

EAST RENFREWSHIRE COUNCILCABINET25 January 2018Report by Director of EnvironmentCOUNCIL HOUSE BUILDING PROGRAMME**PURPOSE OF REPORT**

1. The purpose of this report is to seek approval in principle for the Council to build and thereafter manage a further 120 new Council houses over the next 3-5 years, and to consult on this proposal 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 a further 120 new Council houses over the next 3-5 years to be owned and managed by East Renfrewshire Council; and
 - (b) Note the intention to consult upon the proposals within this paper.

BACKGROUND

3. This report relates to the Council's delivery of Community Plan Outcome 3 "that East Renfrewshire is a thriving, attractive and sustainable place for businesses and residents". In particular it relates to intermediate outcome 3.2 "that East Renfrewshire is a great place to live with a good physical environment". It aligns with the Council's commitment to provide a supply of good quality and affordable housing opportunities that are available to all.

4. Over the past 36 years, approximately 50% of Council owned rented housing stock has been sold through Right to Buy. This has left a remaining stock of just under 3,000 homes. As might be expected, the greatest proportion of homes sold were more popular family homes in sought after areas.

5. Council housing remains highly sought after with many people opting for the Council as a landlord rather than a private landlord or housing association.

6. In November 2016, the Cabinet approved a proposal to build up to 120 Council houses subject to consultation. This includes around 80 properties at four sites in Barrhead and a further 30-40 on the Eastwood side of the authority. The progress of these sites has been reported to elected members previously. The November 2016 Cabinet paper noted the intention to expand the proposal further, if this proved possible. The purpose of this paper is to propose to Cabinet the building of an *additional* 120 Council properties, resulting in a total of 240 additional properties to be owned and managed by the Council.

7. The Cabinet will wish to note that 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

Key Observations

8. There are several points that the Cabinet should note when considering this proposal and which were referenced in the previous report in November 2016;

- (a) Based on the financial model to be adopted, the rental income from the new units will cover the additional annual revenue 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 that the properties will be newly built with modern features including energy saving measures. It is expected that, despite a higher rental cost, demand for the properties will be high.
- (b) Given that the rental income from the units will be sufficient to cover the additional annual cost, this proposal should not have a negative impact upon existing tenants either through response repairs or capital investment. A thorough review of the investment requirements for the existing stock has been undertaken as part of this exercise.
- (c) Some of the new build properties will be on land already within the ownership of the Housing Revenue Account. Other sites might 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, subject to valuation and appropriate consultation.
- (d) Sites identified are expected to be those within the existing or proposed Local Development Plan and will therefore be included within current or proposed housing supply numbers.
- (e) For each site, an option 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. This process will be undertaken as part of data collected through the Local Housing Strategy. A key feature of the Council house building programme will be the creation of communities that will provide not just new houses but homes within a wider environment that maximises the enjoyment of the households who will occupy them.
- (f) An appraisal will also 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, a developer will be contracted by the Council to deliver the properties.
- (g) In line with the Council's sustainable procurement practices, 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 which 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.

Availability of Land

9. The Cabinet should note that having sufficient financial capacity within the housing business plan is not enough to ensure that Council houses can be built. A limiting factor will be the availability of land particularly on the Eastwood side of the authority.

10. Whilst it is anticipated that land for development will become available at Maidenhill, the timeframe in which land could be released is largely determined by the developers.

11. Measures are currently being explored by officers through a cross service working group to identify land elsewhere across the authority.

FINANCE AND EFFICIENCY

12. A full and detailed financial options appraisal has been undertaken to confirm that the proposals are affordable to the Housing Revenue Account (HRA). The HRA business planning model allows the Housing Service to assess and modify a range of financial scenarios that may present themselves over the next 5, 10 and 30 years.

13. When producing a business plan, assumptions need to be made in relation to a range of financial and non-financial indicators such as interest rates, loan charges, rent levels, bad debts, inflation rate, staffing levels, new build costs, life span of component parts, tenant aspiration for replacements of internal elements (kitchens, bathrooms etc) and aesthetic improvements (external render painting), required investment levels, borrowing periods, changing legislative requirements (e.g. smoke detectors; sprinklers etc).

14. As noted within this report, whilst new stock is urgently needed within the Council area due to a shortage of social housing it is essential that any newly constructed housing is not to the detriment of investment in our existing stock.

15. The revised business plan has concluded that the proposal to increase Council house building to 240 houses is affordable, subject to the financial caveats below. Funding for new build will largely be a combination of capital borrowing and subsidy from the Scottish Government. The housing capital programme will be amended accordingly and reported to Cabinet to reflect this.

16. The Council operates under prudential borrowing guidelines and in previous years the prudential ratio of loan repayments to rental income has not exceeded 40%. The business plan indicates that in 2019/20 and 2020/21, this will rise to just over 40% in these two years. However, this will then drop back below 40% leading to the conclusion that increasing the Council's plans to build 240 units is affordable over the longer term. The above scenarios assume a reduction in HRA payroll costs by £100,000 in 2018/19 and a further £100,000 in 2019/20. This will be achieved through the Environment Department's ongoing programme of change.

17. Accountancy Services will be fully involved as the proposals are developed.

CONSULTATION

18. In accordance with the terms of the legislation, these proposals will be discussed with Registered Tenant Organisations, with the wider tenant body and with relevant Council services.

19. In addition, consultation will take place with those in housing need who are likely to benefit from this proposal. This will include consultation over a range of matters including layout, garden design, kitchen and bathroom specification etc. Furthermore consultation will take place with Council services that are likely to be impacted by the proposals as they are developed such as Education.

PARTNERSHIP WORKING

20. This re-appraisal of the housing business plan has involved colleagues from Accountancy Services. In addition, the business plan has been subjected to external scrutiny by external financial consultants. These consultants (Arneil Johnston) undertook this exercise in November 2017 and concluded that the proposals were affordable. This information was presented to the senior Housing Services Management Team and Accountancy Services.

IMPLICATIONS OF THE PROPOSALS

21. This report does not have any implications in terms of property, legal, equalities, IT or sustainability. The financial implications are noted at paragraphs 11 to 15 above.

CONCLUSIONS

22. A review of the HRA business plan with external expert advice has confirmed that financial capacity exists to increase the currently agreed Council building programme of 120 houses to 240 houses in order to help address ongoing housing need in the area. Specific consultation on individual sites will take place in the future as more detailed proposals are drafted.

RECOMMENDATIONS

23. The Cabinet is asked to:

- (a) Approve in principle and subject to consultation, the proposal to build a further 120 new Council houses in the next 3-5 years to be owned and managed by East Renfrewshire Council; and
- (b) Note the intention to consult upon the proposals within this paper.

Director of Environment

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