SUCCESSFUL SUBMISSION TO SCOTTISH GOVERNMENT'S INNOVATION AND INVESTMENT FUND

REPORT BY THE DIRECTOR OF NEIGHBOURHOOD SERVICES

ABSTRACT: This report updates Members on the Council’s successful application to the Scottish Government for funding Council-led and innovative mechanisms for increasing affordable housing provision.

1. RECOMMENDATION(S)

1.1 It is recommended that Members:

(i) note the contents of the report;

(ii) agree that detailed financial options for funding arrangements should be reported to Members at a future Committee as part of a revised Financial Plan, along with procurement options.

2. BACKGROUND

2.1 Members will be aware of the Council’s 2 previous successful applications to the Scottish Government which resulted in the award of a total of £2.24m of funding towards the first phases of the new-build Council house programme.

2.2 Earlier this year the Scottish Government allocated a further £20 million to help Councils build houses for rent, with an additional £20 million for Housing Associations and £10 million under an innovation element open for application to Councils and any other party, including developers. Further funds were announced as part of the Spending Review on 21 September. An update on the Council’s Survive and Thrive initiative is also before this Committee and will complement and run in parallel to the Government fund.

3. SUBMISSION TO THE INNOVATION AND INVESTMENT FUND

3.1 The Council submitted applications to 2 parts of the fund. Application 1 was for a grant of £27,500 per unit for 51 houses through the Local Authority bid route and application 2 was for 24 shared equity units through the Innovation route.

3.2 Under Application 1, the Council have been successful in obtaining £1,402,500 for all 51 houses at:- Newmonthill, Forfar; Noran Avenue, Arbroath; Dungman's Tack Phase 2, Montrose and Inveralvie, Tealing. Houses built with funding assistance from this submission will be owned and managed by Angus Council as affordable rented accommodation and form part of the normal Council housing stock.

3.3 Under Application 2, the Council have been successful in obtaining £180,000 for 12 units in Glenclova Terrace, Forfar. Taken together, these 2 applications have achieved a total grant for Council building of £1,582,500.

3.4 With consultancy and information support from the Council, there were also applications to the Innovation and Investment Fund by a number of Housing Associations and developers for affordable housing provision in Angus. Three Housing Associations were successful in obtaining a total of £2,411,736 funding for 72 units.

3.5 This means that in total, almost £4 million funding has been attracted to Angus under this bidding round, which will help increase new affordable housing supply by 135 units.

3.6 Property Implications - Properties and assets affected by this report are all on the Housing Revenue Account – there are no implications for other corporate assets.
4. **RISKS**

4.1 An assessment has been undertaken of these projects and due to the nature of the works a detailed risk assessment is not considered to be required. Other than the normal risks inherent in carrying out projects of this size and complexity, no other significant risks have been identified. The Housing Division, in conjunction with the Property Division, has extensive experience of delivering projects in a timely manner and every measure will be taken to ensure that through effective project management the projects are delivered on time and on budget.

5. **FINANCIAL IMPLICATIONS**

5.1 Members approved an updated Housing Financial Plan at the Neighbourhood Services Committee meeting of 18 August 2011 (Report No. 501/11 refers) and this was subsequently published in the Council’s Final Capital Budget Volume.

5.2 The updated Financial Plan contains a number of new build projects being those covered by the original £2.24m funding award and those which were part of this bidding round, including the one project which has been unsuccessful (shared equity at Noran Avenue Site B).

5.3 Total funding assumed in the Financial Plan for this bidding round amounted to £1.792m and the Council has been awarded £1.582m - a shortfall of £0.210m. The shortfall relates solely to the one unsuccessful bid and this project will be pushed back to allow experience of shared equity to be gained through the Glenclova project and will be re-profiled as part of the upcoming budget setting process.

5.4 There is no impact on the 2011/12 monitoring budget position as a result of the latest funding award announcements and consequently there is no need to further update the Housing Financial Plan at this time.

5.5 The Financial Plan has previously been confirmed as affordable with the inclusion of these projects and with the aid of the £1.582m grant award to the Council, it is considered that the current capital programme for years 2011-15 continues to be affordable without hampering the Housing Division’s ability to bring existing housing stock up to the Scottish Housing Quality Standard.

5.6 Some minor amendments to the Financial Plan may prove to be necessary to address the funding shortfall and timing of the projects, however, the need for any such amendments will be assessed as part of the 2012/13 budget setting process as part of the update to the Housing business plan and long term affordability review.

5.7 The proposal for properties following the shared equity model is that Angus Council will fund (with assistance from the Scottish Government) the creation of starter homes and then sell a majority share of the homes to first time buyers. Angus Council and the Scottish Government will each initially retain a stake in the homes, essentially as an interest free loan, but it will be a condition of the sale that the buyer must purchase the stake in full after 10 -15 years.

6. **HUMAN RIGHTS IMPLICATIONS**

6.1 There are no Human Rights implications for the Council arising directly from this report.

7. **EQUALITIES IMPLICATIONS**

7.1 The issues dealt with in this report have been the subject of consideration from an equalities perspective and the report is regarded as exempt.

8. **ANGUS COMMUNITY PLAN AND SINGLE OUTCOME AGREEMENT**

8.1 This report contributes to the following local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2011-2014:-

- We have a sustainable economy with good employment opportunities;
- Our communities are developed in a sustainable manner.
9. CONSULTATION

9.1 The Chief Executive, Director of Corporate Services, Director of Infrastructure Services, Head of Finance and Head of Law & Administration have been consulted in the preparation of this report. Consultation has also taken place with tenant and local developer representatives.

10. CONCLUSION

10.1 The Council’s successful submission to the Scottish Government’s Innovation and Investment Fund will provide additional investment into the local construction industry and continues to demonstrate the Council’s commitment to increasing the supply of affordable housing.

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DIRECTOR OF NEIGHBOURHOOD SERVICES

NOTE: The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparation of this report:-

• R364/11 submission to Scottish Government’s innovation and investment fund Neighbourhood Services Committee 26/05/11

Hsg/NS/AMcK/JM