
Report To:	Safe, Sustainable Communities Committee	Date: 12 January 2010
Report By:	Corporate Director, Environment and Community Protection	Report No: ECP/Plann/WR10/002
Contact Officer:	William Rice	Contact No: 01475 712070
Subject:	Support For Owners Fund	

1.0 PURPOSE

- 1.1 To provide Committee with an update on the current position of the Support For Owners fund in relation to River Clyde Homes planned SHQS investment programme.

2.0 SUMMARY

- 2.1 As part of the Stock Transfer Agreement a tripartite arrangement was established and agreed between Communities Scotland (now the Scottish Government's Housing Investment Division), Inverclyde Council and River Clyde Homes (RCH), to establish a fund which would provide financial assistance solely for owners in communal properties affected by RCHs planned investment programme, to facilitate the achievement of the Scottish Housing Quality Standard (SHQS) by 2015. This fund is known as Support For Owners.
- 2.2 The Support For Owners fund is created by income from River Clyde Homes' excess Right-to-Buy receipts from the previous financial years Right-to-Buy (RTB) house sales and requires to be managed in line with existing grant legislation and Council policy.
- 2.3 The process for establishing the fund is the return of the excess Right-to-Buy receipts from RCH to Inverclyde Council, which the Council forwards on to the Scottish Government alongside a bidding document evidencing the grant requirements of RCHs investment programme for that year. This bidding document is based on information from RCHs SHQS investment plan. The Scottish Government will then return the evidenced financial requirements in the form of a formal grant offer to Inverclyde Council, which will then be administered by the Strategic Housing Team of the Council to the relevant owners in the form of a formal grant approval.

3.0 RECOMMENDATIONS

- 3.1 That Committee:
- a) note the current financial position of the Support For Owners fund; and
 - b) note the projections for the future Support for Owners fund.

Fraser K Williamson
Head of Planning and Housing

4.0 BACKGROUND

- 4.1 The Support For Owners fund will be created from the return to Inverclyde Council of River Clyde Homes' excess Right-to-Buy receipts from the previous financial year, from the Scottish Government. Between 3 December 2007 and 31 March 2008, the excess Right-to-Buy receipts totalled £0.436m and this amount has been received by the Council with approval for this amount to be carried forward into the 2009/10 budget. In 2008/09 the excess Right-to-Buy receipts totalled £1.634m giving a total Support For owners fund for 2009/10 of £2.071m. This budget is subject to the normal rules of annuality.
- 4.2 The Support For Owners fund can only be utilised for owners in communal properties affected by RCHs SHQS investment programme and on works which are considered SHQS works and eligible for grant under the PSHG guidance. Evidence of the planned investment programme is required to be provided by RCH to support the request for funding. Any unallocated element of the returned excess Right-to-Buy receipt will be retained by the Scottish Government.
- 4.3 The Strategic Housing Function of the Council retains a monitoring role in terms of the local RSLs investment plans to achieve the SHQS by 2015. Cloch Housing Association has practically achieved SHQS status for their stock. Appropriate investment plans have been put in place by Oak Tree HA and Larkfield HA to achieve SHQS status for their respective stock. RCH have submitted details of their Investment Plan up to 2012/13 and this sets out a programme which will make inroads into SHQS attainment for RCH stock. The communal elements of this investment plan will have financial implications for the owners who have a responsibility to fund their share of the works.

5.0 PROPOSALS

- 5.1 Currently, the RCH SHQS Investment Programme indicates that 68 owners will be affected by communal works in 2009/10 and, as such, will have to fund their share of these works. The total cost of works for these owners, based on RCHs Agreed Maximum Price (AMP), is estimated to be £1.232m, which includes contingencies. An extract of RCHs investment plan is set out at appendix I. (app I)
- 5.2 Analysis of means tested grant levels, based on the estimated total cost of grant eligible works, indicate that these 68 owners will be eligible for grant assistance totalling £0.83m. When the revenue costs of administration of Support For Owners of £0.06m, split equally between the Council and River Clyde Homes as per the budgeted recharge of £0.03m, are included, this leaves a potential unclaimed figure of £1.182m from the available excess Right-to-Buy receipts. The Scottish Government have advised that under the terms of the stock transfer agreement there is no option for any unclaimed funding to be rolled over into the next financial year.
- 5.3 As previously noted, the Support For Owners fund is established from the previous years excess Right-to-Buy receipts. In 2009/10 RCH are projecting Right-to-Buy sales of 18 units, giving an estimated Support For Owners fund of £0.36m for 2010/11. As illustrated in appendix I, the RCH SHQS Investment Programme for 2010/11 indicates the inclusion of 63 owners at a total estimated cost of £0.926m with an estimated grant cost of £0.62m based on historical take up rate and estimated means tested grant assessments. Assessed against the Support For Owners fund, these figures indicate a projected shortfall of funding in 2010/11 of £0.29m. An administration fee for Inverclyde Council of £0.03m has been included as per the budgeted recharge for 2010/11. No administration fee has been included for River Clyde Homes.
- 5.4 RCH have been advised of our dissatisfaction regarding the significant underspend projected for 2009/10, submission of conflicting information and the slow receipt of accurate, detailed and timely information. Meetings have been held between our Corporate Directors and their Chief Executive to address the situation and prevent a

repeat. However, given the limited timescale between submission of their 3rd revised programme on 29th October 2009 and year end, there remained little opportunity, despite pressure from Inverclyde Council, for RCH to further revise their programme and complete the lead-in and on-site period for new projects to address the 2009/10 underspend.

- 5.5 Discussion will have to be had with regards to the projected shortfall in funding for 2010/11. It is clear that the projected excess RTB receipts will be insufficient to meet the projected owner's share of financial assistance from Support For Owners. However, it is not clear how RCH will cater for the owners who are unable to access financial assistance from the Local Authority due to the shortfall. This matter will be raised with RCH and the Housing Investment Division of Scottish Government with a view to making appropriate changes to funding arrangements or revising the investment programme accordingly.
- 5.6 A joint letter from Inverclyde Council and River Clyde Homes has been sent to the Communities Minister, Alex Neil, requesting special dispensation and seeking approval for the unclaimed funding to be carried forward into the next financial year. A copy of the letter is attached at appendix II for ease of reference.

(app II)

6.0 IMPLICATIONS

Strategic

- 6.1 The delivery of the Support For Owners fund by Inverclyde Council will complement the Council's strategic housing role.

Financial

- 6.2 The Support For Owners fund will be established in full from recycled excess right-to-buy receipts, there is currently no financial contribution sought from the Council outwith the Support for Owners fund.
- 6.3 The £0.03m administration fee noted at paras 5.2 and 5.3 are budgeted to recharge to the Council's core budget.

	2009/10	2010/11
Budgeted Recharge	£0.03m	£0.03m
TOTAL	£0.03m	£0.03m

Legal

- 6.4 There are no Legal implications arising from this report.

Personnel

- 6.5 There are no Personnel implications arising from this report.

Equalities

- 6.6 When delivering services to our customers, full cognisance is taken of equality and diversity processes and procedures.

7.0 CONSULTATIONS

- 7.1 This report has been prepared in consultation with the Council's Chief Financial Officer.

8.0 LIST OF BACKGROUND PAPERS

- Support For Owners Fund, January 2009: ECP/Plann/WR09/006
- Support For Owners Fund, October 2009: ECP/Plann/WR09/032

Head of Planning and Housing
Cathcart House
6 Cathcart Square
Greenock

14th December 2009

SSC Cmtee 2009 Support For Owners (Dec 09)

Appendix I

Projects 09/10	Total Cost	Total Units	Unit Cost	No. Owners	Total Owners Cost	Act. Grant Cost £
BISF Phase 3 (owners)	104,778	3	48,612	3	145,836	50,000
Heather, Rowan, Thistle	1,545,230	170	9,090	6	54,538	27,268
Royal Court	1,223,777	88	13,907	4	55,626	42,832
Ravensraig Court	1,047,415	58	18,059	3	54,177	36,840
Eastern View	1,382,079	87	15,886	26	413,035	342,819
Rankin Court	1,134,375	58	19,558	26	508,513	328,577
Total	6,437,654	464		68	1,231,724	828,336
Projects 10/11	Total Cost	Total Units	Unit Cost	No. Owners	Total Owners Cost	Est. Grant Cost £
Davidson Drive	740,159	58	12,761	22	280,750	182,232
Chalmers Street	227,268	12	18,939	5	94,695	51,514
Kilblain Court	464,193	61	7,610	1	7,610	6,087
Westburn Buildings	651,000	42	15,500	4	62,000	43,400
Charles Place	372,000	24	15,500	11	170,500	119,350
90-92 Tower Drive	310,000	20	15,500	13	201,500	141,050
3 Kingsway	155,000	10	15,500	7	108,500	75,950
	2,919,620			63	925,555	619,583
Funded By:						
Programme Year		2008/09	2009/10	2010/11		
RTB Sales Proceeds	(from previous year)	527,362	1,905,450	430,000 ¹		
House Sales	(no. of units)	25	76	18		
Av. Sale Price		21,094	25,072	20,000		
Excess RTB to Inv Co		436,671	1,634,135	360,000		
Carry forward		0	436,671	0		
total available		436,671	2,070,806	360,000		
Grant Rq'd		0	828,336	619,583		
Fees (InvCo & RCH)			60,000	30,000	Key	
Balance		436,671	1,182,470	(289,583)	¹ Est. 2009/10 RTB sales	

Councillor Stephen McCabe
Ward 1 – Inverclyde East
 Municipal Buildings
 Greenock PA15 1LX
Leader of the Council



Mr. A Neil, MSP
 Minister for Housing & Communities
 Scottish Government
 Victoria Quay
 EDINBURGH EH6 6QQ

Direct Line: 01475 712727
 Fax: 01475 712976
 Email: stephen.mccabe@inverclyde.gov.uk
 Our Ref: SMcC/sc
 Your Ref:
 Date: 19 November 2009

Dear Alex

Inverclyde Council and River Clyde Homes – Support For Owners

As you will be aware, Inverclyde Council's Housing stock transferred to River Clyde Homes in December 2007. In advance of transfer the issue of financial support for owner occupier's resident within the transferring housing stock was considered in some detail, as part of the Transfer Agreement negotiations.

It was acknowledged by all parties that circa 2200 resident owner occupiers would be affected by the transfer and that those owners would require financial assistance to fund improvement works to allow River Clyde Homes to achieve full compliance with the Scottish Housing Quality Standard (SHQS) by 2015/16.

To assist in achieving full SHQS compliance, the Scottish Government approved the establishment of a fund to provide financial support to resident owner occupiers. Effectively the financial support would be generated from excess Right to Buy receipts arising from house sales in the preceding financial year. The owners support would be drawn down as grant funding in the following year in accordance with a programme of works presented by River Clyde Homes and approved by Inverclyde Council.

The driving factor within the Inverclyde area is to attain full compliance with the Scottish Housing Quality Standard (SHQS) in a pre-determined annual percentage basis by 2015/16. The prescribed annual compliance rate is stipulated in the Transfer Agreement and dictates the support grant available to RCH on an annual basis. Failure to meet the prescribed percentage targets could result in the loss of Business Support Grant to River Clyde Homes.

The SHQS compliance percentages are as noted in table 1, below:-

Table 1: RCH, SHQS Prescribed Percentage Compliance Targets

Year	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Percentage	1	5	12	22	36	54	74	89	99.5
Achieved	Yes	Yes	On target	N/A	N/A	N/A	N/A	N/A	N/A

To/...

2.

19 November 2009

Mr. A Neil, MSP

To date the owner occupier involvement in the SHQS Programme has been limited as a direct consequence of the investment works being targeted towards demolitions and internal SHQS compliance in long term sustainable houses. The issue going forward is that there are significantly more owner occupiers residing within communal properties that feature in the SHQS Investment Programme in later years who will require significantly more owner occupier support if works are to progress.

In 2008/9 the Scottish Government recognised the impact that the return of the owners support monies would have on the RCH programme and allowed the carry over of the grant underutilised into the spend for financial year 2009/10.

The excess RTB receipts generated to date and estimated to 2010/11 are shown in Table 2.

Table 2: Actual and assumed RTB receipts to 2010 /11

Year	Excess RTB receipts	Owner Occupier Grant Committed	Grant Underutilised
2007/8	£0.437m	£0.087m	£0.350m
2008/9	£1.634m	£0.855m	£0.779m
2009/10	£0.750m (estimate)	£0.641m	£0.109m
2010/11	£0.750m (estimate)	£0.716m	£0.034m

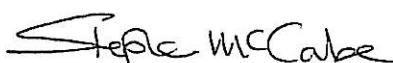
It was estimated at transfer that the owner occupier support would be in the region of £15.6m. To date the potential commitment to 2010/11 is £2.299m, leaving a balance due of £13.301m. If this current trend of RTB sales is assumed to 2015/16 the potential fund available from 2011/12 would be in the region of £3.750m.

These assumptions would result in a significant shortfall from the estimated requirement from the 2011/12 amount of £13.301m. The central issue is one of annuality of spend for excess RTB receipts versus the annualised requirement of RCH to meet the SHQS compliance targets overall. If the programme is created to maximise the annualised RTB receipts, it may not achieve the overall SHQS target.

With the requirement to drive forward the SHQS attainment plan and the commitment of grant funding in the stock transfer agreement, we would like to formally request that the rule of annuality (part 15, para 6.3 of the stock transfer agreement) be removed and that the requirement for owner occupiers support is granted on the basis of SHQS delivery. This would align the Support For Owners fund with the Private Sector Housing Grant, on which delivery is based. It will also allow the Council to minimise its future grant requirements and assist economically vulnerable owners and will complement a range of options which will be set out on our Scheme of Assistance.

We look forward to receiving your considered response.

Yours sincerely



Stephen McCabe
Leader
Inverclyde Council



Roy Steel
Chair
River Clyde Homes