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## **STRATEGIC HOUSING INVESTMENT PLAN 2018-2023 SUBMISSION**

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### **Report by the Service Director Regulatory Services EXECUTIVE COMMITTEE**

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**17 October 2017**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to seek Council approval of the Strategic Housing Investment Plan (SHIP) 2018 -2023 due to be submitted to the Scottish Government by 30<sup>th</sup> October 2017.**
- 1.2 Local Authorities are required to produce an annual SHIP submission to the Scottish Government. 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 deliver the Border's affordable housing investment needs and priorities identified in the Council's Local Housing Strategy (LHS) 2017-2022 over a rolling 5 year planning horizon. Homes delivered will be counted towards the Scottish Parliament's target of 50,000 Affordable Homes.
- 1.3 Based on a Resource Planning Assumption (RPA) from Scottish Government Officials of £43.957m for the period 2018-2021, £4.6m from charitable bonds, RSL partner private sector borrowing and a commitment from the Council's Affordable Housing Budget, approximately 674 new homes could be delivered over the 3-year period. However, in response to the Scottish Government's request to over-programme in order to manage any potential project slippage, this SHIP sets out an ambitious plan that could potentially deliver up to as many as 1,177 affordable homes over the five-year period of SHIP. This latter figure assumes that all identified challenges and infrastructure issues are resolved in a timely manner, funding is available and that agreement is reached between all interested parties and the construction sector has capacity to deliver projects. SHIP also includes a number of new build extra care housing developments in key Borders towns.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that Members approves the SHIP 2018-2023 attached at appendix 1 for submission to the Scottish Government More Homes Division by 30<sup>th</sup> October 2017.**

### **3 THE STRATEGIC HOUSING INVESTMENT PLAN 2018-2023**

- 3.1 Local Authorities are required to produce and submit a rolling five year Strategic Housing Investment Plan (SHIP) to the Scottish Government, More Homes (East Division) on an annual basis. Revised guidance from Scottish Government was received in June 2017 and frames the content and development of this SHIP which needs to be submitted by 30<sup>th</sup> October 2017 to inform the development of the next three year Strategic Local Programme (SLP) for 2018-2021
- 3.2 The SHIP is a five year operational delivery 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) 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 develop new homes. It also illustrates how a variety of funding mechanisms are maximised to ensure the delivery of the projects.
- 3.3 Previous LHS targets of 100/103 affordable homes per year were at the time challenging to deliver in the prevailing financial context. However, for the financial period 2012-2017, a total of 594 new affordable homes were delivered through use of all available Affordable Housing delivery mechanisms. This averages at 119 units per annum, thereby exceeding both the then LHS and 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 45 new homes for mid-market rent 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 2018-2023:
  - a) Sets out investment priorities for Affordable Housing with a particular emphasis on extra care housing for older people
  - b) Demonstrates how and where these will be delivered
  - c) Identifies the resources required and innovative funding solutions and procurement approaches to help deliver these priorities
- 3.5 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 continue to pursue a couple of development opportunities under the NHT LA Variant initiative agreed by Council in December 2013. To date this has provided 45 additional affordable homes for mid-market rent by end of 31 March 2017. Information on the remaining potential projects are included in this submission which have the potential to deliver a further 24 properties<sup>1</sup>

### **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

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<sup>1</sup> At the time of writing a number of uncertainties were beginning to emerge over deliverability of specific projects.  
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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 2018-23. It should be noted that this particular submission includes potential pipeline projects that could potentially develop a further 542 new homes if market conditions changed and Developers were willing. The methodology developed and used by Scottish Borders Council is well regarded by the Scottish Government as being a transparent and robust process

## **5 INVESTMENT PRIORITIES FOR AFFORDABLE HOUSING 2018-2023**

- 5.1 The SHIP attached at appendix 1<sup>2</sup> has been developed in line with the new guidance issued by Scottish Government in June 2017. The planned development programme illustrated in tables 7 to 7D on pages 33-35 of the SHIP shows proposed affordable housing projects and commitments for 2018-2023. Table 2 on page 18 of the SHIP outlines the anticipated number (83) of affordable homes that should be delivered in 2017-2018, which were rolled forward from the previous SHIP 2017-2022. 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 Based on the Resource Planning Assumptions for the period 2018-2021 (£43.957m) confirmed by the Scottish Government in June 2017 plus a further £4.6m from charitable bonds, along with RSL private sector borrowing the Council and its partners at an average grant of £72k per unit could potentially deliver up to 674 units over the remaining three year period of the Scottish Parliament. Council Officers have been asked by Scottish Government to over-programme by as much as 25% therefore, potential additional projects have been identified that could deliver as much as 803 new RSL homes over the same 3-year period (see SHIP tables, 7, 7a and 7B pages 33 and 34). Over the full five-period of the SHIP, potential site opportunities have been identified which could provide a total of 1157 new RSL homes and 20 homes for mid-market rent via Bridge Homes which could be delivered if resources were available, and all issues resolved, and agreement reached between all interested parties.
- 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
- 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.

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<sup>2</sup> There is a full suite of SHIP Appendices not included in the attached. There are hard copies of fully assembled SHIPs available in the Member's Library.

- 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, private developers and individuals.
- (b) Scottish Government is keen to increase the supply of affordable housing to over 50,000 units over the lifetime of the current Parliament, so the SHIP is based on a number of known and assumed funding resources that the Council and its development partners will draw upon. These include known Resource Planning Assumptions (RPA) of £43.957m Affordable Housing Supply Programme grant for 2018-2021, plus assumed £24.1m grant for 2021-2023. Berwickshire Housing Association and Eildon Housing Association have secured £4.6m Charitable Bond funding which will be used in lieu of Scottish Government grant. The SHIP also assumes use of up to £4.9m 2<sup>nd</sup> Homes Council Tax funding from the Council and of up to £84.1m private borrowing by the Registered Social Landlords over the period 2018-23.
- (c) The Council and its partners will seek to secure Additional grant funding from Scottish Government’s Housing Infrastructure Fund in order to provide more certainty in delivery of some projects. The Council may also assist project delivery through use of limited available Affordable Housing Policy Developer Contributions. Table 11 on page of the SHIP illustrates estimated potential total investment of £174.5m over the period 2018-2023.
- (d) The SHIP presents a huge challenge and opportunity, the like of which has never been seen before when compared to previous estimated unit annual delivery numbers. The will provide a massive boost to the construction sector and the local economy. Furthermore it is estimated that this will generate in the region of £1.5m additional annual Council Tax income.

### **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 constantly reviews its Corporate Property Strategic Asset Management Plans 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 2018-2023 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 Regulatory.

### 6.4 Acting Sustainably

- (a) In accordance with Section 7 of the Environmental Assessment (Scotland) Act 2005 a pre-screening assessment of the SHIP 2018-2023 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 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 2018-2023 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 outwith the towns of Hawick, Galashiels/Tweedbank, 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 August 2017. 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 yet to be consulted and their comments will be incorporated in the final report.

### Approved by

**Brain Frater**

**Service Director Regulatory Services**

**Signature .....**

### Author(s)

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### Background Papers: SHIP Document

### 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.

Contact us at Jacqueline Whitelaw, PLACE, Scottish Borders Council, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA, Tel 01835 825431, Fax 01835 825071, Email [eitranslationrequest@scotborders.gov.uk](mailto:eitranslationrequest@scotborders.gov.uk)