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**STRATEGIC HOUSING FUND GRANTS- INTERIM ARRANGEMENT**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 In January 2016 the Scottish Government announced that it would accept the recommendation of the 2015 Subsidy Working Group, to increase benchmark grant subsidies for affordable housing development. The Group had been established, by the government, to collectively consider how to maintain the momentum of the Affordable Housing Supply Programme. The Group Membership comprised representation from the Association of Local Authority Chief Housing Officers, COSLA, SFHA, Glasgow and West of Scotland Forum of Housing Associations, Chartered Institute of Housing Scotland and the Scottish Government. This change took immediate effect for all tender applications from 25 January 2016.
- 1.2 At its meeting on 27 November 2014 the Council approved that grants of £25k per unit would be provided from the Strategic Housing Fund to supplement the Scottish Government subsidy and to assist RSLs to maintain rents at an affordable level, and to ensure the highest attainable design standards are achieved.
- 1.3 The Council, along with Registered Social Landlord (RSL) partners are currently in the process of undertaking a review of the Strategic Housing Investment Plan( SHIP) , including an analysis of the costs and outcomes associated with the 2011-2015 SHIP. The aim is to conclude this review by September 2016.
- 1.4 This report proposes an interim amendment to Strategic Housing Fund grants to be applied with immediate effect on approval and to remain in place until the conclusion of the SHIP review and a further report is considered by the Community Services Committee.

**1.5 RECOMMENDATION**

It is recommended that the Community Services Committee make a recommendation to Council to approve a reduction in the Strategic Housing Fund grant to £12k per unit thereby maintaining the status quo in terms of total grant subsidy to RSL's developing affordable housing in Argyll and Bute. This is an interim arrangement to take immediate effect on approval and to be the subject of a future report in September 2016 following the evaluation and review of the SHIP.

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### **2.0 INTRODUCTION**

2.1 The development of affordable housing is subsidised by Scottish Government grants and in Argyll and Bute, this is supplemented by the Council's Strategic Housing Fund grants. RSL private finance completes the funding package. It is important to note that no other Scottish Council provides this supplementary support to the extent that Argyll and Bute Council does. Given the increase in Scottish Government subsidy announced in January 2016, this report proposes an interim amendment to Strategic Housing Fund grants to be applied with immediate effect on approval by Council and to remain in place until a review of the SHIP is concluded this summer and a further report is submitted for consideration by the Community Services Committee.

### **3.0 RECOMMENDATION**

3.1 It is recommended that the Community Services Committee make a recommendation to Council to approve a reduction in the Strategic Housing Fund grant to £12k per unit thereby maintaining the status quo in terms of total grant subsidy to RSL's developing affordable housing in Argyll and Bute. This is an interim arrangement to take immediate effect on approval and to be the subject of a future report in September 2016 following the evaluation and review of the SHIP.

### **4.0 DETAIL**

4.1 **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. The Scottish Government wrote to the Council on 25 January 2016 advising that they had decided to accept the recommendations of the 2015 Subsidy Working Group to increase benchmarks with immediate effect. The Group had been established, by the government, to collectively consider how to maintain the momentum of the Affordable Housing Supply Programme. The Group Membership comprised representation from the Association of Local Authority Chief Housing Officers, COSLA, SFHA,

Glasgow and West of Scotland Forum of Housing Associations, Chartered Institute of Housing Scotland and the Scottish Government. Details of the previous and new subsidy levels are set out in Table 1 below.

**TABLE 1: Range of benchmarks (all 3p equivalent benchmarks)**

	West Highland, Island Authorities and remote and/or rural Argyll		Other rural		City and urban	
	Jan 2014	Jan 2016	Jan 2014	Jan 2016	Jan 2014	Jan2016
RSL social rent Greener*	£72k	£84k	£63k	£74k	£62k	£72k
RSL social rent- Other	£68k	£82k	£59k	£72K	£58k	£70K
All areas						
RSL mid-market rent –greener*	Jan 2014		Jan 2016			
	£34k		£46K			
RSL mid-market rent- other	£30k		£44K			

\*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.

4.2 **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 the Community Services Committee on 25 June 2015 and as at 31 March 2015 there was an uncommitted balance of £4.252m, as set out in Table 2 below. There are plans in place to utilise the uncommitted balance over the next three years to support the affordable housing development programme, including empty homes grants and loans, as set out in the SHIP report that was approved by Council in November 2014.

**TABLE 2: Strategic Housing Fund Balance**

	£m
Balance at 31/03/15	10.440
Committed Expenditure	6.188
<b>Uncommitted Balance</b>	<b>4.252</b>

4.3 Current Council policy is to award £25k per unit for projects in the Strategic Local Programme Agreement (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. SHF grant levels were due for review in 2016 and that process has been started however, the government's recent

announcement has a significant impact on levels of grant funding to the RSL's and it is therefore recommended that until the review is complete an interim arrangement is put in place.

- 4.4 The review of the SHIP 2011-15 will consider the cost of development across the different housing market areas; rental charges for different sizes and house types to determine affordability; the impact developments have had on pressure ratios and the housing needs which have been addressed by the investment in new affordable housing. The review will also need to take into account the government's new target to build 50,000 affordable units over the lifetime of the next government and the SHF resources available. It is the intention that this analysis will inform how SHIP resources can be maximised to deliver more affordable housing as well as set thresholds that will guide feasibility analysis based on clear cost benchmarks.
- 4.5 The average increase to government subsidy is £13k and it is therefore proposed that SHF grant funding is reduced from £25k per unit to £12k per unit to maintain the **total** grant RSL's receive at current levels. Failure to implement this proposed change would mean that RSL's in Argyll and Bute would, in some cases, be receiving almost 100% grant funding. Even with this reduction the Housing Associations will still be receiving more grant funding than in any other local authority area.

## 5.0 CONCLUSION

- 5.1 Changes to recent Government subsidy benchmarks have necessitated reconsideration of SHF grant levels while the review of the Strategic Housing Investment Plan is undertaken. This is proposed as an interim solution until a final report is submitted to the Community Services Committee in September. Recent consultations with RSL partners have identified that their current investigations into potential development proposals will not be concluded until the middle of the summer and therefore the September Community Services Committee will present the first opportunity for submission of the revised SHIP.
- 5.2 A decision on this matter is required to ensure that applications for SHF grants for projects in the current programme can be processed without undue delay and without excessive grant support per unit for the small number of projects which will be coming forward in the next six months.

## 6.0 IMPLICATIONS

- 6.1 **Legal:** Future grant offers will be amended to reflect the recommendations in this report.
- 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 amend the 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.

**Cleland Sneddon, Executive Director Community Services**  
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