

IONA AFFORDABLE HOUSING DEVELOPMENT

1.0 EXECUTIVE SUMMARY

1.1 On 8th May 2014 Members agreed a Rural Housing Development Fund grant of £450k to Iona Housing Partnership (IHP) for the development of five affordable houses on the island of Iona. As highlighted through discussion at the recent Economic Summit support for developments such as this are critical to the achievement of the overarching aim of the Single Outcome Agreement 'To build economic success and a growing population'.

1.2 Despite the award from the Council, IHP were faced with a significant funding shortfall and the development has not been able to proceed. In order to assist and to explore all possible options, which may successfully deliver the affordable housing for the island, West Highland Housing Association were invited to review the scheme. The purpose of the review was to consider:

- The procurement of the work
- The value for money of the work
- Whether a different method of funding could bring more money into the scheme.

1.3 The review is appended to this report and covers the background to the scheme; challenges in relation to building on Iona; site and infrastructure issues; design and material; funding options and conclusions.

1.4 RECOMMENDATION

Members are asked to approve Option 1 of the appended report. Specifically approve a reduced grant from the Strategic Housing Fund of £361k towards the development of five affordable houses on Iona by West Highland Housing Association in partnership with Iona Housing Partnership on the basis that:

- Grant offer from the Scottish Government is confirmed
- West Highland Housing Association approval is confirmed
- The Council has full sight of Legal agreements between West Highland Housing Association and Iona Housing Partnership which are to be concluded prior to tender acceptance.

IONA AFFORDABLE HOUSING DEVELOPMENT

2.0 INTRODUCTION

- 2.1 Iona Housing Partnership with their consultants, have produced a scheme for 5 rented properties which is fully consented. They have raised over £239k as a contribution to the scheme and at the present time their proposals represent the best opportunity for rented housing being built on the island in the foreseeable future. The costs are significant but there are reasons both in relation to infrastructure and the remoteness of Iona.
- 2.2 IHP were unable to secure the complete funding package required to deliver the scheme and approached the Policy Lead for Community and Culture and Housing for assistance. As a result of this approach West Highland Housing Association were invited to review the scheme in terms of procurement, value for money and alternative funding options.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to approve Option 1 of the appended report. Specifically approve a reduced grant from the Strategic Housing Fund of £361k towards the development of five affordable houses on Iona by West Highland Housing Association in partnership with Iona Housing Partnership on the basis that:
- Grant offer from the Scottish Government is confirmed
 - West Highland Housing Association approval is confirmed
 - The Council has full sight of Legal agreements between West Highland Housing Association and Iona Housing Partnership which are to be concluded prior to tender acceptance.

4.0 DETAIL

- 4.1 The review document completed by West Highland Housing Association is appended to this report and provides a comprehensive analysis of the factors which have contributed to the cost of this development and outlines the options available to deliver the scheme. It is important to note that there are risks for the Housing Association associated with the delivery of the scheme and the Housing Association Board approval will also be required.
- 4.2 Members are asked to approve a revised approach to the funding package which will enable the development to proceed. The option recommended for

approval represents a reduction in the grant level contribution from the Council from the £450k previously agreed to £361,625. The £361,625 grant comprises £125k Strategic Housing Fund grant and £236,625 infrastructure and planning considerations particular to Iona which is a conservation area of special historic significance.

- 4.3 This approach is not without precedent as the Council previously approved a contribution from the Strategic Housing Fund of £1,073,191 for the site accessing and infrastructure at the Hermitage development in Helensburgh. The guidance for the use of the Strategic Housing Fund does allow for it to be used to support infrastructure costs in special circumstances. If the proposal for the project is approved houses can be delivered in this fragile rural community with reduced contribution from the local authority due to the additional funding being provided by the Scottish Government. Scottish Government funding can only be used if the scheme is developed by an RSL. This proposal fits well with the outcomes to be achieved by the Single Outcome Agreement. It will help to grow the population of a remote rural area which has the potential to contribute to the economic growth of Argyll and Bute and delivers a place based solution for a unique location in line with Scottish Government guidance.
- 4.3 It is proposed that the remainder of the funding package will come from
- Scottish Government grant £0.426m
 - IHP funds raised £0.150m
 - West Highland Housing Association Private Finance £0.227m
- 4.4 If the financing of this development proceeds as described the properties will be owned by West Highland Housing Association and management arrangements will be agreed with Iona Housing Partnership. A Local Lettings Initiative will be developed to ensure that the allocation of the properties meets local housing needs and expectations.

5.0 CONCLUSION

- 5.1 This revised approach to funding and ownership of the affordable housing development on the island of Iona is currently the only way that this scheme can proceed. The island suffers from a chronic shortage of affordable accommodation and its economic sustainability and future population is threatened as a result. The significant contribution to the development which has been made by the community is to be commended and it is testimony to the community's drive and commitment that the scheme has been developed this far.
- 5.2 The scheme requires the support of the statutory agencies to bring it to a conclusion. The approach recommended represents a smaller contribution from the Council than previously agreed but also ensures that alternative sources of financial support are accessed which will make the project deliverable.

6.0 IMPLICATIONS

6.1 Policy: None

6.2 Financial: The financial contribution from Council resources will be reduced from £450k to £361k. The Council will support the inclusion of the development in the Strategic Local Programme and thereby Scottish Government grant can be utilised to enable the project to proceed.

6.3 Legal: None

6.4 HR: None

6.5 Equalities: None

6.6 Risk: There are a number of risks associated with the development which have been articulated in the review document.

6.7 Customer Service: Improves access to suitable affordable housing on the island of Iona.

**Executive Director of Community Services - Cleland Sneddon
Policy Lead - Councillor Robin Currie**

17 November 2014

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**WEST HIGHLAND HOUSING
ASSOCIATION**

**REPORT ON IONA HOUSING
PARTNERSHIP**

SCHEME FOR 5 AFFORDABLE UNITS

1.0 EXECUTIVE SUMMARY

1.1 This report is for Argyll and Bute Council who asked West Highland Housing Association to review the Iona Housing Partnership scheme for 5 new build properties in Iona. The purpose of the review was to consider:

- The value for money of the work;
- The procurement of the work.
- Whether a different method of funding could bring more money into the scheme.

1.2 West Highland Housing Association made clear from the start of this process that building properties of any kind at the present time is full of risk and building on an island like Iona has very particular challenges no matter who is responsible for taking the development forward.

1.3 In terms of the value for money the report provides an explanation for the costs using comparisons elsewhere and also details the cost areas that are exceptional. In addition it demonstrates the real issues where common costs are apportioned in a scheme with only a small number of units.

1.4 Importantly Iona Housing Partnership, with their consultants, have produced a scheme for 5 rented properties that is fully consented.

1.5 There is some concern that the costs are high and had the work been commissioned by the more traditional route using an RSL then the project would be closer to costs elsewhere. We cannot answer this but it is highly unlikely that an RSL would have raised the additional money that IHP have raised - £239,000. It is also important that for very fragile, rural areas that there is a strong community supporting housing.

1.6 At the present time this is the best opportunity for rented housing being built on Iona in the foreseeable future.

2.0 BACKGROUND

2.1 Iona Housing Partnership has been established since 2003 with the aim of building affordable housing on the island. Iona feels strongly that people have no opportunity to put down roots on the island due to lack of affordable housing and people who have been interested on housing have been offered housing in the Ross of Mull which still involves travel to Iona if they have work on the island.

2.2 Iona Housing Partnership bought land from the Church of Scotland in 2011. The process was long and involved but the land was a key part in order to take the project forward. Iona Housing Partnership have been supported by Roots Design Workshop [Architect] who are working on another project in Iona and Morham and Brotchie, Quantity Surveyors based in Oban. The surveyors have a long working relationship with both West Highland Housing Association and Fyne Homes and are used to working on schemes based on public sector funding.

2.3 This report has primarily been prepared through a desk top exercise to keep additional costs to a minimum and keep additional work also to a minimum. It has therefore relied on information that is easily accessed with no detailed work on review of design, construction methods or techniques.

2.4 The build is traditional timber frame construction and will be the first new build rented housing on Iona for a substantial number of years. It is probably the best chance for housing on Iona at this time.

2.5 The existing scheme has planning permission and also has the building warrant. To develop another scheme would take a further 3 months, more money, potentially not deliver the require savings and potentially take more time to get the various consents in place.

3.0 CHALLENGES IN RELATION TO BUILDING ON IONA

3.1 The first point to make may seem an obvious one but it is an important and that is island building, be it Iona, Islay or Mull, means a cost premium even before a detailed scheme is developed. The reasons for this are:

- Additional transport costs [these can be over stated but there are still costs involved in ferrying materials to the islands]
- Building itself – people have to be imported. Even on the larger islands it is very unlikely that a project will be able to resource itself simply from the island. [one off builds maybe an exception but building even a small number will involve additional labour]
- Risk – there is added risk normally for the Contractor because of the location. With this project it would be reasonable to suspect that the Contractor will also have a price for risk in relation to an untested client.

3.2 In respect of Iona all these reasons apply and in the transport issue is substantial. There are two ferry trips – Oban to Craignure [Mull], then a road trip of 35 miles [less than 1 hour] and then a further ferry trip.

3.3 Taking time to think about what actually needs to be taken to a normal building site in the mainland then you would probably be thinking of the:

- Full timber kit for the property including roof trusses
- External doors, windows
- Slates
- Other materials

The added time and cost for transporting the raw materials including any required aggregates and labour to a rural island location cannot be underestimated and it would not be unreasonable to see the costs for such a procedure to rise between 30 - 45% dependant on the location of the Island and its transport links to the mainland.

4.0 SITE AND INFRASTRUCTURE

4.1 The site is probably the best site available for this type of development on the island but it is within a conservation area and there are constraints in terms of the land due to developing out the infrastructure. The site is close to the Abbey and is therefore bound to be of significant interest to the planners.

4.2 Before anything is built on any site there are a number of requirements that need to be fulfilled and on this site the major requirement was in relation to archaeology. This cost was £43,000. This is not an exceptional cost as many affordable sites within Argyll have to deal with this but probably what does make a difference is that this cost is shared by 5 properties. In Dunbeg for example the costs were similar but shared by 50 properties.

4.3 The infrastructure is limited and building 5 properties has a number of challenges that impact on the overall costs. Firstly and most importantly the sewage outfall that is required means a run of around 300m passing through Glebe Road, National Trust ground and Marine Crown Estate ground. The sewage outfall contributes towards £43,000 worth of costs plus approximately £10,000 of additional costs for the various permissions required. There is no other solution and this will probably be one of the longest sewage outfalls for affordable housing in Argyll.

4.4 An additional infrastructure cost was applied by BT where this project is bearing the cost for the reinforcing the exchange which contributes around £38,000 worth of costs. This is the first time we have heard of this in other affordable housing schemes we have experience of costs for Scottish Hydro, Scottish Water but not BT.

4.5 We explored the infrastructure further and the planners were extremely helpful in respect of their approach to car parking [probably assisted by the permit approach to parking in Iona]. Agreement was finally reached for 7 car parking places. This along with other works to assist the carriage way – making provision for a passing place and a bellmouth junction cost £40,000. The carriage way improvements and the passing place cost alone was just short of £10,000.

4.6 From the Bills of Quantities the summary of these costs look as follows:

BoQ Ref	Description	
12/17	Retaining Walls	£10,108.00
12/25	Combined foul and surface water drainage outwith site boundary	£46,311.00
13/1B	Works to road junction	£2,376.00
13/1C	Line markings	£4,752.00
13/2D - F	Electrical connection charges	£14,048.00
13/2G - J	BT connection charges	£38,313.00
		£115,908.00

5.0 DESIGN AND MATERIALS

5.1 The design of the five properties is to provide for full flexibility in the future and there are 2, 3 bedroomed and 3, 2 bedroomed properties. The design is probably of a higher standard than that of a normal affordable property but again this is probably not unexpected, due to the location of the site and the importance of the built environment and heritage that Iona holds. The Group working with the Architect clearly had a view in mind about making these properties future proof in terms of who is renting them and also ensuring that they can cope with the rigors of island living. The Council have concerns that this influenced the design and therefore cost. To try and address this concern then we have considered this.

5.2 We have spoken to the design team in relation to these concerns. The design maximises efficiency by replicating the house designs this has cost savings in terms of the foundations and the structure generally. However, by using this technique then this in part contributes to the increase in size particularly in respect of the 3 x 2 bedroom properties. On looking at the plan it is obvious that it is a terrace type build which traditionally is cheaper than doing detached or semi detached properties. The design is linear and again this is traditionally cost effective. In addition things like window types have been kept to a minimum but the planning conditions mean that the same window type cannot be replicated through the build. Again, if a comparison was made with other affordable builds then a substantial cost saving is made by replicating design that means that windows are all of a standard size. This option was simply not available for Iona.

5.3 Very importantly, the design is no better than the existing Building Regulations for Varying Needs require so it would be unfair for anyone to assume that there is anything that would be above any other affordable property in Argyll. One of the comments related to the plans showing an enhanced apartment – this is required by Building Regulations which provide for every property being able to have a downstairs bedroom. [sensibly future proofing for people aging]. This requirement relates to size.

5.4 We are aware that the Council has concerns that the properties had space standards above the normal affordable property. The 3 bedroom is around 23% higher and the 2 bedroom is around 40% higher. The key question related to this size differential is whether this has had an impact on the cost. Our view is that if the size reduced then there would not necessarily be a proportionate decrease in works cost but there would be a cost reduction. However, this change in design could have consequences in relation to design and thereafter the consents in place.

5.5 In respect of the design the planners have been extremely helpful and have assisted in trying to keep the costs relating to conservation to a minimum. However, the following requirements do have an impact on the overall costs:

- Slate costs
- Conservation roof light/roofline
- Traditional type front windows

5.6 The design team would wish us to make clear that they entirely understand the planners approach to this project and the above listing of costs is not a suggestion that they believe the conditions should be relaxed.

5.7 It would meet the silver standard requirements if some modifications were made to the Building Warrant. These do not appear substantial but may involve some cost both for the alteration, the change to specification for taps and the change to specification for the sound insulation. This has not been costed

5.8 By way of a summary:

ABSTRACT OF TENDER COSTS ATTRIBUTABLE TO FULFILLING PLANNING REQUIREMENTS			
(Based upon lowest corrected tender submitted by TSL Contractors Ltd dated 3rd February 2014)			
	1	Construction of Bin collection point	£674.75
	2	Reduce floor levels and ridge height of houses by reducing ground levels	£19,523.60
	3	Offsite drainage to sea outfall	£46,431.73
	4	Extra over cost for conservation rooflights in lieu of standard velux	£4,287.85
	5	Natural slate roofing in lieu of concrete tile	£30,130.26
	6	K-rend silicone enhanced render system in lieu of wet dash render	£16,096.15
	7	Chimney heads	£3,573.22
			£120,717.56

The design team would wish us to make clear that they entirely understand the planners approach to this project and the above listing of costs is not a suggestion that they believe the conditions should be relaxed.

5.9 The project was competitively tendered with 5 contractors being asked to tender. 3 returned tenders and significantly the tender that was lowest was keenly priced compared to the other returns. Again this demonstrates the cost of working on Iona both in terms of the remoteness and also contractors factoring risks into the project.

6.0 COST COMPARISONS

6.1 We compared the costs against our builds at Dunbeg and the proposed build at Port Ellen, Islay:

	2 Bedroom m2	3 bedroom m2	Approx m2 rate	Comment
Dunbeg Phase 1	72	82	£1000	Fairly small and built to tight cost. Part of IIF project.
Dunbeg Phase 2	83	99	£1300	Good size and to housing for varying needs
Port Ellen Islay	82	98	Approx £1800	As above
Iona HP	135	145	Approx £2200	Houses with larger than average space standards

6.2 The above figures represent the non-adjusted basic comparisons but doing a more detailed comparison on the Iona rates then the table provides a more favourable comparison for Iona

Project	Gross Internal Floor Area – 2 Bed	Gross Internal Floor Area – 3 Bed	No. of units	Total Gross Internal Floor Area	Approximate construction cost per m2	Comments
Dunbeg Phase 1	72	82	50	3195	£1256	Large mainland project on a good site built to very competitive costs. Part of IIF project. Benefited from economies of scale and prospect of future phases. Costs exclude biomass heating.
Dunbeg Phase 2	83	99	25	2235	£1300	Medium sized project on a good site. Built to housing for varying needs. Biomass heating is included in costs
Port Ellen, Islay	81	107	18	1445	£1800	Medium sized well served project on a large island built to housing for varying needs standard with electric heating storage Dimplex Duoheat
Iona H.P	115	132	5	607	£1830	Small project built to housing for varying needs standard to allow flexibility for growing families, whole life living and working from home. Subject to substantial planning and site conditions due to unique location in a highly sensitive area. Air source heat pumps and renewables included.

6.3 These figures gross up the floor areas from 2 and 3 bedroom houses in these schemes so it is a crude indicator but Iona and Islay are not far apart on this basis. We included Dunbeg and Dunbeg 2 but this is a poor comparison as both these sites are higher density and central sites, as far as anything is central in Argyll.

Cost comparison using square metre rates provide a very crude analysis and we realise that to provide more useful information we have to do further investigation which is provided in the next table of figures.

Project	Base cost	Base – Iona adjusted for location (+30%)	Adjusted for Planning Conditions	Adjusted for site specific development and servicing	Adjustment for reduced scale to 5No units	Comparison cost per m2
Dunbeg Phase 1	£1256	£1644	£1842	£2032	£2235	£2235
Dunbeg Phase 2	£1300	£1690	£1889	£2078	£2151	£2151
Port Ellen	£1800	£1800	£1998	£2188	£2243	£2243
Iona HP	£1830	£1830	£1830	£1830	£1830	£1830
Iona HP base cost Oban	£1110	£1443	£1633	£1839	£1890	£ -

6.4 In adjusting the overall project costs for location, site specific planning requirements and site development and servicing restrictions together with an adjustment for quantum, it is clearly demonstrated that the tender received for the Iona Housing project is very competitive in the current market place and using this type of comparison demonstrates that you can show value against other projects.

6.5 As with all matters like this there is a danger of simply manipulating figures to prove a case but the reality is building a scheme like this on islands:

- Is more expensive than on the mainland;
- The small number of houses means that sizeable costs are spread over a small number of properties;
- Planning conditions have an impact on cost [no one is complaining about the planning conditions but they do impact on the cost]

7.0 FUNDING OPTIONS

7.1 There are limited options going forward. Iona Housing Partnership have a fully consented scheme but they no longer have a “live” tender. It is possible that the Contractor will honour the prices within the tender if there is a commitment but if there is no commitment then the scheme will only go forward if the group can raise more money for the scheme to go ahead.

7.2 Iona Housing Partnership have developed this scheme themselves using fundraising to bring the scheme to this stage. The route they initially were looking to take was the Councils Rural Housing Fund which provided funding for rural projects like this.

The Council on discussing this project agreed, in line with the policy operating at the time of the decision, to fund £0.450 which is grant but this leaves a significant shortfall. Grant funding was solely from Council and no contribution from Scottish Government.

Using the Councils Rural Housing Fund [Method 1]

	Totals	PerUnit
Argyll and Bute Council Funding	£0.450	£0.090
Private Finance	£0.282	£0.056
Other Funding	£0.150 (*)	£0.030
Totals	£0.882	£0.176
Total Cost	£1.164	£0.233
Shortfall	£0.282	£0.056

(*) Note: 1) From information provided it seems that Iona Group have raised £0.239 but £0.089 has been spent [see attached schedule]. In addition we have used the assumptions about what has been paid. VAT on fees will have to be added.

7.3 The second route available would be to consider Scottish Housing Government Grant. However, this is only available through Registered Social Landlords. To compare the different routes and demonstrate which route provides the most finance then we used Scottish Government benchmark figures for the

scheme on the assumption that it would be supported by an RSL. This route demonstrates that using the SG route provides more money as the scheme would also be able to take advantage of the Argyll and Bute Council's additional support for affordable housing. This is presently at £22,000 per unit but maybe increased to £25,000 per unit.

Using Scottish Government HAG [Method 2]

	Total	Per Unit
SG Benchmark (*)	£0.426	£0.085
ABC [SHF]	£0.110	£0.022
Private Finance	£0.282	£0.056
Other Funding	£0.150	£0.030
Totals	£0.968	£0.194
Total Cost	£1.164	£0.233
Shortfall	£0.196	£0.039

(*) Note: 1) From information provide it seems that Iona Group have raised £0.239 but £0.089 has been spent.

2) SG Benchmark based on higher 3P rate applicable to remote rural greener homes standard.

In addition there is potentially another £15,000 to be added to this if the Council increase their support. This means that the shortfall is further reduced.

7.4 Both Method 1 and 2 are relying on high levels of private finance but if the Scottish Government route is chosen then the first years rental income of the scheme should be at the prescribed rent levels. If the rent levels are higher then the Scottish Government could ask for money back.

- Rental costs if benchmarked with the LHA have to be judged whether these are affordable

NOTE

We have used broad information to give people a good view of the possibilities and challenges. Working it up in more detail will provide more accuracy.

7.5 Using either Method 1 or Method 2 requires further money to allow this scheme to go forward and the private finance figure in both cases is too high. This is further explained below. This leaves either an Option 3 which is a hybrid scheme or the scheme as it stands is deemed not fundable.

Method 3

Using Scottish Government HAG and Council Money

	Total	Per Unit
SG Benchmark (*)	£0.426	£0.085
ABC [SHF]	£0.450	£0.090
Private Finance	£0.282	£0.056
Other Funding	£0.150	£0.030
Totals	£1.308	£0.194
Total Cost	£1.164	£0.233
	+ £0.144	£0.029

The costs show that Method 3 allows for some a surplus of £0.144 therefore theoretically the Council's contribution would reduce from £0.450 to £0.306.

7.6 However, in terms of private funding Housing Association's would not normally deviate from around private funding of £40,000 - £45,000 per unit given repairs, maintenance and management costs moving forward. Private funding costs shown as £0.282 were IHP's figures but we would be very sceptical of these figures giving a sustainable scheme going forward. Our view is that in respect of Iona a lower private finance figure ensures the risk is minimised.

7.7 **Rental Income.** The rents are important as the rents have to support the management and maintenance of the properties and, more importantly, the private loan. We have calculated that the mortgage repayments for £282,000 would be around £25,000] so rents at the SG level would not even be paying for the mortgage payments.

7.8 Generally an RSL would make allowances for management, maintenance and repairs but to keep things simple over a 30 year period estimate 2 maintenance refits including bathrooms, kitchens, general external work. At todays prices estimate £60,000 per house. This is high but our calculation for islands is around this figure within our existing business model.

Rental income at today's prices, not projecting forward on a discounted cashflow model, then

Income from rents Year 1 = £19,560 [using the prescribed SG rent levels]. The average rent being around £75 per week.

If Scottish Government grant is utilised then the SG rent levels should be used. If the prescribed rents are not used then there is a payback penalty. The prescribed rent is for one year but clearly any increase from Year 1 to Year 2 and beyond has to be managed.

If the Scottish Government route is not used then the Local Housing Allowance would provide an initial idea of affordability.

7.9 Using the Local Housing Allowance

Assuming higher rents using the Local Housing Allowance [Housing Associations would look at mid- market rents that would be lower than the LHA] then these are:

	2014/15
2 bedroom	103.85
3 bedroom	119.10

Total Rental Income using maximum figures = £28,586 [3 x 2b + 2 x 3b]

This gives a better income for the scheme in comparison to the Scottish Government but there has to be a judgement about the affordability for people to live and work in Iona for the next number of years. Rents are generally seen as substantially higher than those of a Registered Social Landlord.

There will be a question regarding affordability particularly as the scheme is for 25 years. The private finance requirements will be covered but it does not give sufficient cover in respect of ongoing management and maintenance.

ISSUES

- The figures are very "tight". In most housing schemes the financials work by ensuring that there are surpluses that can be banked to deal with major expenditure items. Using very rough figures any surplus is likely to be small.
- No provision has been made for bad debts or voids. Any bad debt will put strain on the scheme.
- Costs for repairs and maintenance will be higher than they are on the mainland.

8.0 FINAL OPTIONS

8.1 Taking all of the report into account the Council are faced with two options:

Option 1

- Approve the scheme going forward through the Scottish Government route with grant of £0.361 being provided by the Council. This grant takes the private finance costs down to a manageable level.

Option 2

- Approval for the scheme based on either the Scottish Government route or the Council's Rural Housing Fund. If this route is followed then the scheme will not go ahead unless additional funding is found by the IHP group

A third option of re-design or finding a further site has not been examined in detail in part due to the likely similarity of additional/exceptional costs in relation the planning/design requirement and the other requirements previously noted.

Financial Summary

	Option 1	Option 2 [ABC]	Option 2 [SG]	Comment
Council Funding	£0.361	£0.450	£0.110 [+ additional £15,000 if approved.]	
Scottish Government Funding	£0.426	N/A	£0.426	This maximises other investment.
Private Finance	£0.227	£0.282	£0.282	We believe £0.282 private finance is not sustainable.
Iona Housing Partnership	£0.150	£0.150	£0.150	IHP raised £0.239 but £0.089 has been spent.
Totals	1.164	£0.882	0.968	
Shortfall	None	£0.282	£0.196	

8.2 For Argyll and Bute Council this would mean support of an additional £236,000 for infrastructure costs and £125k Strategic Housing Fund grant. This is a substantial commitment from the Council particularly given the levels of commitment to housing are probably in excess of what other Local Authorities provide.

8.3 Iona Housing Partnership have argued that the Council committed £450,000 to the project through the rural homes fund therefore if they were to keep this commitment in place but the scheme go through the Scottish Government route then the scheme is fundable. What this argument misses is that the Council policy is either a Rural Housing Scheme or a Scottish Government Scheme and at present there is no policy scope for this hybrid approach.

8.4 If supported the Council are getting additional infrastructure, that will help the island as a whole - the road and the BT improvements. In addition there are other additional costs for Iona that cannot be managed away including the sewage outfall that require to be factored in the additional costs of building in an area that does require substantial sensitivity.

8.5 If the Council decide to approve Option 1 then we would recommend that the Council has Full sight of the agreements with IHP and their future housing provider.