
Report To:	Safe, Sustainable Communities Committee	Date: 18 January 2011
Report By:	Corporate Director Education and Communities	Report No: SCS/11/47/JA
Contact Officer:	William Rice	Contact No: 01475 714228
Subject:	Support For Owners Fund - Update	

1.0 PURPOSE

- 1.1 To provide an update on the current position with regards to Support For Owners (SFO) and information received from River Clyde homes (RCH) on their 2010/11 Scottish Housing Quality Standard (SHQS) investment programme.

2.0 SUMMARY

- 2.1 As part of the Stock Transfer Agreement, Inverclyde Council, Communities Scotland (now the Scottish Government's Housing Investment Division) and RCH agreed to establish a fund which would provide financial assistance for owners in communal properties affected by RCH's planned investment programme and would thereby facilitate the achievement of the SHQS by 2015.
- 2.2 The SFO fund is created from a Scottish Government grant award to Inverclyde Council, which in turn is created from River Clyde Homes' excess Right-to-Buy (RTB) receipts from the previous financial years 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 remittance, by RCH, of the excess right-to-buy (ExcRTB) receipts to Inverclyde Council no later than 30th September of the following financial year. The Council then forwards this income to the Scottish Government alongside a bidding document evidencing the grant requirements of RCHs SHQS investment programme for that year and requesting grant assistance to that value. The Scottish Government consider the bidding document and the investment programme and make a formal offer of grant to the Council for the creation of the SFO fund. The fund is then administered by the Council in line with grant legislation and current Council policy.

3.0 RECOMMENDATIONS

- 3.1 That Committee:
- a) note the current position for the 2010/11 Support for Owners fund;
 - b) note the projection for the 2011/12 Support for Owners fund; and
 - c) note the projected requirements for the Support for Owners fund to 2015/16.

John Arthur
Head of Safer & Inclusive Communities

4.0 BACKGROUND

- 4.1 The SFO fund is created from the return, to Inverclyde Council, of RCHs ExcRTB receipts, by the Scottish Government, in the form of a conditional grant offer. In 2009/10 the ExcRTB receipts total £803,570 and this is the sum that it is potentially available to the Council to provide financial assistance to home owners.
- 4.2 The SFO fund can only be utilised for owners in properties affected by RCHs SHQS investment programme and on works which are considered to be common and eligible for financial assistance under grant guidance. Non-essential works, such as decoration, minor repairs and enhanced specifications are not eligible for financial assistance.
- 4.3 The Strategic Housing function of the Council retains a monitoring role in terms of the local RSLs investment plans for SHQS attainment. 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 by 2015. RCH have submitted outline details of their SHQS Investment Plan up to 2015/16 and this sets out an ambitious programme which will make inroads into SHQS attainment for RCH stock. A recent inspection of RCH by the Scottish Housing Regulator indicates a number of risks in the ability of RCH to achieve the SHQS by 2015, with an estimated figure of 90% attainment indicated in the published inspection report. The report also notes RCH's awareness that owner participation in common works is essential to achieving the SHQS.
- 4.4 The owner's share of costs for the communal elements of the investment plan is calculated on the basis of the tender returns which follow an 'Agreed Maximum Price' (AMP) format. AMP ensures a cost ceiling for the works and provides owners with maximum costs which, when coupled with an advisory grant letter from the Council, allows informed choices regarding participation in the works to be made and financial measures to be put in place to address any outstanding costs.

5.0 Current Position

- 5.1 RCH have not yet submitted details of their 2010/11 investment programme which identifies the projects, confirms the total number of owners affected and provides a contracted unit cost for grant eligible elements of the works. Therefore, Inverclyde Council are unable to submit a bidding document to the Scottish Government evidencing the projected grant requirement for owners. Subsequently, without a formal grant offer from the Scottish Government or investment programme from RCH, the Council are unable to make any formal grant offer to the owners. Similarly, neither an owner participation rate nor average grant level can be estimated without this information.
- 5.2 RCH have indicated that there remains an outstanding sum from 2 projects in 2009/10 for works which were completed in April 2010 but could not be claimed from the 2009/10 SFO budget. Detailed costs for these works have not yet been provided by RCH, but it is estimated that these will be able to be met in full once factored into the 2010/11 programme.
- 5.3 Our Finance Team have confirmed that the ExcRTB receipts of £803,570 have not yet been received from RCH as per the Stock Transfer Agreement of 6 months from the end of the financial year. This has been raised with RCH and we await their response.
- 5.4 Indications from RCH are that c.150 owners will be affected in 2010/11 with a grant requirement of £650,000. As at 7th December 2010 RCH have provided the contact details for 99 owners and, subsequently, the Strategic Housing Team have prepared and issued 99 grant application packs to these owners. As of that date 47 completed grant applications have been returned to the Council resulting in the issuing of 47 interim grant letters which advise the owners of their grant % entitlement. The undernoted table illustrates a breakdown of this position.

5.5	Provisional Programme	Indicated Owners	Owners details provided by RCH	Grant applications returned
	2-6 Davidson Drive	10	10	9
	Chalmers Street	5	5	4
	Kilblain Court	1	1	1
	Westburn Buildings	14	4	0
	Charles Place	12	12	0
	Grieve Road Area	2	0	0
	Larkfield East	16	0	0
	Gourock Downhill	94	67	33
	Total	154	99	47
	Outstanding	-	55	107 (52)

5.6 The interim grant award letter will allow the owner to calculate their share of the costs once they receive AMP information from RCH. It is important to note that some work elements are not eligible for grant assistance. Therefore, even when an owner is in receipt of 100% grant assistance there may still be an outstanding balance.

6.0 Future Funding Requirements - 2011/12 to 2015/16

6.1 Through the Strategic Housing Investment Plan (SHIP) RCH have provisionally indicated their 2011/12 - 2015/16 SHQS Investment Programme which informs future SFO demands. Current information indicates that approximately 65 owners will be affected in 2011/12 requiring potential funding of £560,000. To fund this level of assistance the RTB sales in 2010/11 need to total 25 units at the 2009/10 average price of £27,000 per unit to provide a RTB receipt of £675,000 and subsequent ExcRTB receipt of £560,000. By the 2nd quarter of 2010/11 18 sales have been completed. This trend is directly comparable with previous years RTB profiles and if this trend continues as before it is reasonable to assume that a sufficient budget will be achieved to fund the 2011/12 SFO fund. This situation will be closely monitored during quarters 3 and 4 to allow appropriate discussions to take place regarding the 2011/12 programme and funding arrangements.

6.2 Current information indicates that in 2012/13 approximately 110 owners will be affected, requiring potential funding of £900,000. To fund this level of assistance the RTB sales in 2011/12 would have to total 40 units at an average price of £27,000 per unit to provide a RTB receipt of £1.1m and subsequent ExcRTB receipt of £910,000. There exists a significant risk that this level of RTB sales will not be achieved in 2011/12 and there will be a shortfall in the funding required for owners in 2012/13.

6.3 Projected information for the period 2013/14 to 2015/16 indicates that approximately 750 owners will be affected over this 3 year period, requiring a potential funding of £4.0m. To fund this level of assistance the RTB sales across this period would have to average 60 units per annum at an average price of £27,000 per unit to provide a RTB receipt of £4.9m and subsequent ExcRTB receipt of £4.0m. There exists a significant risk that this level of RTB sales will not be achieved across this period and that there will be a shortfall in the funding required for owners from 2013/14 to 2015/16.

6.4 The impact of any shortfall in funding from RTB sales across the forthcoming period 2011/12 to 2015/16 could be the failure to deliver the SHQS across the social housing sector in Inverclyde. Consideration will have to be given to alternative funding methods, including the use of the VAT receipts framework as set out in the Stock Transfer Agreement.

7.0 Summary

7.1 It is clear that RCH are experiencing organisational difficulties in planning and developing an appropriate, forward looking, investment programme which facilitates maximum spend from the Support For Owners fund, delivers internal improvements for tenants and maintains overall progress towards SHQS attainment as RCH are contracted to do so. Difficulties also exist in terms of RCHs ability and willingness to

provide accurate, detailed and timely information in relation to their investment programme.

- 7.2 Whilst delivery of the SFO fund lies with the Council the delivery requires to be supported by a robust RCH investment plan and the lack of a robust investment plan has created the very real risk that the funding available to provide financial assistance for owners will not be fully utilised. There is a long-term risk that failure to maximise SFO opportunities now will create future financial difficulties for those owners as their numbers increase proportionally, as a % of the stock that requires SHQS works, whilst the SFO funding available in the future drops as the number of right-to-buy sales decreases.

8.0 IMPLICATIONS

Strategic

- 8.1 The delivery of the SFO fund by Inverclyde Council will complement the Council's strategic housing role and contribute to the strategic aim of improving housing quality in Inverclyde.

Financial

- 8.2 The SFO 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. A £30,000 administration fee is budgeted to recharge to the Council's core budget.

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

Legal

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

Personnel

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

Equalities

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

9.0 CONSULTATIONS

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

10.0 LIST OF BACKGROUND PAPERS

- 10.1
- Support for Owners Fund, January 2009: ECP/Plann/WR09/006
 - Support for Owners Fund, October 2009: ECP/Plann/WR09/032
 - Support for Owners Fund, January 2010: ECP/Plann/WR10/002
 - Support For Owners Fund, August 2010: ECP/SCS/JA/10/040