
STRATEGIC HOUSING INVESTMENT PLAN 2020-2025 SUBMISSION

Report by the Service Director Regulatory Services
EXECUTIVE COMMITTEE

19 November 2019

1 PURPOSE AND SUMMARY

- 1.1 This report seeks formal approval of the Strategic Housing Investment Plan (SHIP) 2020 -2025 which was submitted in draft form to Scottish Government as required both on-line and by hard copy by 25 October 2019.**
- 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 by 31 March 2021 will be counted towards the Scottish Parliament's target of 50,000 Affordable Homes.
- 1.3 Based on available Resource Planning Allocations from Scottish Government and resource planning assumptions, RSL partner private sector borrowing and commitment from the Council's Affordable Housing Budget, approximately 581 new homes could be delivered during 2019/20 and 2020/21, and potentially up to 1066 new affordable homes over the five-year SHIP 2020-2025 period. 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 Duns, Galashiels, Kelso, Eyemouth and Hawick.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Executive Committee approves the SHIP 2020-2025 attached at Appendix 1 for submission to the Scottish Government More Homes Division.**

3 THE STRATEGIC HOUSING INVESTMENT PLAN 2020-2025

- 3.1 Since 2007, 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, received in August 2019, frames the content and development of this SHIP which needs to be submitted to inform the next three-year Strategic Local Programme (SLP) for 2020-2023. The SHIP 2020-2025 is attached as Appendix 1 to this report.
- 3.2 The SHIP's core purpose is to set out the key strategic housing investment priorities over a five-year period and is consistent with the identified priorities set out in the Council's Local Housing Strategy (LHS) 2017-2022. This SHIP is an ambitious, creative 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 This is the Council's 11th SHIP submission and over that period the Council and delivery partners have delivered a total of 1151 new affordable homes. The four main Borders Registered Social Landlords (RSLs) now have a stock profile of 11,974 for social and mid-market rent homes. 2018-2019 saw 192 new affordable homes being delivered, and it is anticipated that at least 134 new homes will be delivered in 2019-2020. Which will exceed the LHS annual target of 128.
- 3.4 The Council and its partners continue to collaborate to find innovative solutions and resources in order to continue to build new affordable homes in the Borders to meet a growing demand. In summary, the SHIP 2020-2025:
 - a) Sets out investment priorities for Affordable Housing with a particular emphasis on extra care housing for older people, addressing "not fit for purpose" older peoples housing, and Upper Langlee housing-led area regeneration.
 - 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, established back in 2007 continues to be the Council's key working group that is responsible for contributing to the 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 The Council-led Bridge Homes Limited Liability Partnership has ended its development phase, by increasing its property portfolio up to 54 affordable homes by the initiative deadline of 31 March 2019. Officers have been exploring disposal considerations for the Bridge Homes properties for future Member consideration which would keep the homes in the affordable sector in perpetuity.

4 PRIORITISATION

- 4.1 The projects contained within the SHIP programme are prioritised by taking into consideration 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 brought forward 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 2020-25. New proposed affordable housing projects have been identified at Angle St/Millar St Innerleithen, Allanbank Lauder, Miller House Melrose, High St/Market Place Jedburgh, Lowood Tweedbank and Kirkhope Steading Ettrickbridge. It should be noted that this submission also includes potential pipeline projects, most of which are developer-led opportunities which potentially could deliver an estimated 569 new homes if market conditions changed and these projects were delivered. The methodology developed and used by Scottish Borders Council is well regarded by the Scottish Government as being a transparent, robust and credible process and is regularly reviewed and updated to reflect existing and new housing priorities for the Council such as older peoples housing, and the Rapid Rehousing Transition Plan.

5 INVESTMENT PRIORITIES FOR AFFORDABLE HOUSING 2019-2024

- 5.1 The SHIP attached at Appendix 1¹ has been developed in line with the new guidance issued by Scottish Government in August 2019. The planned development programme set out in tables 7 to 7D on pages 32-34 of the SHIP shows proposed affordable housing projects and commitments for 2020-2025. Table 2 on page 17 of the SHIP estimates the completion of 134 new affordable homes during 2019-2020. Programming project delivery is agreed through collaboration between Scottish Government - More Homes Division (East) Office, and locally active Registered Social Landlords and the Council.
- 5.2 Based on the Resource Planning Allocations of £15.998m for 2019-2020 and £16.972m for 2020-21 and an average grant of £72k per unit, plus RSL private sector borrowing, this would indicate that the Council and its partners could potentially deliver up to 458 new homes over the last two years of this Scottish Parliament period to 31 March 2021. The new SHIP Guidance suggests that Councils should over-programme in order to manage slippage opportunities, therefore this SHIP sets out a delivery ambition of 581 completions over the same 2-year period. It is not known how the next Scottish Parliament will prioritise and resource the Scottish Affordable Housing Programme beyond May 2021. Over the full five-period of the SHIP, potential site opportunities have been identified which could provide a total of 1066 new affordable homes which potentially 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 other than during 2019/20 to date, these cannot be identified as these are not delivered via programme arrangements. Early indications suggest that 8 house purchases have been completed to date, which have been assisted by the Open Market Shared Equity Scheme, which are included in the 134 homes figure [2019/20] referred to in section 5.1 above.

¹ 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.

- 5.4 The Council and its partners will continue to work together in order to identify new 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 look to bring forward prioritised projects or positively respond to windfall project opportunities (including site acquisition) through 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 sector house building and completions continues in Scottish Borders after the financial crash. 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 reluctant to sell sites for affordable housing and typically have expectations of pre-crash land valuations. On a more positive note however there have 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 as a precursor to construction of houses for market sale, thereby providing more certainty in terms of cash flow and income.

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 meet its self-set affordable housing target of 50,000 units over the lifetime of the current Parliament, and has made available over £3B for the 5 years up to 31 March 2021 to assist delivery of these homes. This 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 Allocations of £32.97m Affordable Housing Supply Programme grant for 2019-2021, plus Resource Planning Assumption of £24.0m grant for 2021-2025. The SHIP also assumes use of up to £3.15m Second Homes Council Tax funding from the Council and of up to £79.58m estimated private borrowing by the Registered Social Landlords over the period 2020-2025.
- (c) In addition, the Council may also assist project delivery through use of limited available Affordable Housing Policy Developer Contributions. Table 12 on page 46 of the SHIP illustrates estimated potential total investment in the region of £158m over the period 2020-2025. Together with 2019-2020 estimated project delivery, these increase the total investment figure closer to £177m over 2019 -2025.
- (d) The SHIP 2020-2025 presents an unprecedented challenge and opportunity, when compared with previous estimated unit annual delivery numbers, especially in the context of Scottish Borders affordable housing delivery annual average of 101 over the last 19 years. The investment will provide a massive boost to the construction sector and the local economy. Should all the potential 1066 new homes be delivered then an estimated £3.82m additional income from Council Tax will be generated for the Council over period 1 April 2020 to 31 March 2025.

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, most of which are beyond the control of the Council.
- (b) Delivery of the SHIP is also dependent 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 2020-2025 has been subjected to an Integrated Impact Assessment. The outcome of that 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 2020-2025 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 Assessment.
- (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 2020-2025 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 Council's 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 proposed in the SHIP 2020-2025 will be built to meet 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 Galashiels/Tweedbank, Hawick, Peebles, Innerleithen, 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 September 2019. It was considered that the delivery of this SHIP will have no unforeseen negative impact on the rural area, and is more 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, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR, the Clerk to the Council and Corporate Communications have been consulted and comments received and have been incorporated into the final report.

Approved by

Brain Frater

Service Director Regulatory Services

Signature

Author(s)

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Background Papers: SHIP Document Executive Committee 16th October 2018 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

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