

REPORT TO: COMMUNITIES COMMITTEE ON 6 OCTOBER 2009

SUBJECT: COUNCIL HOUSE NEW BUILD – PHASE 2 BID

BY: DIRECTOR OF COMMUNITY SERVICES

1. REASON FOR REPORT

- 1.1 This report presents details of the bid submitted to the Scottish Government for financial assistance to enable a second phase of Council new build.
- 1.2 This report is submitted to Committee in terms of the Council's Administrative Scheme relating to its housing functions.

2. RECOMMENDATION

2.1 It is recommended that the Communities Committee:-

- i) notes the bid submitted to the Scottish Government; and
- ii) agrees that a further report on the outcome of the bid will be presented to a future meeting.

3. BACKGROUND

- 3.1 On 11 August 2009, the Committee agreed a report which presented details of progress on the Council house new build project in Elgin and also on the bidding process for a second phase of new build. The submission of a bid was delegated to the Chief Housing Officer, in consultation with the Chairman of the Communities Committee and the Vice Convenor of the Council (paragraph 12 of the Minute refers).
- 3.2 The bid document was completed and submitted on 23 September 2009.

4. DETAILS OF THE BID

- 4.1 The Communities Committee had previously agreed that priority areas for a second phase of Council house new build should be Forres, Speyside and Mosstodloch/Fochabers/Keith. The bid therefore outlines the procurement process that the Council will initiate in early October 2009. Six separate tenders will be issued –

Lot 1	10 - 20 units in Craigellachie, Speyside
Lot 2	10 - 20 units in Aberlour, Speyside
Lot 3	10 - 20 units in Dufftown, Speyside
Lot 4	10 - 20 units in Keith
Lot 5	10 - 20 units in Forres

Lot 6 10 - 20 units in Mosstodloch/Fochabers

- 4.2 The tender programme envisages a return date for tenders on 11 November 2009. It is not anticipated that all the above invitations to tender will result in viable, value for money and deliverable project submissions, but as the Council does not have sufficient landholdings in the areas targeted, this approach will enable the Council to work with developers who may have access to land. The bid also indicates that contingency arrangements can be put in place in the event of insufficient response by further developing Council house new build in Elgin or on the Council owned site in Buckie.
- 4.3 The bid submission indicates that funding for 45 new build units is sought. On the basis of the current maximum subsidy for new build, the bid amounts to £1.125m.
- 4.4 The bid does ask the Scottish Government to consider funding more than 45 properties if the tender exercise indicates that a larger programme can be sustained.
- 4.5 As part of the review of the Council's Housing Business Plan, a financial feasibility assessment of investment in new build housing has been carried out, based on the assumption that there would be a Phase 3 of Council house new build bids. The assessment indicates that investment in a further 90 new build units would not critically impact on the sustainability and viability of the business plan. However, cumulative surpluses are reduced in the plan, prudential borrowing levels and subsequent debt charges are significantly higher than in the current business plan. The most significant risk to the business plan is presented by interest rate increases and the any underestimation of the major component investment assumptions reflected in the plan. Sensitivity analyses have been carried out on these risks. The rent increases required to balance the business plan in the event of such risks being realised do not exceed RPI +3% for 2 years at any point. On this basis, Officers are satisfied that additional investment in new build is feasible.
- 4.6 The timescale for decisions on bids submitted anticipated that Councils would be informed of decisions in early December 2009.

5. SUMMARY OF IMPLICATIONS

(a) Single Outcome Agreement/Service Improvement Plan

The provision of affordable housing is a priority identified in the Single Outcome Agreement, the Local Housing Strategy and the Service Improvement Plan.

(b) Policy and Legal

There are no policy or legal implications arising from this report.

(c) Resources (Financial, Risks, Staffing and Property)

The financial implications of the bid submitted are assessed in the bid and are referred to in paragraph 4.5 above.

(d) Consultations

The bid was submitted in consultation with the Chairman of the Communities Committee and the Vice Convener, following consultation with the Chief Financial Officer. This report has been the subject of consultation with the Chief Executive, the Chief Financial Officer, the Director of Community Services and Officers involved in the Council house new build Working Group

6. CONCLUSION

6.1 This report has outlined the terms of the bid submitted to the Scottish Government to seek funding for a further 45 Council new build houses.

Author of Report:	Jill Stewart, Chief Housing Officer
Background Papers:	Held by CHO and Housing Strategy and Policy Manager
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