
PROPOSED FUNDING CONTRIBUTIONS FOR DELIVERING EXTRA CARE HOUSING IN GALASHIELS

**Report by Service Director Regulatory Services and Chief Financial
Officer**

EXECUTIVE COMMITTEE

16 OCTOBER 2018

1 PURPOSE AND SUMMARY

- 1.1 This report recommends that the Council financially assists the delivery of the extra care housing development at Langhaugh Galashiels, which will provide 39 affordable housing, through use of its Affordable Housing Investment Budget.**
- 1.2 As set out in the Extra Care Housing Framework Eildon Housing Association has been progressing with the development of its Langhaugh site in Galashiels. It has always been realised that the Council was going to contribute to the development of these high costs housing projects. In order to support the delivery of the project, the Scottish Government has agreed to provide a significant enhanced grant and EHA are contributing higher than usual private borrowing per unit. However, issues with contamination have emerged through site demolition and clearance works which indicates a funding gap of up to £1.8m in a worst case scenario.
- 1.3 The sums recommended for approval were included in the Integrated Strategic Plan for Older Peoples Housing, Care and Support Needs, which was approved by Council in June 2018. The report provides some contextual comment, and progress update made regarding progressing the delivery of the proposed development.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Executive;**
- (a) Approves the contribution of up to £1.8m of grant funding from the Council's Affordable Housing Investment Budget to Eildon Housing Association to enable the commencement of development of the extra care housing development at Langhaugh, Galashiels;**
 - (b) Agrees to delegate authority to the Chief Financial Officer to liaise with Eildon Housing Association to agree arrangements to make payment to dovetail with project spend profile requirements; and**
 - (c) Notes that Officers will continue to keep the specification for future extra care developments under review to ensure the maximisation of best value in line with the decision to gap fund the extra care project at Duns.**

3 BACKGROUND

- 3.1 The Council's Local Housing Strategy (LHS) 2017-22 is a statutory requirement that provides the strategic direction to tackle housing need and demand and informs future investment in housing and related services across Scottish Borders Council's area. The LHS is consistent with the Council's policy position of seeking to shift the balance of care by reducing the proportion of residential care packages and increasing the proportion of care provided through individual care packages, housing with care and extra care housing.
- 3.2 This will be achieved by building upon existing strong co-operation of the Council's Housing Sector partners and financial support from Scottish Government to help fund, develop and deliver extra care housing developments. This provides the opportunity to support higher levels of dependency but also providing a better environment for older people. Extra care housing is based on self-contained flats, rather than small rooms as in residential care, and offers care and support for those who need this service up to 24 hours per day. Therefore it can be seen as an alternative to both traditional sheltered housing and residential care settings.
- 3.3 The previously undertaken needs assessment for extra care housing, reported to Members in March 2016, concluded that there is a large projected need for this type of housing provision across the main towns in Scottish Borders. Through an option appraisal approach, the study also concluded that it would be best value if the developments were developed, owned and managed by Registered Social Landlords (RSLs). A framework to deliver the first six developments was set out in a report to the Executive Committee in September 2016. The Extra Care Housing Delivery Framework is an integral part of the newly developed 10-year Integrated Strategic Plan for Older People's Housing, Care and Support approved by Council on the 27th June 2018.
- 3.4 The proposed delivery framework utilised Council owned sites where feasible and sought to maximise Scottish Government grant provision and RSL private sector borrowing over the next five years of the Strategic Housing Investment Plan. It was also recognised that these will be high cost developments, which were likely to require gap funding from the Council's Affordable housing Investment Budget, often referred to as the "Second Homes/Council Tax" Budget. The Executive agreed in principle to use this budget and Developer Contributions to address the funding gap associated with these developments.
- 3.5 An Extra Care Housing Programme Board has been established to oversee the delivery of the extra care housing projects. This meets on a quarterly basis. The Board consists of Officer representatives drawn from the Council's Strategic Housing, Social Work, Finance, and Assets and Infrastructure, plus NHS Borders and Eildon and Trust Housing Associations. These are the two RSLs with experience of delivery and management of extra care housing and necessary financial capacity, who have been selected to deliver the extra care housing developments identified in the Council's previous Strategic Housing Investment Plan (SHIP) 2018-23 and newly developed SHIP 2019-2024. The current governance arrangements will in due course be incorporated within the new Governance arrangements that will be put in place to monitor and support the effective delivery of the wider Older People's Housing, Care and Support Strategy.

- 3.6 The Board has agreed an extra care housing building specification in order to inform the individual site specific design process being progressed by both RSLs. As a result of a joint selection process the two RSLs have appointed the same design team to work up proposals for the sites at Langhaugh Galashiels and Todlaw Duns.
- 3.7 The SHIP provides a rolling 5 year planning horizon which sets out proposed prioritised affordable housing projects, and is framed by both Guidance and Resource Planning Assumptions provided by Scottish Government. The SHIP is currently required to be revised, updated and submitted to Scottish Ministers annually. The proposed extra care housing developments have been identified in the Council's SHIP submissions.
- 3.8 Scottish Government More Homes Division officials are aware and supportive of the Council's strategic housing intentions, and have allocated £2.04m grant funding in 2018-19 to assist the delivery of the Eildon Housing Association project at Langhaugh Galashiels. Once the project is legally committed, the balance of required additional grant will be allocated by Scottish Government to suit project spend profiling in 2019-20.
- 3.9 Eildon Housing Association owns the Langhaugh site, and has lodged a Planning Application for 39 flats and associated communal facilities, which is being considered by the Council's Development Management Team. In an innovative partnership approach, Eildon has signed a development agreement with Harts/Crudens Group in order to package the development of a number of sites.
- 3.10 However, as expected the probable costs exercise has identified a funding gap. This can be explained since in part the Extra Care Board specification contains a number of elements which are non-housing elements and therefore not grant eligible due to the fact they do not constitute housing provision eg Lounge/dining room; Commercial kitchen/kitchen stores; Commercial kitchen fitting out/laundry/reception desk; Managers office/general office; Staff rooms; Entrance areas/waiting area/hairstyling/quiet/games area, and where probable costs are in excess of what is financially viable through the affordable housing financial modelling. Officers have already begun an ongoing review of the specification to ensure that best value is achieved in line with Members decision of 21st August in relation to gap funding the extra care in Duns.
- 3.11 It is also anticipated that additional costs will be incurred due to works being done to satisfy Scottish Environmental Protection Agency requirements, as well as unforeseen costs to rid the site of asbestos that was not apparent at the time the site was acquired. These require to be agreed prior to Planning Consent being granted.
- 3.12 Eildon has been successful in negotiating a significant enhanced grant contribution from Scottish Government More Homes Division, subject to a Technical Assessment. In the meantime, the probable costs financial modelling exercise indicates a potential funding gap of £1.319m. Total project costs are currently estimated to be £7.642m with anticipated funding contributions as follows: Scottish Government housing grant £2.566m, Eildon Housing Association private borrowing £3.276m (the funding gap of £1.319m included) and Scottish Borders Council £1.8m.

4 IMPLICATIONS

4.1. Financial

- (a) Ensuring the effective development and delivery of SHIP projects continues to be dependent on SBC's 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 have drawn upon including Affordable Housing Supply Programme Funding, Second Homes Council Tax, Commuted Sums, Housing Association Private Finance Borrowing. Eildon have indicated that it will contribute more than the normal benchmark private finance amount per unit in order to deliver the Langhaugh project.
- (c) Scottish Government has set itself an ambitious national target to deliver 50,000 affordable homes over the lifetime of the current Scottish Parliament. Scottish Government made an allocation of £14.065m to assist delivery of affordable housing projects in Scottish Borders in 2018/19. This represents a new record high level of external funding allocated to assist delivery of Scottish Borders Projects.
- (d) The arrangements to collect and use the Council's "Second Homes/Council Tax" budget are framed by Scottish Government Guidance. This budget can only be used to assist delivery of affordable housing. The Council is required to provide statistical reports to evidence available balances and projects assisted. This is now integrated into the SHIP. The Guidance enables any unspent balance to be carried forward to subsequent financial years to dovetail with partners financial planning and project programming. This has enabled the Council to build up an available balance of £3.759m in anticipation of this being required to provide complementary funding to assist and ensure extra care housing delivery. The Council plans on the basis of around £0.715m net annual income to top up the budget.
- (e) Should the Committee decide to grant assist both RSLs, this will secure the allocated Scottish Government grant and RSL private borrowing as set out above at sections 3.8 and 3.12. The timing of the potential Council contributions have yet to be worked through, but is anticipated to be in 2019/20 after Eildon has fully claimed the Scottish Government project grant allocation as well as their own private finance. Therefore the Council can meet the proposed funding contributions.
- (f) It is estimated that once completed in 2020/21, these 39 homes will generate around £0.039m in annual Council Tax income to the Council. Furthermore this construction phase will positively contribute to reducing income inequality for people in the Borders, by leading to the creation of numerous direct construction jobs, apprenticeships and indirect jobs within the construction supply chain, and in due course the creation of additional jobs in the care and support service sectors.

4.2 Risk and Mitigations

- (a) It is considered vital that the Committee agrees to the recommendations in order that partners funding can be secured and agreed and therefore critical project delivery dates can be met. Failure to do so will adversely impact on Partnership working, but will also similarly impact on delivery of this project and the wider Borders programme due to the resultant £2.04m grant slippage for 2018/19, which could potentially be re-allocated outwith Scottish Borders. This could in turn have a further adverse impact by putting further pressure on the 2019/20 grant

allocation.

- (b) Delivery of the SHIP and prioritised projects set out therein 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. However, governance and control measures are in place to ensure delivery of the SHIP, including monitoring contractor performance and quarterly programme meetings involving Council Officers, RSL partners and Scottish Government More Homes Division Officials. In the event that the Committee decides not to grant assist the Langhaugh project, through discussion with the developing RSLs, Officers will seek to minimise adverse impact on the Borders programme by seeking to accelerate delivery of SHIP projects capable of spending available grant and which may complete before 31 March 2021 Parliamentary target deadline.

4.3 **Equalities**

- (a) In line with both Council policy and legislative requirement, all Strategic Housing Investment Plans are subjected to an Equalities Impact Assessment during the development phase. To date none of the SHIP submissions have identified any concerns regarding adverse impact on equalities groups through delivery of the SHIP. Indeed a number of the proposed projects such as extra care housing developments, are considered to have a positive impact.
- (b) These plans are predicated on the endorsement of the principle of equalities as articulated in the SHIP Guidance. SHIPs are subjected to an Equalities Impact Assessment, Strategic Environmental Assessment screening and Rural Proofing Assessment.
- (c) Houses produced by Registered Social Landlords will be allocated according to their individual allocations policy and procedures. As a consequence, the RSLs are subject to the weight of Statutory Scrutiny via Regulation and Inspection by the Scottish Housing Regulator.

4.4 **Acting Sustainably**

- (a) All SHIP documents are subject to a pre-screening assessment in accordance with Section 7 of the Environmental Assessment (Scotland) Act 2005 using the criteria specified in Schedule 2 of the Act. The pre-screening assessments identified no, or minimal, negative effects in relation to the environment, hence SHIPs have been exempt from Strategic Environmental Assessment (SEA) requirements under Section 7(1) of the Act.
- (b) By seeking to deliver more new affordable houses, the Council's current SHIP 2018-23 promotes sustainable communities and helps address many of the housing supply challenges faced locally.
- (c) There are no adverse economic or social effects resulting from the recommendations of this report. In addition, SHIP 2018-23 project delivery and potential environmental effects from new build housing will be addressed through the Planning process which will apply 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 additional affordable housing will have a general effect on the region's carbon footprint, however these are addressed within the planning process, and in meeting the housing requirements and standards as set out by the Scottish Government. RSLs aim that their new housing will be built to "Silver Standard" which exceed current basic Scottish Building Standards.

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/Tweedbank, Peebles, Selkirk, Eyemouth, Jedburgh and Kelso. It is anticipated that the proposed Todlaw development will provide a positive impact in Duns and the wider rural Berwickshire area.
- (b) The SHIP Project Working Group carries out a rural proofing exercise as part of the preparation of each SHIP. It is considered that the delivery of SHIPs will not have an unforeseen adverse impact on the rural areas 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.

5 CONSULTATION

- 5.1 The SHIP Working Group has been consulted and contributed to this report.
- 5.2 The Extra Care Housing Board is supportive of the recommendations set out in this report.
- 5.3 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, and the Clerk to the Council have been consulted and their comments have been incorporated in the final report.

Approved by

Brian Frater
Service Director Regulatory Services **Signature.....**

David Robertson
Chief Financial Officer **Signature.....**

Author(s)

Name	Designation and Contact Number
Cathie Fancy	Group Manager Housing Strategy and Services (01835 825144)
Gerry Begg	Housing Strategy Manager (01896 662770)

Background Papers:
Strategic Housing Investment Plan 2018-23.
Integrated Strategic Plan for Older Persons Housing, Care and Support Needs" (May 2018)

Previous Minute Reference:
Report by Service Director Regulatory Services to Executive Committee 20 September 2016 titled "Delivering Extra Care Housing in the Scottish Borders: A Delivery Framework".

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.