
PROPOSED AFFORDABLE HOUSING AT FORMER EARLSTON HIGH SCHOOL SITE

**Joint Report by the Services Director Regulatory Services and
Service Director Assets and Infrastructure**

EXECUTIVE

7 MARCH 2017

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to seek approval of the Executive Committee to dispose of the Council owned allocated Housing Site at the former Earlston High School to Eildon Housing Association in order that it may be re-developed to provide affordable housing.**
- 1.2 The report also proposes that the Council uses available Affordable Housing Investment Budget funding to fund the difference between the market valuation sought by the Council and the affordable housing valuation determined by the District Valuer. The site has been identified as a prioritised affordable housing site in the Council's Strategic Housing Investment Plan 2017-22 which was recently agreed by Council in November 2016 and subsequently submitted to Scottish Government.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Committee:**
 - (a) Delegates authority to the Council's Head of Assets and Infrastructure to dispose of the allocated Housing Site at the former Earlston High School to Eildon Housing Association on the basis of affordable housing valuation of £450,000 for the development of affordable housing.**
 - (b) Delegates the Chief Finance Officer to transfer £250,000 from the Council's Affordable Housing Investment Budget to the Council's Capital budget as a contribution towards meeting the market valuation of the site.**

3 DEVELOPMENT PROPOSAL

- 3.1 Local Authorities are required to produce and submit a Strategic Housing Investment Plan (SHIP) to the Scottish Government on a biennial basis.
- 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 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 The Council owns the allocated Housing Site (AERL002) at the former Earlston High School. This has been marketed for sale since June 2011. Despite it being located within the Railway Corridor, there has been only one offer received and after numerous discussions and negotiations did not result in a sale. Most recently Council Officers have been in discussion with Eildon Housing Association exploring how the site could be developed to provide affordable housing, and comply with the Council's Planning Brief. The site has been identified, prioritised and included in the Council's recently agreed Strategic Housing Investment Plan 2017-22, on this basis. It is proposed that the Council disposes of the site to Eildon Housing Association at market valuation in order to reimburse the Council's Capital Programme.
- 3.4 Eildon Housing Association has carried out a feasibility study to determine the capacity of the site and the site's valuation for affordable housing. Abnormal costs arising from the costs of construction of road access to open up the site have adversely impacted on the valuation of the site. The feasibility study indicates that the site has indicative capacity of around 50-55 affordable housing units. The valuation process and feasibility study have identified a funding shortfall of £250,000. The shortfall in funding has arisen due to the difference between the market and affordable housing valuations provided by the District Valuer.
- 3.5 It is currently proposed that all the houses will be for affordable rent in order to best meet local need. In the event that the Committee agrees to dispose of the site to the Association, it is anticipated that development of the site will provide completions in 2019/20. Scottish Government's More Homes Division officials are aware of this proposed disposal and have indicated willingness to grant assist the Association to secure and develop this site, and thereby assist the Scottish Parliament to meet its ambitious 50,000 affordable housing target over the life of the Parliament.
- 3.6 Should Eildon Housing Association progress with the development of the site, Scottish Water will have some certainty regarding delivery of the houses, and have indicated that they will prioritise investment in their local infrastructure in order to dovetail with the anticipated completion date of the houses. This investment and infrastructure capacity increase will not only serve the former High School site, but will also facilitate future development of other housing sites in the Earlston catchment area. Development of the Council's site to comply with the Council's Planning Brief will also mean that the new roadway to serve the housing development will also link to a bridging point to enable developer-led construction of a new vehicular and pedestrian bridge over the Turfford Burn at some future point in time, as well as facilitating the development of a new children's play area in a suitable site within the vicinity.

4 IMPLICATIONS

4.1 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 in 2016/17 raised the Registered Social Landlord unit benchmark grant rates by 20%. Scottish Government has 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. Scottish Government is supportive of maximising grant spend on projects which will deliver homes during the life of this Parliament and is especially keen that the disposal can be concluded before 31 March 2017. Scottish Government's More Houses Division officials have also indicated support to provide financial assistance from its Infrastructure Fund in due course in order to offset the abnormal costs arising from construction of the new road access. Costs of this will become clearer once further design work is done.
- (d) The market valuation of the site is estimated to be £700,000. The affordable housing valuation is estimated to be £450,000. The total project costs of delivering the project is currently estimated to be around £7.1m, which would include a funding contribution towards the development of a play area. On the basis of current information , it is anticipated that this may be funded as follows:
 - Scottish Government housing grants £3.6m
 - Eildon Housing Association [private borrowing] £3.15m
 - Scottish Borders Council contribution £0.25m
 - A total Developer Contribution of £120k towards the development of a children's play area to meet requirements of the planning brief. £20k of this will be from developer contributions from the proposed houses on the site as per the policy and £100k from developer contributions raised through normal developer contribution arrangements.
- (e) It is proposed that the Council's contribution above will be funded from the Affordable Housing Investment, which is often referred to as the Second Homes Council Tax budget. The use of Second Homes Council Tax is framed by Scottish Government Guidance. The projected balances for the Affordable Housing Investment Budget, and current and projected commitments are set out in Appendix 1. This shows that the proposed contribution of £350,000 can be met this year from this budget.

- (f) Subject to agreement of the Council to financially assist as proposed in 2.1 (b) above, details of the potential payment, tracking and programming arrangements regarding the sale of the site will require to be agreed in collaboration with Eildon Housing Association and Scottish Government's More Homes Division.
- (g) It is estimated that at 2016/17 [minimum Band C] rate of Council Tax charge, the completed development would generate at least £48,178 in additional Council Tax income to the Council per year.

4.2 **Risk and Mitigations**

- (a) Delivery of the SHIP and projects contained within it are largely dependent upon a number of variables, not least of which relate to resource and other political and organisation decision making processes, many of which are beyond the control of the Council.
- (b) The proposed disposal of this site to the Association is consistent with the approach taken by Council Officers to continue to work with partner RSLs to ensure that there is a strategic approach to land-assembly for affordable housing. The proposed disposal of this site to the Association is also consistent with work being done within the Council to develop a Corporate Property Strategic Asset Management Plan 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.

4.3 **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 2017-22 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.

4.4 **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 2017-22 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 project delivery. Potential environmental effects from new build housing on the former Earlston High School site will be addressed through the Planning Process and application of National policies and Standards.

4.5 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 on the former Earlston High School site 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.

4.6 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. Earlston is classified as being an "accessible rural" settlement.
- (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 individual SHIP projects will not have any unforeseen negative impact on the rural area, and are 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.

4.7 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.

5 CONSULTATION

- 5.1 The SHIP Working Group has been consulted and contributed to this report.
- 5.2 The Chief Financial Officer, Monitoring Officer, Chief Legal Officer, Chief Officer Audit and Risk, Clerk to the Council, Director Strategy and Policy and Chief Officer HR are being consulted and their comments will be incorporated in the final report.

Approved by

Brian Frater
Service Director Regulatory Services

Signature

Martin Joyce
Service Director Assets & Infrastructure

Signature

Author(s)

Name	Designation and Contact Number
Cathie Fancy Gerry Begg	Group Manager Housing Strategy and Services 01835 825 144 Housing Strategy Manager 01896-662770

Background Papers: Strategic Housing Investment Plan 2017-22 and Appendices. Supplementary Planning Guidance – Finalised Planning Brief – Earlston High School [January 2009]

Previous Minute Reference: None.

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 Scottish Borders Council, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA, Tel 01835 824000 ext 5431, email jwhitelaw@scotborders.gov.uk.