author: DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES

1. INTRODUCTION

- 1.1 Members will be aware of the report to Executive on 13 January 2015 outlining the Council's Strategic Housing Investment Plan (SHIP), including proposed investment in Social/Affordable Housing through the Council's Pension Fund.
- 1.2 The decision of Executive was that Officers were given the remit to liaise further with the Scottish Government Housing, Regeneration and Welfare Directorate with a view to securing additional Affordable Housing Grant. This report provides an update on those discussions.

2. BACKGROUND

- 2.1 The Pension Committee agreed to appoint Hearthstone PLC to manage a £30m investment in Social/Affordable Housing, with £15m of the £30m to be invested in Social Housing and the remaining £15m invested in Affordable Housing. Castle Rock Edinvar (CRE) is Hearthstone's strategic partner in the project. CRE is an Edinburgh based Housing Association.
- 2.2 Following on from the Pensions Committee decision, discussions have taken place with representatives from CRE; Housing Officers from Falkirk; Stirling & Clackmannanshire Councils and Scottish Government (Financial Innovation & Housing, Regeneration and Welfare Directorate). The focus of these meetings has been to develop project proposals to utilise the £15m available funding in relation to Social Housing.
- 2.3 CRE were keen to identify sites which could be developed quickly, across the three Local Authority areas i.e.: sites with the required planning approvals and consents in place. The two most favourable sites identified for the Falkirk Council area were Bellsdyke in Larbert and Overton Crescent Redding; both areas of high demand.
- 2.4 The report to Executive on 13 January 2015 highlighted that the Pension Fund proposal required subsidy of c£4m to make it feasible. At that time the Scottish Government Regeneration and Welfare Directorate had advised that they had fully committed funding (Resource Planning Assumptions for affordable housing grant) to Falkirk Council and no further funding would be available. The Scottish Government Finance Innovation Unit recognising the national dimension of the project however advised that they would fund £2m towards the project as a one off contribution. This however left a £2m shortfall. Officers were therefore remitted by Members to explore with the Scottish Government potential additional funding sources for the Pension Fund investment proposals.

3. POSITION UPDATE

- 3.1 Further discussions have now taken place between officials from the Scottish Government and Falkirk Council to explore the funding gap. It has been identified and agreed by the Scottish Government that the funding shortfall could be addressed in part by drawing down early future years grant funding (RPA).
- 3.2 The following table provides details of Scottish Government RPA for Affordable Housing Grant together with future estimated project spend. Future investment plans have been discussed with RSL partners and no significant project proposals for the period 2017 to 2019 have been identified at this time, which would require grant funding. The table therefore highlights that based on the identified investment plans for both the Council and RSL partners, grant funding will not be fully committed from 2017/18 onwards i.e.: a total of c£4.765m of grant could be available to be brought forward.

Table 1: Summary of Resource Planning Assumptions and Strategic Local Programme Funding

	RPA	Estimated Spend	Annual variance (Reduction of overspend from previous years)	Cumulative Variance
2013/15	£6,725,000	£10,005,662	£3,280,662	
2015/16	£4,153,000	£1,912,640	-£2,240,360	£1,040,302
2016/17	£3,527,000	£2,321,080	-£1,205,920	-£165,618
2017/18	£2,799,000	£1,932,000	-£867,000	-£1,032,618
2018/19	£1,866,000	£0	-£1,866,000	-£2,898,618
2019/20	£1,866,000	£0	-£1,866,000	-£4,764,618

- 3.3 Further discussions have also been undertaken with CRE on their investment plans. Based on these discussions approximately 96 homes are planned across the two development sites i.e.: 62 units at Bellsdyke and 34 units at Redding. The total estimated grant funding required for the two developments is £4.7m. The following table sets out the Pension Fund proposal in relation to unit numbers and grant required.

Table 2: Pension Fund proposal

	Social Rent	Grant required
Bellsdyke	62	£3,083,930
Overton	34	£1,620,195
Total	96	£4,704,125

- 3.4 Consistent with previous discussions, the Scottish Government, have agreed that 50% of funding will be from the Scottish Government Financial Innovation Unit i.e.: £2.35m as a one off contribution, to reflect the national and innovative dimension of the Pension Fund project.

The balance of grant funding (£2.35m) will therefore require to be funded from drawing down uncommitted RPA for future years i.e.: c50% of our available uncommitted RPA of £4.765m, referred to in paragraph 3.2 above. This effectively leaves c£2.4m still available to fund potential future Council new build and/ or RSL projects through RPA.

- 3.5 Based on the discussions to date with CRE, it is envisaged that the development at Bellsdyke would be progressed first, with the first properties available for let circa summer 2016. Although CRE will manage the properties, CRE have confirmed that Falkirk Council will have nomination rights indefinitely for the properties. It is estimated that the rent levels will be in the region of £80 to £85 per week. Further details will be provided as the developments are progressed.

4. CONCLUSION

- 4.1 The proposed developments at Bellsdyke and Redding will provide an additional 96 properties in areas of high demand, which the Council will have nomination rights for.
- 4.2 Following further discussions with the Scottish Government, the funding shortfall of c£4.7m for both projects will now be met from Scottish Government grant. There will therefore be no financial impact for the Council. The proposed funding methodology is a combination of one-off grant and by drawing down early future years grant funding (RPA). This approach will still leave c£2.4m available to fund potential future Council new build and/ or RSL projects through RPA up to 2019/20.

5. RECOMMENDATION

It is recommended that the Executive:

- 5.1 **Agree to bring forward c£2.35m Affordable Housing Grant (RPA) to facilitate the funding of new build developments at Bellsdyke and Redding, as part of the Council's Pension Fund investment in Social/Affordable Housing.**

DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES

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BACKGROUND PAPERS

1. Report to Pensions Committee 17th March 2014, Investment in Social/Affordable Housing
2. Report to Executive 13th January 2015 – Strategic Housing Investment Plan 2013-18