

**South Ayrshire Council**

**Report by Director – Place  
to Cabinet  
of 30 August 2022**

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**Subject: Affordable Housing – Mainholm Road, Ayr**

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**1. Purpose**

- 1.1 The purpose of this report is to provide Members with an update on progress of the Affordable Housing Project at Mainholm Road, Ayr, including the most up to date scheme, costs and programme; and, to seek instructions on how officers should proceed with the project.

**2. Recommendation**

**2.1 It is recommended that the Cabinet:**

**2.1.1 considers the outcome of the HubSW Stage 2 detailed design phase for the project, including the most up to date scheme, costs and programme; and**

**2.1.2 delegates authority to the Head of Legal, HR and Regulatory Services to arrange for execution of the necessary documents on behalf of the Council under the Scheme of Delegation, pending approval of a separate report to Cabinet earlier in the agenda for the land transfer between General Services and HRA.**

**3. Background**

- 3.1 On 26 November 2019, approval was obtained from Leadership Panel to submit a New Project Request (NPR) to Hub South West (HubSW) to assist in the procurement and delivery of an affordable housing project for the Council at Mainholm Road, Ayr.

- 3.2 Significant work has taken place since then, including consultation with stakeholders, to shape the design, and the proposals for the site to deliver affordable housing appropriate to the needs of the area. Planning consent for the development was granted on 9 September 2021.

- 3.3 On 18 January 2022, approval was obtained from Leadership Panel to commence an enabling works contract to demolish the existing buildings on the site (John Pollock Centre and the former Mainholm Academy) to facilitate the development of new affordable homes. This work is underway and will be complete Summer 2022.

3.4/

3.4 Increasing the supply of good quality affordable housing is identified a key strategic priority in South Ayrshire’s [Local Housing Strategy 2017-22](#) and [Council Plan 2018-22](#). The Council’s [Strategic Housing Investment Plan](#) identifies Mainholm as a key site for delivering 160 affordable homes that will make a significant contribution towards meeting existing housing need in South Ayrshire.

#### 4. Proposals

4.1 The project is now at a stage where the Council is ready to enter into a contract with HubSW to construct 160 affordable housing units at Mainholm Road, Ayr. The 160 units consist of a mix of flats, bungalows, semi and detached houses appropriate to the needs of the area. As well as general needs housing, the development will provide a number of wheelchair accessible units and ambulant disabled user housing. The development will also consist of resident/visitor parking, amenity spaces and play areas. One of the amenity flatted blocks will also contain a residential hub.

4.2 The total project cost for the project provided by HubSW on 9 June 2022 which includes all construction related costs, development and professional fees is £36,665,860.

4.3 If the Council were to progress with the development, the proposed funding package for the project would be as detailed within paragraph 6.3 and the Head of Legal, HR and Regulatory Services would be required to execute the necessary documents on behalf of the Council at financial close.

4.4 Members should be aware that the £180,000 figure was first used in 2020 and is no longer an accurate reflection of the current market. The figure was estimated at a time when many of the current requirements/conditions regarding sustainability and fire suppression were yet to be introduced. The cost increase is also attributed to inflated market costs due to material and skills shortages that are currently being experienced across Scotland. Officers have looked to offset these rising costs by making savings where possible to help achieve best value under these difficult circumstances. Also at a time when energy costs are rising, efforts have also been made to ensure the housing is as efficient as it can be to heat by enhancing the insulation and air tightness of the properties.

4.5 Discussions have been held with the Scottish Government with regards to their contribution towards the project. Should the project go ahead, they have agreed to contribute £13,258,560 (equivalent to £82,866 per unit) which is broken down as follows:

Benchmark	£71,500
Silver Aspects 1 and 2	£2,000
Digitally Enabled	£300
Ducting for Electric Vehicle Charging Points	£500
Fire Suppression	£3,000
Occupancy Bonus	£5,566
<b>Total Contribution</b>	<b>£82,866</b>

- 4.6 This funding is conditional on the project achieving the set criteria noted above. The Scottish Government have noted however that they will consider an application for additional funding to deal with any extraordinary site abnormalities, for example, drainage works beyond that normally expected as a result of conditions imposed by Scottish Water. Officers are pulling together a package of information to aid these discussions but as there is no indication how long it would be before we know the outcome of any application, it would be proposed to update Members on the outcome of this process via the Housing Capital Programme monitoring reports that are submitted to Cabinet once a decision is made.
- 4.7 There will be requirement to transfer the land from the General Fund to the Housing Revenue account to facilitate the development should it go ahead, and this is subject to a separate report to Cabinet earlier in the agenda.
- 4.8 If it were to progress, the development would be carried out over 8 phases with the first phase of the works starting in September 2022, 8 months later than the estimated start within the Strategic Housing Investment Plan. Units would then be handed over for occupation starting March 2023 with the final phase handing over in January 2025.

## **5. Legal and Procurement Implications**

- 5.1 Shephard and Wedderburn are appointed by the Council as specialist legal advisors to develop the project agreements with HubSW to deliver the project.
- 5.2 The recommendations in this report are consistent with the Council's Standing Orders Relating to Contracts for HubSW, specifically item 4.5.2 - Where the contract is for works, goods or services of a value equal to or exceeding £500,000, a report on the procurement process followed shall be submitted to the Council or Cabinet seeking approval to procure and award.
- 5.3 A separate report is being submitted to Cabinet on the proposed land transfer from the General Services to the Housing Revenue Account.

## **6. Financial Implications**

- 6.1 The development is an approved identified project within the Housing Capital Programme and the Strategic Housing Investment Plan.
- 6.2 The overall cost for the project is £36,665,860 which includes £36,075,860 for the main works and £590,000 for the enabling works (demolitions which are now complete). This cost includes construction of the units, associated parking/pavements, landscaping, utilities provisions and connections, all design/survey/test/statutory fees associated with the design and construction of the units. It also includes all the abnormalities that have been identified with the site. The enabling works cost of £590,000 was originally funded from an allowance of £1.2m in the General Services Capital Programme. It is proposed that this cost is now funded by the HRA and is subject to approval of the land transfer report earlier in the agenda to facilitate a transfer of the asset at nil value from General Services to HRA.

6.3/

6.3 There is currently an allowance of £20,774,000 in the HRA business plan for this development which was based on 120 units at £180,000 per unit and funded by a grant from Scottish Government of £7,080,000 and £13,694,000 from Council borrowing. If the project was to proceed, then a revised funding package is proposed that would be based on 160 units and include an increased Scottish Government Grant of £13,258,560, a Second Homes Council Tax contribution of £500,000 and increasing the HRA Borrowing figure to £22,907,300. This is detailed in the following table. The project costs and funding have been added to the HRA Business Plan which in turn calculates the rental income, borrowing costs, property repairs and maintenance costs and future capital spend in relation to major component replacement. The output confirms that this project is affordable over the 40 year life of the Business Plan.

	<b>Original funding based on 120 units</b>	<b>Revised funding based on 160 units</b>
<b>Expenditure Total</b>	£20,774,000	£36,665,860
<b>Income</b>		
Borrowings	£13,694,000	£22,907,300
2nd Homes Council Tax		£500,000
SG grant	£7,080,000	£13,258,560
<b>Income Total</b>	<b>£20,774,000</b>	<b>£36,665,860</b>

6.4 There is £1,481,869 currently uncommitted from second homes council tax in 2022/23. £500,000 from this uncommitted sum would be utilised for this development leaving £981,869 uncommitted.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

8.1.1 There is a risk that an application for additional funding from the Scottish Government might not succeed and if so the HRA would be required to fund any shortfall.

### **8.2 *Risk Implications of Rejecting the Recommendations***

8.2.1 Not proceeding with the project may impact on the reputation of the Council by failing to increase the supply of affordable housing and make best use of available Scottish Government subsidy. This subsidy would be diverted to other Local Authorities if South Ayrshire cannot commit to delivery of sites within the SHIP.

8.2.2 If the project were not to proceed, then the Council would be liable for abortive costs of £1.83m associated with development work undertaken to date.

8.2.3 If the project were not to proceed, then the Council would be left with a cleared site that would need to be secured until a decision is taken on its future use.

## **9. Equalities**

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessments is attached to this report in Appendix 1.

## **10. Sustainable Development Implications**

10.1 **Considering Strategic Environmental Assessment (SEA)** - The proposals in this report do not represent a qualifying plan, programme, policy or strategy for consideration for SEA. There exists therefore no obligation to contact the Scottish Government Gateway and no further action is necessary. An SEA has not been undertaken.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 The matters referred to in this report contribute to Commitment 2 of the Council Plan: Reduce Poverty and Disadvantage, specifically to Increase the number of affordable and warm homes for those on limited income.

## **13. Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Martin Kilbride, Portfolio Holder for Buildings, Housing and Environment, and Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

## **14. Next Steps for Decision Tracking Purposes**

14.1 If the recommendations above are approved by Members, the Director - Place will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

<b><i>Implementation</i></b>	<b><i>Due date</i></b>	<b><i>Managed by</i></b>
Arrange for the execution of the main works contract documentation should a decision be taken to proceed with the project	15 September 2022	Service Lead – Special Property Projects

**Background Papers**    **Report to Leadership Panel of 26 November 2019 – [Affordable Housing – Proposals for New Developments](#)**

**Report to Leadership Panel of 18 January 2022 – [Affordable Housing – Mainholm Enabling Works](#)**

**Person to Contact**    **Derek Yuille – Service Lead - Special Property Projects**  
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**Date: 23 August 2022**

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

### 1. Policy details

Policy Title	Affordable Housing – Mainholm Road, Ayr
Lead Officer (Name/Position/Email)	Derek Yuille, Service Lead – Special Property Projects – derek.yuille@south-ayrshire.gov.uk

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	No
Disability	No	Yes
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	No
Religion or Belief (including lack of belief)	No	No
Sex – (issues specific to women & men or girls & boys)	No	No
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No

Community or Groups of People	Negative Impacts	Positive impacts
Thematic Groups: Health, Human Rights & Children's Rights	No	No

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	No	No
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	No	No
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent's education, employment and income	No	No

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low impact
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low impact
<b>Foster good relations</b> between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low impact
Increase participation of particular communities or groups in public life	Low impact
Improve the health and wellbeing of particular communities or groups	Low impact
Promote the human rights of particular communities or groups	Low impact
Tackle deprivation faced by particular communities or groups	Low impact



## 5. Summary Assessment

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<del>YES</del> <b>NO</b>
<b>Rationale for decision:</b>  <b>The proposal does not have significant positive or negative impact with regards to equality therefore an EQI is not required</b>	
<b>Signed :</b> Derek Yuille	<b>Service Lead</b>
<b>Date:</b> 8 July 2022	