



REPORT TO: COMMUNITY SERVICES COMMITTEE ON 11 AUGUST 2004

SUBJECT: MANAGEMENT OF DEVELOPMENT FUNDING

BY: DIRECTOR OF COMMUNITY SERVICES

1. Reason for Report

1.1 This report presents the Committee with details of the opportunity to seek the transfer of the management of development funding (TMDF) from Communities Scotland to the Council. It considers the advantages and disadvantages of seeking such a transfer and proposes a course of action to the Committee.

2. Background

2.1 The Housing (Scotland) Act 2001 contains powers to enable the transfer of the management of development funding from Communities Scotland to local authorities. Currently, Communities Scotland administers a range of development grant schemes, including Housing Association Grant (HAG), Grants for Rent and Owner Occupation (GRO), Special Needs Capital Grant (SNCG), Rural Home Ownership Grant (RHOG), Rural Empty Properties Grant (REPG) and Social and Environmental Grants. Each of these grant schemes has particular criteria and conditions. TMDF would mean that the Council would administer these grant schemes, whereas at present, they are administered by Communities Scotland. In Moray, investment levels in the grant schemes subject to TMDF are currently around £1.8m per year.

2.2 Discussions on the arrangements for transfer have taken place since 2001 with CoSLA, Communities Scotland and the Scottish Federation of Housing Associations (SFHA). These discussions resulted in the agreement of a Memorandum of Understanding. This established that any transfer would be subject to the development of more detailed criteria.

2.3 In late 2003, Communities Scotland issued guidance to local authorities on the transfer of the management of development funding. This identifies the steps that local authorities need to take to progress the transfer of management responsibilities. These are illustrated in **APPENDIX I** of this report. Local authorities are required to provide a Business Case in support of their bid for the transfer of management responsibilities. A Business Case needs to articulate how each operational criterion has been met. Communities Scotland will assess local authorities' Business Cases and make recommendations to the Minister on the transfer of management of development funding. The requirements that need to be met for each of the operational criteria illustrated are considered below.

Local Housing Strategy

- 2.3.1 A requirement for TMDF is that a Local Housing Strategy is in place that has been formally approved by the Council. An assessment of 'good' is required across all key areas of the LHS.

Allocation Methodology

- 2.3.2 Councils should have a clear framework in place for the allocation of resources to housing associations and others. Consultation protocols should be in place for wider alliances, social inclusion partnerships, housing association representative groupings and other relevant partnerships.

Skills and resources

- 2.3.3 Councils need to have in place human and other resources necessary to approve projects, monitor and manage programme spend. Specifically, skills are required in the areas of programme and performance management and project appraisal skills and practices. Further actions to meet operational criteria include decision making arrangements at Member/Officer level, monitoring and evaluation arrangements, ability to operate the national monitoring system, appropriate grant payment arrangements, and internal audit systems and skills matching those in Communities Scotland.

Separate Budgets

- 2.3.4 Transparent arrangements need to be in place to demonstrate that development funding is not being used to benefit the Council's housing stock. Separate accounting arrangements are required, with appropriate reporting arrangements.

RSLs' and Funders' Support

- 2.3.5 Councils need to demonstrate general support from RSLs in the area for TMDF. This does not necessarily mean that every RSL in the area needs to support transfer.

- 2.4 Consultation on more detailed regulations regarding each of the grant schemes which may be transferred to local authority management has been carried out by Communities Scotland. These deal largely with terms and conditions of grant funding, procedures etc. Final regulations are currently awaited.

- 2.5 In April 2004, the Council submitted its Local Housing Strategy to Communities Scotland for assessment. The outcome of the assessment (reported to the Committee separately) was a grading of 'Good' overall. Only two sections of the Council's LHS would require resubmission to meet the operational criterion detailed in 2.3.1. above.

3. Consideration of TMDF

- 3.1 There are advantages and disadvantages involved in seeking the transfer of management of development funding.

- 3.2 **Advantages**

- 3.2.1 Decisions on how resources are allocated are a logical extension of the Council's strategic housing role. While currently investment priorities in Moray are subject to discussion with Communities Scotland, in practice, decisions can be made on investment without reference to the Council. TMDF would mean that the Council would determine priorities for investment (within allocated resource levels) and therefore may be more appropriately placed to ensure that investment reflects the priorities identified within the Local Housing Strategy
- 3.2.2 TMDF would enable the Council to take responsibility for ensuring that programme targets etc for Moray are met. Currently, this role is carried out by Communities Scotland, with quarterly liaison meetings with Council officers. However, the Council does not manage the process through which grant applications from RSLs in Moray are dealt with.
- 3.2.3 TMDF would reinforce the Council's strategic housing role in terms of the Council's relationship with RSLs in Moray. Currently, RSLs engage in the Local Housing Strategy process (led by the Council) but also submit Strategic Development and Funding Programmes (SDFPs) to Communities Scotland (following consultation with the Council).
- 3.3 **Disadvantages**
- 3.3.1 TMDF does not increase the level of resources available to RSLs in Moray. It is concerned with managing the resources. The Moray LHS identifies that a major priority is meeting unmet housing need in Moray – TMDF does not address this priority.
- 3.3.2 It is unlikely that there would be any arrangements for transfer of existing staff from Communities Scotland to the Council. At the same time, it would not be possible for the Council to take on TMDF without additional staff resources. Therefore, it is likely that there would be a cost to the Council, which should be borne by the General Services Budget.
- 3.3.3 The scale of monitoring, reporting etc following from TMDF in Moray would be disproportionate to the level of investment.
- 3.3.4 It is unclear how decisions would be made at a regional level within Communities Scotland regarding slippage, additional resource opportunities etc.
- 3.4 While officers wish to ensure that the Council has more involvement in decisions made regarding investment in Moray, there is some scepticism whether TMDF is the most appropriate means of achieving this. Officers are also more concerned with the challenge of increasing the total level of investment in Moray.
- 3.5 In some areas of Scotland, local authorities are considering 'consortium' approaches to TMDF. In Grampian, the position of Aberdeenshire and Aberdeen City Councils on TMDF is not yet clear.

4. Proposals

4.1 In the light of the above, it is suggested that the Community Services Committee continues consideration on the advisability of the transfer of the management of development funding in the meantime.

4.2 Concerns are identified regarding the extent to which the Council currently influences investment decisions. It is therefore proposed that a further report be presented to the Committee, following discussions scheduled for August 2004 with the Area Manager in Communities Scotland, at which time these concerns will be raised.

5. Financial Implications

5.1 There are no direct financial implications arising from this report. However, should the Council wish to pursue the transfer of the management of development funding in the future, there would be financial implications to consider.

6. Staffing Implications

6.1 There are no direct staffing implications arising from this report. However, should the Council wish to pursue the transfer of the management of development funding in the future, there would be staffing implications to consider.

7. Environmental Implications /Sustainable Development Implications

7.1 The Council's Local Housing Strategy is concerned with the achievement of sustainable housing solutions in Moray.

8. Consultations

8.1 Consultation on this report has been carried out with the Chief Executive, the Director of Community Services, the Chief Legal Officer, the Director of Environmental Services, the Chief Financial Officer, the Housing Programmes Manager, the Housing Strategy Officer and the Capital Programme Manager. All agree the content of this report.

9. Corporate Plan

9.1 The proposals in this report will assist the Council in the achievement of its corporate aims.

10. Recommendations

10.1 It is recommended that the Community Services Committee –

- (i) continues consideration on the advisability of seeking the transfer of the management of development funding; and**
- (ii) agrees that a further report be presented to the Committee following discussions with Communities Scotland.**

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Background Papers: Held by CHO
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Signature: _____

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