
Report To: Safe, Sustainable Communities Committee **Date:** 30th August 2011

Report By: Albert Henderson, Corporate Director
Education & Communities **Report No:**
SCS/67/11/AH/DH

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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 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 Supply Division) and RCH agreed to establish a fund which would provide financial assistance for owners in communal properties affected by RCHs SHQS investment programme.
- 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 forward 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.

Albert Henderson, Corporate Director Education & Communities

4.0 BACKGROUND

- 4.1 The SFO fund is created by the return, to Inverclyde Council, of RCHs ExcRTB receipts from the previous financial year, by the Scottish Government, in the form of a conditional grant offer. A sum of £678,000 has been carried forward from the 2010/11 SFO budget in line with grant commitments. In 2010/11 the ExcRTB receipts were £862,595 and we are advised that this amount will be returned to the Council by way of an offer of grant. Therefore the total available budget for 2011/12 is expected to be £1,540,595.
- 4.2 The owner's share of costs for the communal elements of the SHQS works 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 cost information which, when coupled with an advisory grant letter from the Council, allows the owner to make an informed choice regarding participation in the works and put in place financial measures to address any outstanding costs.

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

- 5.1 RCH advise that whilst no communal SHQS works were carried out in 2010/11 the intended 2010/11 programme will be completed as part of the 2011/12 programme.
- 5.2 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 due to RCH.
- 5.3 RCH have indicated that there remains an outstanding sum for works completed in multi-storey properties as part of the 2009/10 programme, which were completed in April 2010 but could not be claimed from the 2009/10 SFO budget. The final costs for these works were submitted to the Council in July 2011 and analysis of the final costs against previous interim payments is currently being carried out. It is estimated that £310,000 will be drawn down from available funds.
- 5.4 RCH have submitted basic proposals for a 2011/12 SHQS investment programme which identifies a potential works programme and the potential number of owners likely to be affected. Tender returns to RCH for the original 2010/11 programme and 2011/12 programme are expected to be submitted by late August 2011 and following analysis of the AMP components it is expected that Inverclyde Council will be advised of likely costs for the grant eligible element of works in September 2011. Once confirmed costs are available and a firm programme of works set out Inverclyde Council will be in a position to approve grants to affected owners.

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.

7.0 Summary

- 7.1 Whilst responsibility for delivery of the SFO fund lies with Inverclyde Council delivery must be supported by a robust RCH SHQS investment plan. There is a long-term risk that failure to maximise SFO opportunities now will create future financial difficulties for 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 budgetary pressures increase in other areas.

8.0 IMPLICATIONS

Strategic

- 8.1 Delivery of SFO by Inverclyde Council complements the Council's strategic housing role and contributes to the strategic aim of improving housing quality in Inverclyde.

Financial

- 8.2 SFO in 2011/12 will be funded 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
 - Support For Owners Fund, May 2011: ECP/SCS/60/11/AH/DH