
STRATEGIC HOUSING INVESTMENT PLAN 2015-2020.

1.0 EXECUTIVE SUMMARY

- 1.1.1 In June 2014 the Scottish Government issued revised guidance to all local authorities on the process and procedures for the administration of the affordable housing supply programme. It also issued revised guidance on the preparation of Strategic Housing Investment Plans (SHIP) in July 2014.
- 1.2 This report sets out for Members the key proposals contained within the SHIP 2015-2020 which the Council are required to submit to the government by 28 November.
- 1.3 This report also sets out proposals for resourcing the SHIP including revisions to the contribution to the programme from the Strategic Housing Fund and Rural Housing Development Fund.
- 1.4 The SHIP will form the basis of the Strategic Local Programme Agreement (SLPA) between the Scottish Government and the Council. The SLPA is to be agreed by March 2015 and will detail the housing projects which will be funded over the next five years. They will be updated annually. The SLPA will form the basis of individual RSL and local authority programme agreements.
- 1.5 The SHIP and SLPA are integral adjuncts to the Local Housing Strategy (LHS) and as such remain closely aligned with the Single Outcome Agreement (SOA). In particular, this SHIP incorporates the explicit strategic objective: **“To ensure that housing supports future economic success and a growing population.”**
- 1.6 The recommendations are that Members approve:
- 1) The SHIP 2015-2020 for submission to the Scottish Government as the basis for the SLPA.
 - 2) Revisions to the Strategic Housing Fund and Rural Housing Development Fund grants to supplement the Affordable Housing Supply Programme and bring empty homes back into use.

STRATEGIC HOUSING INVESTMENT PLAN (SHIP) 2015-2020.

2.0 INTRODUCTION

2.1 The core purpose is to set out the strategic investment priorities for affordable housing over a five year period to achieve the outcomes set out in the Local Housing Strategy (LHS). The plan reinforces the local authority as the strategic housing body and the importance of outcomes and targets set out in the LHS and any subsequent updates. In summary, the SHIP

- Sets out key investment priorities for affordable housing
- Demonstrates how these will be delivered
- Identifies the resources required to deliver these priorities
- Enables the involvement of key partners.

2.2 In September 2013 the Scottish Government notified Argyll and Bute Council of its proposals for the future of the Affordable Housing Supply Programme (AHSP) and confirmed the minimum Resource Planning Assumption for this authority for the period 2015/16 to 2019/20. Table 1 below shows the current minimum RPA, for Argyll and Bute, over the next 5 years which is reducing by 54% over the five year period.

TABLE 1: RESOURCE PLANNING ASSUMPTIONS 2015- 2020

	15/16	2016/17	2017/18	2018/19	2019/20	Totals
RPA	£7.246m	£6.216	£4.976	£3.317m	£3.317m	£25.072m

2.2 Intrinsically linked to the delivery of the SHIP in Argyll and Bute, is the Council's policy on how it uses the Strategic Housing Fund (SHF). Consequently, this report also deals with revised proposals for distribution of SHF taking account of the changing economic climate and lessons learned since the previous review in August 2012.

3.0 RECOMMENDATIONS

3.1 The recommendations are that Members approve:

1. The SHIP 2015-2020 for submission to the Scottish Government as the basis for the SLPA.
2. Revisions to the Strategic Housing Fund grants to supplement the Affordable Housing Supply Programme and bring empty homes back into use.

4.0 DETAIL

- 4.1 **SHIP Process.** The Scottish Government issued revised guidance in July 2014 on the procedures for preparation of SHIPs. The next SHIP, setting out proposals for a five year period, is to be submitted by 28th November 2014. Once the SHIP has approval there will follow detailed discussions between the council and the government's local Area Teams to agree the SLPA by the end of March 2015. In future years there will only be a requirement to submit a revised SHIP every two years.
- 4.2 The preparation of the SHIP is a corporate activity and has involved all members of the Strategic Housing Forum which forms the Housing Market Partnership for Argyll and Bute.
- 4.3 It is important that the proposals contained within the SHIP reflect the wider strategic context and therefore the overarching aim of the Single Outcome Agreement to build economic success and grow the population underpins the SHIP. Argyll and Bute's rich rural diversity has also been recognised and rural housing development funding represents 47% of the programme.
- 4.4 **Current Progress.** Good progress is being made against the target which the Council set in 2011. A target of 110 affordable housing completions, for each of the five years of the Local Housing Strategy, was identified through the Housing Need and Demand Assessment process. This target also took account of the resources available. To date this target has been exceeded. In the first three years of the strategy 337 properties were completed. There are currently 206 properties under construction which are due to complete this financial year which would bring the total completions in the first four years of the strategy to 543 which equates to 103 over the target. In addition, the council's innovative approach to Empty Homes has resulted in around 530 vacant properties being brought back into effective use to date. This positive achievement has been acknowledged nationally, with the Housing and Council Tax services joint initiative receiving a silver award at the Institute of Revenues, Ratings and Valuations (IRRV) Performance Awards 2014, in the Excellence in Innovation category.
- 4.5 **Resourcing the SHIP.** There are a number of factors which can impact on the resources for the programme. The affordable housing programme in Argyll and Bute is resourced from three distinct elements:
- Scottish Government Grant
 - Strategic Housing Fund Grant - including Rural Housing Development Fund (RHDF)
 - Registered Social Landlord's (RSL) Private Finance (including Potential Council long term lending).
- 4.5.1 **Scottish Government grants** are provided to RSL's to support the development of affordable housing. Scottish Government set a benchmark per unit to calculate the grant contribution for each development. This takes into consideration house types, energy

efficiency standards and geographical locations. Those which apply in Argyll and Bute are shown in table 2 below:

TABLE 2: Range of benchmarks (all “3 person equivalent” benchmarks)

	West Highland, Island Authorities and remote and/or rural Argyll	Other rural	City and urban
RSL social rent Greener*	£72k	£63k	£62k
RSL social rent- Other	£68k	£59k	£58k
RSL mid-market rent –greener*	£34k		
RSL mid-market rent- other	£30k		

*to qualify for the higher greener subsidy the building standards must meet section 7, silver level of the 2011 Building regulations in respect of both Carbon Dioxide emissions and Energy for Space Heating.

- 4.5.2 **Strategic Housing Fund Grants.** Since 2010 the Council has adopted a policy to support the development programme in Argyll and Bute by providing additional grant funding from the Strategic Housing Fund. The Council has frequently reviewed its awards, as government benchmarks have varied, and the prevailing economic conditions in the housing market have fluctuated. The annual report on the Strategic Housing Fund was presented to Members on 26 June and as at 31 March 2014 there was an uncommitted balance of £3.629m, as set out in table 3 below.

TABLE 3: Strategic Housing Fund Balance

	£m
Balance at 31/03/14	10.241
Committed Expenditure 31/03/14	6.612
Uncommitted Balance	3.629

- 4.5.3 It is proposed that SHF resources should be used entirely to support the Affordable Housing Supply Programme and Empty Homes grants and loans. The Council has previously awarded grants of £90k per unit for remote rural areas with no contribution from the government. In order to secure greater return on overall investment for the Council, it is proposed that the funding for smaller rural developments is brought in line with the rest of the programme. Commitment to Rural Housing Development Funding remains a priority but this revised approach will ensure that programme targets are sustainable and can secure requisite external funding. SHF grants will only be available to RSL's on projects which are identified in the SLPA. This approach means that Council grant funding follows the same principles as the Scottish Government. Only bodies that are regulated by the Scottish Housing Regulator will be eligible to apply. This protects the long term interests of tenants and ensures that consistent business planning is applied to developments and that the properties have long term management and sustainability at affordable rents.

- 4.5.4 Current Council policy is to award £22k per unit for projects in the SLPA once a Scottish Government grant approval has been issued. The amount of grant per unit awarded to a development project impacts directly on the rent levels charged and the quality of the design including energy efficiency standards. It is therefore proposed that in order to assist RSLs to maintain rents at an affordable level, and to ensure the highest attainable design standards are achieved; the grant per unit is increased from £22k to £25k per unit. This level of award is based on the assumption that the target of 110 units per annum is sustained for the first three years of the programme (2015-2018) and income to the SHF remains at the current estimated level. It represents an annual contribution to the programme of £2.75m. It is proposed that the level of award will be reviewed, along with the SHIP every two years.
- 4.5.5 The *estimated* income from Council Tax on Second Homes for the period 2015-2018 is £7.6m, together with the uncommitted balance as at 31 March 2014 of £3.629m, gives a total *estimated* SHF balance of £11.229m for 2015-2018. Taking account of the per unit grant increase, and the Empty Homes allocation, the SHF commitment calculated for period 2015-2018 totals **£8.86m** of which **£3.975m** will be Rural Housing Development Funding. The uncommitted balance on the SHF over this period is therefore £2.37m. This uncommitted balance would facilitate any fluctuations in the *estimated* income figure; and enable the council and its partners to take prompt advantage of any additional AHSP funding from the Scottish Government or windfall resources that may become available. A breakdown of these figures is outlined in Appendix 1.
- 4.5.6 Amended proposals for Empty Homes Grants and loans are being incorporated within a revised Scheme of Assistance which is the subject of a separate committee report which will be submitted for Members consideration in March 2015. In terms of the SHF it is proposed that £500k be earmarked for empty homes grants and a further £110k for recyclable loans to empty property owners. Since the introduction of the Empty homes grant and loan scheme in 2012 and the appointment of the Empty Homes Officer, there has been a considerable increase in our knowledge and understanding of the reasons for homes lying empty. The co-ordinated approach between the Empty Homes Officer and the effect of the increased council tax charge on long term empty property has resulted in around 530 empty properties being brought back into use.
- 4.5.7 **Private Finance.** Private finance contributions, from the RSL, make up the final important element of each development. In 2012, the Council agreed to earmark funds from the General Reserve of £9.5m for SHF loan options. Funding of £5m was identified to assist the RSLs in the cost of borrowing, of which £4.2m has been committed, funding of £3m was identified for the Local Authority Mortgage Scheme (LAMS) and £1.5m for Empty Homes Loans. LAMS did not progress and take up of Empty Homes Loans has been slow therefore this leaves an uncommitted balance on the original £9.5m of £5.3m. Please see table 4 below for details.

TABLE 4: SHF Loan Options

Option	Earmarked Reserves 2012 £	Committed Expenditure 2014 £	Future Commitment £	Uncommitted Earmarked Reserves £
LAMS	3,000,000	0	0	3,000,000
Empty Homes	1,500,000	0	0	1,500,000
Long Term Loans	5,000,000	2,428,544	1,759,189	812,267
Total	9,500,000	2,428,544	1,759,189	5,312,267

There is the potential for this uncommitted balance of £5.3m to be made available for a further round of RSL long term loans however this is currently under consideration by the Council. An alternative investment proposal in HubCo subdebt is currently being investigated which offers a higher rate of interest and is to be considered by Members as a separate report in December 2014.

4.6 Strategic Local Programme 2015-2020

Both the Scottish Government and the local authority recognise that securing optimal outcomes from the programme requires long-term planning and that a high proportion of 2015/16 completions will be from developments which were initiated in previous years. Many projects are complex and require long lead in times; and it is likely that some projects in the 2014/15 programme for instance will slip into 2015/16. As a consequence, they would require additional funding from the Year 1 RPA which would then have a knock-on effect on some projects scheduled for the 2015/18 SLP.

However, assuming the target remains at 110 units per annum, and taking account of the provisional RPA of **£25.072m** for the next five-year planning period, 2015/16 – 2019/20, the Council, in liaison with RSL partners, has drawn up the following programme, shown in Table 5, which will be developed over the first three years of the SHIP (2015-2018). The programme will be closely monitored in partnership with RSL's and the Scottish Government.

TABLE 5: PROVISIONAL SLP 2015-2018

Development/Site	Developer	Constraints	No of Units
Golf Club, Helensburgh Phase 1	DHA	None	16
East King Street Helensburgh	DHA	None	24
Imeraval, Port Ellen, Islay	WHHA	De-crofting	18
Benderloch	WHHA	None	12
Iona	Community /WHHA	Resources	5
Tayvallich	ACHA	Site acquisition	2
Connel Phase 2	ACHA	None	10
Glenshellach	ACHA	None	17(8 extra care)
Sealladh Na Mara, Bowmore (Phase 2)	ACHA	None	10
Dervaig, Mull	Community /tbc	Planning/ Partnership Agreements	5
Spence Court Dunoon	FYNE	Land Transfer	26

Golf Club Helensburgh (Phase 2)	DHA	Ownership.	54
Ganavan Oban	Link/WHHA	None	10
Lochdon, Mull	WHHA	None	6
Port Charlotte, Islay	WHHA	Planning	6
Port Appin	WHHA	None	6
Luss	Link	Planning/Water	5
Victoria Park, Dunoon	ACHA	None	5
Tigh Rhuda, Tiree (PCC)	ACHA	Options appraisal	6-10
Cardross	ACHA	Development Agreement	16
Dunbeg (Phase 3)	WHHA	Infrastructure – roundabout/ road	55
Coll	ACHA/ community	Site Acquisition	2
Carradale	ACHA	Identify Site	2
Strachur	FYNE	Site Acquisition	4
Jura	tbc	Site	2
Gigha	Community Ownership	Community capacity/ Resources	1
Total			325-329

4.6.1 This programme focuses on priority areas within the LHS, and current or emerging pressured areas as identified in the annual monitoring process. It also allows for a geographic spread of development activity which will support, sustain and regenerate smaller, rural communities as well as the more populous towns and urban area. In addition, it concentrates on potentially viable sites which are either already in Council or RSL ownership, or currently the subject of positive negotiations with developers and landowners.

4.7 The “Shadow” Programme, 2018 and beyond.

There is a degree of inbuilt flexibility across the proposed 2015/20 SLPA, if unforeseen delays, or, alternatively, new opportunities and resources should occur.

4.7.1 The Scottish Government also stipulates that the SHIP should set out a shadow programme comprising a “substantial, prioritised list of projects” for consideration should future additional resources become available. The Council and RSLs, together with other development partners, have identified the following long list or shadow programme which is prioritised in Table 6, on the basis of:-

- Identified housing need and demand (at local and HMA level);
- Homeless pressures within the area;
- Particular housing needs, health & social care factors;
- Historic social stock levels, recent development activity & investment patterns;
- Wider strategic factors, including economic, social or community regeneration priorities;
- Risk and deliverability, in terms of ownership, infrastructure or planning constraints

TABLE 6: SHADOW PROGRAMME, 2018 AND BEYOND

Site/Development	Developer	Priority
Cardross Phase 2	ACHA/DHA (tbc)	Medium
Ganavan Phase 2	WHHA	Medium
Dunclutha	Bield	Medium
Oban Town Centre	tbc	Low
Arrochar	DHA	Low
Lochgilphead	Fyne	Low
Cairndow	tbc	Low
Colonsay	tbc	Low
Garelochhead	ACHA	Low
Grant St Helensburgh	Bield	Low
Bunessan	WHHA	Low
Tarbert Phase 2	ACHA	Low
Tighnabruaich (Portavadie)	tbc	Low
Rosneath	LINK	Low
Kilchrenan	WHHA	Low

4.8 **Housing Adaptations**

The revised SHIP guidance requires local authorities to assess the funding necessary to deliver adaptations in private housing within their area. The Scottish Government allocates this funding to local authorities as part of their annual Private Sector Housing Grant (PSHG) which the Council administers to deliver its mandatory statutory obligation to provide grant for adaptations in private sector houses. Funding requirements for adaptations to RSL stock will be handled separately by the Scottish Government. Based on estimated figures from the previous SHIP, the Council anticipates a requirement for around 150 private sector adaptations annually. Given the wide range of potential adaptations involved, it is estimated that the total investment of around £750,000 would be required annually to address this level of need.

4.9 **Equalities**

It is important that in preparing the SHIP the local authority should take into account the housing needs of the communities it serves and related equalities issues. In assessing the equalities impact of the SHIP, the Council has drawn on the equalities work already done for the LHS and HNDA, as well as previous SHIPs, and considered any implications flowing from the translation of strategic aims into housing priorities. In practice, in summary, the equalities commitment of the council and its partners will aim to ensure:

- building all new affordable housing to Housing for Varying Needs Standards;
- implementing design solutions which help to meet the needs of disabled and infirm households;
- assessing and seeking to resolve the needs and aspirations of households with community care needs in partnership;
- developing communities with a good mix of households by seeking on-site affordable housing appropriate to local requirements;
- allocating housing via HOME Argyll and specialist RSLs which has strong commitment to equal opportunities; and
- providing affordable housing in rural areas which enables young and old people to remain within their communities.

5.0 CONCLUSION

5.1 The proposed SHIP 2015-2020 continues to focus on the delivery of LHS outcomes. This will be reviewed and revised as necessary in the light of annual LHS updates and from 2016/17 on, will take account of the fully revised LHS. The SLPA projects outlined in the proposed SHIP have been assessed for their feasibility and deliverability. The Council's contribution in terms of its facilitation role and also in terms of resource maximisation is clearly stated and remains a critical principle of the process. Throughout the development of the SHIP, key partners and stakeholders have been involved and will also be instrumental in the implementation of proposals. Finally, the SHIP demonstrates a strong commitment to equality issues.

5.2 Given the need to make adjustments to the programme to reflect additional funding and/or slippage, local authorities are required to consider how they can best secure the necessary authority to respond quickly to such changes. The Scottish Government expects local authorities, therefore, to secure approval to the SHIP at the necessary level both within the Council and with strategic partners, before the submission date of 28th November 2014. With this in mind, Forum partners have been consulted and agreed in principle on the proposals set out in this paper, including the prioritisation of projects within the SLPA and the list of potential shadow projects to be brought forward should circumstances and resources permit.

6.0 IMPLICATIONS

6.1 **Legal:** Strategic Local Programme agreements will be concluded between the Council and Scottish Government.

- 6.2 **Financial:** The proposals are based on the Resource Planning Assumptions provided by the Scottish Government; the Strategic Housing Fund and RSL private finance.
- 6.3 **HR:** None
- 6.4 **Policy:** Proposals are consistent with current Council policy.
- 6.5 **Equal Opportunities:** The proposals are consistent with aims and objectives set out in the local housing strategy which has been subject to an EQIA.
- 6.6 **Risk:** Risk assessment is an integral part of each development and will be considered as the programme moves forward.
- 6.7 **Customer Service:** Increased access to a range of suitable, affordable housing options.

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27th November 2014

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Appendix 1

Strategic Housing Fund (SHF) 2015-2018

	£
<i>SHF Opening Balance 2014/2015</i>	3,629,161
<u>ESTIMATED INCOME 2015-2018</u>	
Estimated income from Council Tax on Second Homes 2015-2018 (£1.9m x 4yrs)	7,600,000
SHF COMMITMENTS 2015-2018	
SHIP 2015-2018 (330 units at £25k per unit)	8,250,000
Empty Homes Grants (SOA) 2015-18	500,000
Empty Homes Loans	110,000
	8,860,000
<i>SHF Uncommitted Balance</i>	2,369,161