
Report To:	Safe, Sustainable Communities Committee	Date: 3 May 2011
Report By:	Corporate Director Education & Communities	Report No: SCS/60/11/AH/DH
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 30 September of the following financial year. The Council then forward this income to the Scottish Government alongside a bidding document evidencing the grant requirements of RCH's 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 note:
 1. the current position for the 2010/11 Support for Owners fund;
 2. the projection for the 2011/12 Support for Owners fund; and
 3. the projected requirements for the Support for Owners fund to 2015/16.

Drew Hall
Service Manager – Community Safety & Wellbeing

4.0 BACKGROUND

- 4.1 The SFO fund is created from the return, to Inverclyde Council, of RCH's ExcRTB receipts, by the Scottish Government, in the form of a conditional grant offer. In 2010/11 the ExcRTB receipts total £862,595 and this is the funding that it is potentially available to the Council to provide financial assistance to home owners in 2011/12.
- 4.2 The SFO fund can only be utilised for owners in properties affected by RCH's 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 RSL's 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.
- 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. Where AMP costs are not yet available for a project RCH estimates are used to inform grant calculations.

5.0 Current Position – 2010/11 & 2011/12 Programmes

- 5.1 A sum of £650,000 was carried forward from the 2010/11 SFO budget in line with grant commitments. The table at para 5.2 illustrates the current financial position with regard to RCH's 2010/11 SFO programme.

5.2

2010/11 Projects	Indicated Owners	Est. Unit Cost £	No. of Grants Approved	Value of Grants £	Grants Paid £
2-6 Davidson Drive	10	10,600	9	66,747	0
Chalmers Street	5	23,200	4	83,371	0
Westburn Buildings	14	18,900	0	0	0
Charles Place	12	17,200	2	25,891	0
Adelaide Street	5	21,000	3	63,099	0
St John's Road	23	21,000	7	144,917	0
Cardwell Road	19	26,000	5	103,679	0
Sharp Street	7	26,000	4	103,679	0
Margaret Street	3	26,000	2	38,075	0
Shore Street 1	18	21,500	1	10,750	0
Shore Street 2	20	60,000	2	83,798	0
Albert Road	5	3,500	1	1,750	0
Multi-Storey Project	59	2,361	59	139,300	0
Total	200		99	865,056	0

- 5.3 It should be noted that owner-occupiers are in the majority in 12 of the 29 common properties listed above and a further 9 properties are equally split in terms of tenure. This means that in at least 40% of the common properties within the 2010/11 programme River Clyde Homes will be unable to proceed with works on the basis of majority ownership. The over-commitment of grant takes account of this position.
- 5.4 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.

- 5.5 RCH have indicated that there remains an outstanding sum for works to multi-storey properties of the 2009/10 programme which were completed in April 2010 but could not be claimed from the 2009/10 SFO budget. Upon receipt of appropriate schedules and invoices, payment will be made to RCH on the owner's behalf.
- 5.6 RCH have submitted basic details of their 2011/12 SHQS investment programme which identifies potential neighbourhoods; confirms the total number of owners likely to be affected as 191 and provides an estimated cost of £10,000 per unit for the works. The table at para 5.7 illustrates the proposed 2011/12 SFO programme based on information received to date.

2011/12 Project	Indicated Owners	Est. Unit Cost	No. of Grants Approved	Value of Approved Grants £
Upper Port Glasgow	58	£10,000	26	194,600
Lower Bow Farm	83	£10,000	0	0
Kilmacolm	10	£10,000	0	0
Grosvenor	10	£10,000	0	0
Westburn	4	£10,000	0	0
Fancy Farm	20	£10,000	0	0
Grieve Rd area	4	£10,000	0	0
Mallard Rd area				
Upper Bow Farm area				
Inverkip	2	£10,000	0	0
Total	191	-	0	194,600

- 5.8 The grant requirement for 2011/12 is estimated to be in the region of £715,000 - £1,400,000 subject to submission of tendered costs, owner participation rates (50-100%) and subsequent grant levels (est. 75%). Inverclyde Council have submitted a bidding document to the Scottish Government evidencing the projected grant requirement for 2011/12 and requesting permission to commence legal commitment of funding up to the maximum amount available, which is £862,595.

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

- 6.1 Through the Strategic Housing Investment Plan (SHIP), RCH have indicated a provisional 2012/13 - 2015/16 SHQS Investment Programme which informs future SFO demands.
- 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. Based on 2009/10 and 2010/11 ExcRTB receipts of £868,000 and £862,595 respectively. There exists a risk that the required 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 receipts of £4.0m. There exists a significant risk that these levels 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 2012/13 to 2015/16 could be the failure to deliver the SHQS in a considerable proportion of social housing 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. RCH have advised that will deal with this issue by applying for exemptions from full compliance with the SHQS for common elements if owner/occupiers are unwilling to co-operate.

7.0 Summary

- 7.1 Whilst delivery of the SFO fund lies with Inverclyde Council, the delivery requires to be supported by a robust RCH investment plan and is dependant on income from RTB sales. 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 decrease and budget pressures increase.

8.0 IMPLICATIONS

Strategic

- 8.1 The delivery of the SFO fund by Inverclyde Council will complement the Councils 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.

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
 - Support For Owners Fund, January 2011: ECP/SCS/11/47/JA