
STRATEGIC HOUSING INVESTMENT PLAN 2017-2022 SUBMISSION

Report by the Service Director Regulatory Services

EXECUTIVE COMMITTEE

29 November 2016

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to seek Council approval of the Strategic Housing Investment Plan (SHIP) 2017 -2022 due to be submitted to the Scottish Government by 30 November 2016.**
- 1.2 The report provides comment on how affordable housing priorities will be addressed through assistance from the Scottish Government's Affordable Housing Supply Programme and the SHIP identifies housing projects which are anticipated to be delivered in Scottish Borders over a five year period within this funding framework.
- 1.3 Local Authorities are now required to produce and submit its SHIP to the Scottish Government bi-annually for review. Scottish Borders Council with the involvement of its key partners via the SHIP Working Group has prepared this SHIP submission. The SHIP articulates how the Council and its RSL partners will seek to assist the Scottish Government fulfil its commitment to deliver at least 50,000 new affordable homes during this Parliament and to extend delivery beyond that time period, and how the Council's affordable housing investment needs and priorities identified in the Council's forthcoming Local Housing Strategy (LHS) 2017-2022 will be delivered in practice over a five year period.
- 1.4 Underpinned by a verbal resource planning assumption from Scottish Government Officials of between £8.6m up to as much as £15m per annum, along with RSL partner private sector borrowing and a commitment from the Council's Affordable Housing Budget, this SHIP sets out how, when and where the Council and its partners could with potentially deliver up to as many as 1,192 affordable homes over the period of SHIP and beyond. This is providing that all identified challenges and infrastructure issues be resolved in a timely manner, the anticipated grant funding is forthcoming, the sector has the capacity to deliver on such a scale then Officers and partners are optimistic that substantially more affordable homes can be delivered which also includes a number of additional extra care housing developments in key Borders towns.

2 RECOMMENDATIONS

- 2.1 It is recommended that Members approves the SHIP 2017-2022 for submission to the Scottish Government More Homes Division by 30 November 2016.**

3 The Strategic Housing Investment Plan 2017-2022

- 3.1 Local Authorities have previously been required to produce and submit a rolling five year Strategic Housing Investment Plan (SHIP) to the Scottish Government on an annual basis. Following revised guidance from Scottish Government received in August 2014 Local Authorities are now required to produce and submit its SHIP to the Scottish Government bi-annually to inform the development of the next three year Strategic Local Programme for 2017-2020.¹
- 3.2 The SHIP is a five year plan that sets out strategic investment priorities for affordable housing in order to achieve the targets identified in the Council's Local Housing Strategy (LHS) 2012-2017, and also in its forthcoming LHS 2017-2022. This SHIP is a realistic, imaginative and practical plan that rolls forward projects identified in previous SHIPs and introduces new projects and demonstrates how, when and where the Council and its partners intend to deliver these projects. It also illustrates how a variety of funding mechanisms are maximised to ensure the delivery of the projects.
- 3.3 'Ambitious for the Borders' and LHS targets of 100/103 affordable homes per year, was at the time challenging to deliver in the prevailing financial context. However, for the financial period 2012-2016, a total of 467 new affordable homes have been delivered through use of all available Affordable Housing delivery mechanisms. This averages at 116 units per annum, thereby exceeding the Council's targets. This has been made possible through the Council participating in the first National Housing Trust (NHT) programme and receiving additional affordable housing supply programme funding from Scottish Government, and delivering 39 new homes for mid-market rent by September 2016 through the Council-led NHT Local Authority [LA] Variant programme.
- 3.4 The Council and its partners continue to work together to find creative and resourceful solutions in order to continue to build new affordable homes in the Borders that will meet a growing demand. In summary, the SHIP 2017-2022:
- a) Sets out investment priorities for Affordable Housing
 - b) Demonstrates how these will be delivered
 - c) Identifies the resources required to deliver these priorities
- 3.5 As reported in previous submissions, the SHIP Project Working Group remains the Council's key working group that is responsible for development of SHIP, which prioritises the affordable housing projects proposed and the ongoing review of new and current projects through collaboration with Scottish Government via regular Quarterly programming meetings.
- 3.6 Officers are still currently proactively pursuing with the implementation of a NHT LA Variant initiative agreed by Council in December 2013. This has provided 45 additional affordable homes for mid-market rent by end of November 2016. Information on other potential projects is included in this submission and a total of 10 sites have been identified which have the potential to deliver a further 64 properties².

¹ The Strategic Local Programme sets out the programme of housing projects that will be grant assisted by Scottish Government over three years

² At the time of writing a number of uncertainties were beginning to emerge over deliverability of specific projects.

4 PRIORITISATION

- 4.1 The Projects contained within the SHIP programme are prioritised on the basis of a number of factors. The Project Priority Assessment Tool is a project priority weighting matrix that has been developed to provide a bottom up assessment of relative priorities of housing projects delivered by RSLs (and other potential Developers) in the Scottish Borders over the five year rolling planning horizon provided by SHIP.
- 4.2 The model used in the project assessment and prioritisation process reflects the reality of the ever changing political and economic climate and is used by the SBC SHIP Group to review, track and monitor the relative priority of existing and new projects that arise. In this way projects can be either accelerated or deferred depending on changing circumstances.
- 4.3 Using this tool, individual projects included in earlier SHIPs can be reviewed by the SHIP Project Group to determine their priority, and new projects brought forward for inclusion in SHIP have also been assessed for prioritisation. Analysis of the outcomes of the weighting assessment exercise and project descriptions can be viewed in Appendix 1 of the SHIP update 2017-22. However, it should be noted that this particular submission includes potential projects that have yet to be prioritised but brought forward in an enormous effort to maximise grant spend, deliver more affordable homes and assist the Scottish Government meet its ambitious 50,000 affordable housing target over the life of the Parliament.

5 INVESTMENT PRIORITIES FOR AFFORDABLE HOUSING 2017-2022.

- 5.1 The SHIP has been developed in line with the new guidance issued by Scottish Government in July 2016. The planned development programme illustrated in tables 7 to 7D on pages 30-32 of the SHIP shows proposed affordable housing projects and commitments for 2017-2022. Table 3 on page 21 of the SHIP outlines the anticipated number (104) of affordable homes that should be delivered in 2016-2017, which were rolled forward from the previous SHIP 2015-2020. Programming the delivery of all projects are agreed in collaboration with Scottish Government, More Homes Division (East) Office, the Borders Housing Network and the Council.
- 5.2 Underpinned by a verbal resource planning assumption from Scottish Government Officials of between £8.6m up to as much as £15m per annum, along with RSL partner private sector borrowing and the Council's Affordable Housing budget, this SHIP sets out how, when and where the Council and its partners could with potentially deliver up to as many as 1,192 affordable homes over the period of SHIP and beyond. This figure includes an ambitious 1,149 for social rent (including 4 extra care housing developments) and a further 43 for mid-market under the Council's NHT LA Variant programme³ which could be delivered by March 2019⁴.
- 5.3 It is recognised that there may be other Private Developer and Open Market Shared Equity Scheme and discounted sales house completions during the period of the SHIP, but these cannot be quantified as these are not delivered via programme arrangements.

³ At the time of writing

⁴ The current agreed timescales from Scottish Ministers for the Local Authority NHT Variant is March 2019
Executive Committee - 29 November 2016

- 5.4 The Council and its partners will continue to work hard together in order to identify new additional affordable housing site opportunities. In the event of any additional funding and resources being made available from Scottish Government, the Council and its partners will be keen to accelerate prioritised projects or positively respond to windfall project opportunities (including site acquisition) via the quarterly programme meetings with the RSLs, and the Scottish Government- More Homes Division.
- 5.5 It should be noted that the slow-down in house sales and low level of private house building completions still continues post-recession in Scottish Borders. This adversely impacts on the release of developer led land supply, and reduces Developer Contributions being received by the Council which in turn are used to assist affordable housing delivery. The general trend remains however in that land owners remain unwilling to sell sites for affordable housing and typically have expectations of pre-crash land valuations. On a more positive note however there have been several recent examples where Developers have been keen to partner with an RSL in order to help “de-risk” starting to open up a housing site through delivery of affordable housing units prior to houses for market sale, thereby providing more certainty in terms of cash flow and income. This means that, due to the restricted level of funding available, land supply will be restricted as developers sit out the recession.

6 IMPLICATIONS

6.1 Financial

- (a) Ensuring the SHIP’s effective implementation and delivery as a strategic housing authority is dependent on SBC’s continuous provision of core services, financial resource allocations from the Scottish Government, partner agencies and private developers and individuals.
- (b) There are a number of funding resources that the Council and its development partners can draw upon including Affordable Housing Investment Programme Grant, 2nd Homes Council Tax, Affordable Housing Policy Developer Contributions, Housing Association Private Finance borrowing and Scottish Water Grant Funding.
- (c) Scottish Government is keen to increase the supply of affordable housing over the lifetime of the current Scottish Parliament to over 50,000 homes, and earlier this year raised the RSL unit benchmark grant rates by 20%. Scottish Government have also introduced a new methodology to allocate the national Scottish Affordable Housing Investment Programme budget which is to the advantage of Scottish Borders, and provision made to grant assist projects benefitting the new higher grant rates. These factors combined increased the Borders allocation to £8.633m for 2016/17.
- (d) It had been intended to develop SHIP future year’s delivery on the basis of an annual resource planning assumption of £8.633m. However, Scottish Government Officials have indicated that the Council and its partners should plan on the basis of up to £12m annually. Furthermore it was suggested that this could be further increased to £15m for 2019/20 and 2020/21 subject to RSL partners being able to demonstrate deliverable projects. This presents a huge challenge and opportunity, the like of which has never been seen before, and which will provide a massive boost to the construction industry and the local economy and generating in the region of up to £1.5m Council Tax revenue after that five year period.

- (e) Providing that all identified challenges and infrastructure issues be resolved in a timely manner, anticipated grant funding is forthcoming, the sector has the capacity to deliver on such a scale then in order to maximise potential grant assistance and this rare opportunity Council Officers and RSL partners have been very ambitious in setting out what potentially could be a bumper number of new affordable homes over the five years of the SHIP and as Table 9 on page 40 of the SHIP illustrates a total investment of up to £163m in affordable homes over the next five years.

6.2 Risk and Mitigations

- (a) Delivery of the SHIP is largely dependent upon a number of variables not least of which relate to resource and other political and organisation decision making processes beyond the control of the Council.
- (b) Delivery of the SHIP is also dependant upon ownership of land by the RSLs and the recent delivery of a number of projects has depleted their limited land bank. Officers will continue to work with partner RSLs to ensure that there is a strategic approach to land-banking for affordable housing. In particular this collaboration has identified a number of Council –owned sites which could potentially be developed to provide Extra Care Housing in key Borders settlements.
- (c) The Council is currently reviewing its Corporate Property Strategic Asset Management Plans which will set out the broad strategy for the management of the Council’s property assets in order to maximise their contribution to the Council’s corporate and service goals and objectives as economically, efficiently and effectively as possible; providing the right space, at the right time, in the right location at the right cost. Therefore a strategic approach to the development of affordable housing across the Borders will aim to make the most effective use of land and/or property wherever possible, taking advantage of the Council’s property and asset rationalisation process through collaborative working opportunities will be created where practical for affordable housing development.

6.3 Equalities

- (a) In line with both Council policy and legislative requirement, the SHIP 2017-2022 has been subjected to an Equalities Impact Assessment. The outcome of that impact assessment did not identify any concerns about the way the delivery of the SHIP is likely to adversely impact on any of the equalities groupings.
- (b) The development of SHIP update was predicated on the endorsement of the principle of equalities as articulated in the SHIP guidance. The SHIP was subjected to an Equalities Impact Assessment, Strategic Environmental Assessment Screening and Rural Proofing.
- (c) Houses produced by Registered Social Landlords will be allocated according to their individual allocations policy and procedures. As a consequence of being an RSL, they are subject to the weight of statutory scrutiny via external Regulation and Inspection by the Scottish Housing Regulator.

6.4 Acting Sustainably

- (a) In accordance with Section 7 of the Environmental Assessment (Scotland) Act 2005 a pre-screening assessment of the SHIP 2017-2022 has been undertaken using the criteria specified in Schedule 2 of the Act. The pre-

screening assessment identified no or minimal effects in relation to the environment hence the SHIP is exempt from SEA requirements under Section 7 (1) of the Act.

- (b) By seeking to provide more new affordable houses, the SHIP update will promote sustainable communities and help to address many of the housing supply challenges identified in the Local Housing Strategy 2012-2017 and Local Housing Strategy 2017-2022.
- (c) There are no adverse economic or social effects resulting from SHIP delivery, and potential environmental effects from new build housing will be addressed through the Planning Process and National policies and standards.

6.5 Carbon Management

- (a) It is considered that there are no direct effects on the Council's carbon emissions arising from the report recommendations.
- (b) New Build housing will have a general effect on the region's carbon footprint however these are addressed within the Planning and Building Standards processes, and will be consistent with meeting the housing requirements and standards as set out by the Scottish Government.
- (c) It is anticipated that RSL affordable housing identified in the SHIP 2017-22 will be built to Scottish Government's "Silver Standard". In the event that this cannot be reached, new houses will be built to comply with current Scottish Building Standards, thereby seeking to maximise the opportunity for energy efficiency and reduction of fuel poverty.

6.6 Rural Proofing

- (a) Rural proofing applies to all areas of Scottish Borders classified by Scottish Government as 'remote rural' or 'accessible rural'. This applies to all areas of Scottish Borders out with the towns of Hawick, Galashiels, Peebles, Selkirk, Eyemouth, Jedburgh and Kelso.
- (b) The SHIP project working group carried out a rural proofing exercise as part of the preparation of the SHIP in June 2016. It was determined that the delivery of this SHIP will not have any unforeseen negative impact on the rural area, and was most likely to have positive effects by increasing the supply of affordable housing, and that the needs of rural areas have been properly taken into account.

6.7 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to be made to the Scheme of Administration or Scheme of Delegation as a result of this report.

7 CONSULTATION

- 7.1 The SHIP Working Group has been consulted and contributed to this report.
- 7.2 The Chief Financial Officer, Monitoring Officer, Chief Legal Officer, Chief Officer Audit and Risk, Clerk to the Council, and Chief Officer HR have been consulted and any comments their comments have been incorporated into the final report.

Approved by

Brian Frater
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Signature

Author(s)

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Background Papers: SHIP Document and Appendices

Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Jacqueline Whitelaw can also give information on other language translations as well as providing additional copies.

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