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## **PROPOSED USE OF SECOND HOMES COUNCIL TAX GRANT TO ASSIST DELIVERY OF AFFORDABLE HOUSING AT KIRKHOPE STEADING, ETRICK BRIDGE**

**Report by Director - Infrastructure and Environment**

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### **EXECUTIVE COMMITTEE**

**1 March 2022**

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

- 1.1 The purpose of this report is to seek approval of the Executive Committee to use available Second Homes Council Tax funding to grant assist Ettrick and Yarrow Community Development Company to deliver 5 affordable homes at Kirkhope Steading, Ettrick Bridge.**
- 1.2 The Council's current Strategic Housing Investment Plan 2022-27 identifies Kirkhope Steading as a priority project. This is now under construction, with anticipated completion in late July 2022.
- 1.3 This report advises the Committee that as a result of the need to re-roof the steading, and the national context of increasing building material costs, revised tender costs have risen to £1.231m. There are also concerns regarding the potential adverse impacts of continued increases in interest rate on the longer term financial viability of the project.

#### **2 RECOMMENDATIONS**

##### **2.1 It is recommended that the Committee:-**

**Agrees to grant assist the Ettrick and Yarrow Community Development Company up to £120,000 match funding for an additional £120,000 grant contribution from Scottish Government Rural Housing Fund in line with recently increased grant rates, towards costs of delivering the 5 home affordable housing project at Kirkhope Steading, Ettrick Bridge. It is proposed that the Council's grant will be funded from the Second Home Council Tax available balance.**

### **3 BACKGROUND**

3.1 The Ettrick and Yarrow Community Development Company has secured a range of grants and loan to enable the delivery of its project to deliver 5 affordable homes for mid-market rent through new building and conversion of Kirkhope Steading, Ettrick Bridge. This project is identified as a prioritised affordable housing project in the Council's current Strategic Housing Investment Plan (SHIP) 2022-27. The Council has previously provided £13,000 grant from Second Homes Council Tax budget to fund the costs associated with lodging the Planning Application in 2019, so the recommended additional recommended grant will increase the Council's grant contribution to £133,000. The project is currently under construction and progressing well, with revised completion expected in July 2022.

3.2 It is proposed that the project will be funded as follows

|   |           |
|---|-----------|
| Scottish Government Rural Housing Fund grant            | £451,000  |
| Additional Scottish Government Rural Housing Fund grant | £120,000  |
| Scottish Borders Council grant                          | £13,000   |
| Recommended additional Scottish Borders Council grant   | £120,000  |
| South of Scotland Enterprise grant                      | £174,000  |
| Scottish and Southern grant                             | £30,000   |
| Bank Loan   | £323,000  |
| Total   | £1,231,00 |

### **4 PROPOSED GRANT CONTRIBUTION**

4.1 During the course of works it became apparent that the existing roof and wall head was in worse condition than originally thought, so the Company took the decision was taken to re-roof the steading, with the cost consequences made worse by ongoing building materials cost increases. The revised contract value including contingencies is now £1.231m. As set out above, subject to the Committee approving the recommendation, the Company has secured £908,000 grants. The Company is in discussion with its lender in order to raise the balance of £323,000 required. The Company is keen to avoid exposing itself to anticipated risk of adverse financial impact of continued future interest rate increases, and not increase its borrowing to meet all the increase in project costs, and also avoid any interruption to construction work.

4.2 On the basis of the currently available financial information, Scottish Government More Homes Division officials have indicated in principle willingness to provide up to £120,000 additional grant from its Rural Housing Fund, if the Council were to approve £120,000 match funding to ensure project delivery.

4.3 It is considered that the proposed Council additional grant contribution of £120,000 is an appropriate use of the available Second Homes Council Tax balance, and is consistent with the published Scottish Government Regulations which frame the eligible uses of this funding.

### **5 IMPLICATIONS**

## 5.1 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) The financial comment regarding the recommendation is set out in Section 4 above. In the event that the Committee approves the recommendation, there is currently sufficient available uncommitted Second Homes Council Tax balance to enable the grant to be made to the Company.
- (c) The Company is concerned regarding the recent and anticipated increases to interest rates and the adverse impact that this may have on the longer term financial viability of the project, so is reluctant to increase its borrowing to fund 100% of the increase in project costs, hence the desire to seek additional grant. The delivery of the additional 5 new affordable houses will generate additional Council Tax income for the Council.

## 5.2 Risk and Mitigations

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. 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 Officials.

## 5.3 Integrated Impact Assessment

- (a) In line with both Council policy and legislative requirement, the SHIP 2022-2027 was subject to an Integrated Impact Assessment during the development phase, which identified no adverse impacts arising from the proposed delivery of the Plan. To date none of the SHIP submissions have identified any concerns regarding adverse impact on equalities groups through delivery of the SHIP.
- (b) These plans are predicated on the endorsement of the principle of equalities as articulated in the SHIP Guidance. SHIPs are subjected to an Integrated Impact Assessment, Strategic Environmental Assessment screening and Rural Proofing Assessment.

## 5.4 Sustainable Development Goals

- (a) The SHIP 2022-2027 was 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 SHIP 2022-27 promotes sustainable communities and helps to overcome many of the housing supply challenges faced locally.
- (c) There are no adverse economic or social effects resulting from the recommendations of this report.
- (d) The objectives of SHIP are consistent with the United Nations Sustainable Development Goals [SDG], 11 Sustainable Cities and 13 Climate Action. Specifically, the SHIP responds to the ambition of SDG 11 by promoting access to adequate, safe, and affordable housing, by ensuring integrated, inclusive and sustainable settlement, and by strengthening regional development planning. With respect to SDG 13, development will be at least consistent with Scottish Building Standards and the national objective of net zero greenhouse gases by 2045.

### **5.5 Climate Change**

It is considered that there are no direct effects on the Council's carbon emissions arising from the report recommendations. New homes will have a general effect on the region's carbon footprint, however these are addressed within the Council's Planning and Building Standards processes which are consistent with meeting the housing requirements and current applicable standards published by Scottish Government. The 5 homes under construction at Kirkhope Steading, have secured all required Council Consents.

### **5.6 Rural Proofing**

(a) The Council's Rural Proofing Policy applies to all areas of Scottish Borders classified by Scottish Government as being remote rural' or accessible rural'. This applies to all areas of Scottish Borders outwith the towns of Galashiels/Tweedbank, Hawick, Peebles, Kelso, Selkirk, Jedburgh, Eyemouth, and Innerleithen.

(b) The SHIP Project Working Group carried out a Rural Proofing exercise as part of the development of the plan. It is considered that the completion of the 5 new homes at Kirkhope Steading in Ettrick Bridge will have a positive impact by addressing an identified affordable housing need in a settlement which is classified as being "accessible rural".

### **5.7 Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

### **5.8 Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to be made.

## **6 CONSULTATION**

6.1 Scottish Government More Homes Division officials have been consulted and comments included.

6.2 The Director (Finance & Corporate Governance), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted and comments received have been incorporated in the final report.

### Approved by

**Name**  
**John Curry**

**Title**  
**Director – Infrastructure & Environment**

### Author(s)

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|------------|---|
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**Background Papers: Strategic Housing Investment Plan 2022-27.**  
**Previous Minute Reference: Report by Service Director Regulatory Services to Executive Committee 8 October 2019, titled “Proposed use of Second Homes Council Tax budget to assist Ettrick and Yarrow Community Development Company deliver affordable housing at Kirkhope Steading, Ettrick Bridge”.**

**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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