

COLONSAY AFFORDABLE HOUSING UPDATE

1.0 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide an update on the housing project being delivered by Colonsay Community Development Company (CCDC) at Scalasaig, Colonsay.
- 1.2 The report will confirm the continuing high level of housing need and demand on Colonsay and the requirement for a multi-tenure approach to address the need and demand on the island.

RECOMMENDATIONS

It is recommended that Council:-

- Authorise a loan to Colonsay Community Development Company of £445,000 in line with policy agreed by Council in August 2012 to enable the successful delivery of the multi tenure housing development at Scalasaig, Colonsay.

COLONSAY AFFORDABLE HOUSING UPDATE

2.0 INTRODUCTION

- 2.1 Argyll and Bute Council has identified a high level of housing need and demand on Colonsay. As a result the Council has supported an affordable housing development at Scalasaig. The housing development is being delivered by Colonsay Community Development Company in partnership with Communities Housing Scotland. The Council has provided financial support through the Strategic Housing Fund. In May 2020, £28,500 was approved by Full Council to enable the purchase of land for the housing. A further £108,000 has been awarded to the project through the Strategic Housing Fund which is the officer mandate of £12,000 per unit for the nine affordable homes being delivered at Scalasaig.
- 2.2 Due to the adverse changes in the financial climate in recent years the cost of the private sector loan element of the funding package of the housing development has put the project at risk. Increased interest rates and charges associated with the loan has resulted in CCDC seeking alternative arrangements to ensure the delivery of the housing project which is essential to the long term future of Colonsay. Hence the request to the Council which has an ability to offer a more competitive rate to the community if Members agree.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Council:-
- Authorise a loan to Colonsay Community Development Company of £445,000 in line with policy agreed by Council in August 2012 to enable the successful delivery of the multi tenure housing development at Scalasaig, Colonsay.

4.0 DETAIL**4.1 Background: Housing Need and Demand on Colonsay**

As the strategic housing authority for Argyll and Bute, the Council has a statutory duty to assess the need and demand for housing in the area and to

ensure that any unmet need for housing is addressed through the Local Housing Strategy (LHS) and the Strategic Housing Investment Plan (SHIP). The Island of Colonsay has been identified as a priority in the LHS and SHIP and continues to exhibit relatively high levels of need and demand, and significant imbalances in the local housing system. An affordable housing need and demand has been identified on the Island of Colonsay and has had representation in the Council's Strategic Housing Investment Plan (SHIP) since 2014.

- 4.2 There are around 100 homes on the island, of which 30% are deemed ineffective in terms of meeting local needs, i.e. as at April 2021, 28 are second/holiday homes and a further 3 are empty/long term unoccupied. ACHA and West Highland Housing Association currently provide 10 properties for social rent; which amounts to only 10% of the total dwelling stock or 14% of the occupied stock. This is well below national levels and indicates a potentially imbalanced housing system with scope for further growth in the Registered Social Landlord (RSL) sector.
- 4.3 Affordability on the open market remains a significant issue for local residents. Between 2016 and 2021 there were only 7 verified sales on Colonsay and the average achieved house price over that period was £237,000 which would require a household income of £59,250 to be considered affordable (based on the standard affordability multiplier of 4.0). In fact the average price is over 6 times the average household income and over 12 times the lower quartile income, often taken as the threshold for first time buyers. On that basis, around two thirds of local households could not afford to purchase on the open market; and therefore require alternative affordable options such as social rent and shared equity.
- 4.4 Expressed demand for RSL housing is registered via the HOMEArgyll waiting list, and currently there are 16 active applicants with Colonsay as first or second area of preference. 8 of these applicants are local to the island. 1 applicant is homeless or threatened with homelessness and has received maximum points via the allocation policy. 13 of the 16 applicants have been awarded housing need points. A further 76 applicants have chosen multiple areas including Colonsay which indicates that there is a clear need and demand for housing on the island. The average waiting time for active applicants is 98 weeks; and generally turnover in the RSL stock has been nil in recent years.
- 4.5 Highlands and Islands Enterprise (HIE) has for many years recognised Colonsay as an economically fragile area. Fragile areas are characterised by declining population, under-representation of young people within the population, lack of economic opportunities, below average income levels, problems with transport and other issues reflecting their geographic location. The lack of affordable housing is a key aspect of this and it should also be pointed out new business units are also being built on the island at this time supported in part by the Regional Capital Grant Fund administered through the Council.

4.6 Current Progress

Colonsay Community Development Company have been working with the Communities Housing Trust to deliver a range of affordable housing options at Scalasaig, Colonsay. 9 affordable homes plus 3 self- build plots will be delivered on the site. The affordable homes are on target to be completed by October 2023. The 9 affordable homes consist of 4 affordable rented properties, 2 Low Cost Home Ownership properties and 3 rented properties for exclusive use of MOWI, the fish farm company. MOWI have contributed to the capital costs of the projects to enable the company to have exclusive allocations rights to the 3 properties identified for their staff use.

4.7 Since the inception of the development and business plan production for the Scalasaig affordable housing some years ago the financial climate has changed. As such certain assumptions no longer hold true and it has therefore been necessary to explore alternative options to find a more viable funding model for the development. Arrangement fees and servicing a commercial loan in the current climate is going to be a strain on the viability of the project. CCDC require Argyll and Bute Council to offer development finance for a period of up to 12 months. This type of facility has been made available by other Local Authorities in support of community led housing developments, is therefore not without precedent, and will sit comfortably within Argyll and Bute Council's policies and aspirations in relation to protecting fragile communities and encouraging repopulation in the region.

4.8 CCDC are requesting a loan of £445,000 from June 2023, £259,000 would be repaid on the sale of the two Low Cost Home Ownership properties scheduled for occupation in October 2023, £60,000 will be repaid on the sale of the three discounted self- build plots and the remaining £126,000 repaid on the completion of a commercial loan secured by CCDC at a reasonable rate.

4.9 In August 2012 Full Council agreed to advance loans from Council reserves to enable the delivery of affordable housing in Argyll and Bute. Loans were offered at the prevailing Public Works Loans Board (PWLB) rate at the time of drawdown plus 0.25%.

4.10 It is proposed that the process described in 4.8 is used as the basis to offer a loan to CCDC. Prior to issuing the loan, Officers will take legal advice and engage with CDDC to investigate the most appropriate solution to legally secure the loan and minimise risk to the Council.

5.0 CONCLUSION

5.1 The Committee is asked to approve the recommendation set out in Section 3.1 based on the evidence supplied within this document with the purpose of enabling the delivery of affordable housing on Colonsay.

6.0 IMPLICATIONS

- 6.1 **Policy:** The proposal is consistent with current Council policy including the SHIP which supports the Local Housing Strategy vision and outcomes which are directly aligned with the overarching objectives of the Outcome Improvement Plan, in particular Outcome 2 – we have infrastructure that supports sustainable growth. The proposal does exceed the delegated Officer approval for the use of the Strategic Housing Fund to enable the delivery of affordable housing which is £12,000 per unit.
- 6.2 **Financial:** There are sufficient funds in the Strategic Housing Fund to support the proposal.
- 6.3 **Legal:** None.
- 6.4 **HR:** None.
- 6.5 **Equalities(Fairer Scotland Duty):** The proposals are consistent with aims and objectives set out in the local housing strategy, which is subject to an EQIA.
- 6.5.1 **Equalities – protected characteristics** There are targets set within the SHIP to deliver housing which meet the needs of specialist groups
- 6.5.2 **Socio-economic Duty** The delivery of affordable housing across Argyll and Bute facilitates socio-economic opportunities for all. The SHIP links with the Child Poverty Strategy.
- 6.5.3 **Islands** The Housing Needs and Demand Assessment process takes full account of housing need on the islands. This proposal will enable the delivery of affordable housing on one of the more remote, fragile island communities within the local authority area.
- 6.6 **Risk:** Risk assessment is an integral part of each affordable housing development. The risk of not approving the Strategic Housing Fund request contained in the report is that the 9 affordable houses proposed at Scalasaig will not be completed. There is a risk if properties don't sell, or the development doesn't proceed as planned – this could result in a longer time to replay the monies.
- 6.7 **Climate Change:** The houses will be built to the latest Social Housing

standards of insulation and energy efficiency, exceeding the current building regulations.

- 6.8 **Customer Service:** The proposals will deliver increased access to a range of suitable, affordable housing options.

Kirsty Flanagan

Executive Director with responsibility for Development and Economic Growth

Councillor Robin Currie, Policy Lead for Strategic Development

June 2023

For further information contact:

Fergus Murray

Head of Development and Economic Growth

E-mail: fergus.murray@argyll-bute.gov.uk

Tel: 01546 604 293

Douglas Whyte

Team Lead – Housing Strategy

E-mail: douglas.whyte@argyll-bute.gov.uk

Tel: 01546 604 785