



## STRATEGIC HOUSING INVESTMENT PLAN UPDATE

Report by Director of Development

**PURPOSE OF REPORT** To provide the Comhairle with an update on issues relating to the current Strategic Housing Investment Plan for affordable housing.

### COMPETENCE

- 1.1 There are no legal or other constraints to the recommendations being implemented.

### SUMMARY

- 2.1 Since the approval of the Strategic Housing Investment Programme (SHIP) in June 2013, a number of issues have arisen which have resulted in the need for an amended housing programme.
- 2.2 A range of feasibility work has been undertaken on all of the proposed sites on the Strategic Local Plan (SLP). On two of the sites, the cost per unit has come in substantially over the anticipated benchmark figures. These two sites are no longer viable and so each one has to be replaced with an alternative.
- 2.3 The Scottish Government has also recently changed the guidance relating to the Affordable Housing Supply Programme (AHSP), primarily by increasing the benchmark subsidy levels for new affordable housing.
- 2.4 An additional allocation of funding of £626k has also been awarded to the Comhairle to take account of the higher subsidy levels now permitted.
- 2.5 These changes have necessitated a change to both the SLP and SHIP. Details of the changes are set out within this Report.

### RECOMMENDATIONS

- 3.1 **It is recommended that the Comhairle:**
- a) **note the sites included in the amended Strategic Local Plan 2012-2015 and the Strategic Housing Investment Programme 2015/16 to 2017/18, as submitted to the Scottish Government under delegated authority;**
  - b) **agree to the proposed amendments to the Strategic Local Plan 2012-2015 as set out at paragraph 8.1 in the Report;**
  - c) **agree to the transfer of land at Allt Na Broige, Marybank, as shown at Appendix 2 of this Report, to Hebridean Housing Partnership at nil value, and,**
  - d) **agree the proposed funding allocation for the period 2015/16 to 2017/18 as shown at Section 9 of this Report.**

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Appendix:

1. Leurbost Old School Background information

Background Papers:

2. Allt Na Broige site plan

1. Scottish Government SHIP Guidance April 2013

## **BACKGROUND**

- 4.1 At the June 2013 series of Comhairle meetings, the Comhairle approved its Strategic Housing Investment Plan (SHIP) for the period 2013 to 2018.
- 4.2 The SHIP included details of the current Strategic Local Programme (SLP), consisting of 52 new units and covering the period to March 2015, as well as outline details of the proposed longer term programme of a further 47 new units up to March 2018.
- 4.3 Since the approval of the SHIP in June, a number of significant issues have arisen which have resulted in the need for an amended housing programme.
- 4.4 The first change relates to the sites on the SLP. A range of feasibility work has been undertaken on all of the proposed sites on the SLP. On two of the sites (Tolmie Terrace and Lewis Hotel), the cost per unit has come in substantially over the anticipated benchmark figures. These two sites are no longer financially viable and so each one has to be replaced with an alternative.
- 4.5 The second change relates to a change in Scottish Government (SG) policy. A review of the Affordable Housing Supply Programme (AHSP), commissioned by the SG, has resulted in the Benchmark subsidies being increased (in the Outer Hebrides case, from £52k per unit to £68k per unit). The SG has awarded the Comhairle an additional £626k to its Resource Planning Assumptions to take account of the increased benchmark figures. The existing SLP and SHIP were amended to take account of the new figures and submitted to the SG under delegated powers.
- 4.6 A third issue in relation to the SLP relates to the proposed units at the former Leurbost School/Kennedy View site. The SLP had identified 4 social rented units for part of this site. At a community meeting in Leurbost on 20 August 2013, a strong preference was expressed by those present for selling the sites privately or developing shared equity housing on the site, to be more in keeping with the original proposals for the site.
- 4.7 The Local Housing Strategy Member Officer Working Group met on 23 August 2013 to consider the amended SLP and SHIP. At this meeting, consideration was also given to the use of the Leurbost site.
- 4.8 This Report sets out the details and impacts of the changes and proposes an amended SHIP for the Comhairle's consideration.

## **SITE FEASIBILITY WORK**

- 5.1 Since June 2013, Hebridean Housing Partnership (HHP) has carried out a range of work on each site, including financial appraisals, to better inform the SLP.
- 5.2 The sites at the Lewis Hotel (2 Shared Equity units) and Tolmie Terrace (18 shared equity units) have now had a detailed financial appraisal carried out.
- 5.3 Following the submission of costs by the developer at Tolmie Terrace site, the cost per unit has come in well above an acceptable level. In June 2013 the Board of HHP took the decision not to proceed with this development.
- 5.4 Similarly, the proposed development at the Lewis Hotel has also had costs come in well above an acceptable level. There have also been a number of concerns about how marketable these units would be given the close proximity to other uses. Test marketing by HHP showed that despite a high interest in Shared Equity tenure in general, the location of these two units was not very attractive and there was a danger they would not sell. The Board of HHP again took the decision in June not to proceed with this development.

- 5.5 The removal of these two sites meant that the SLP required to replace 20 units. Officers from Hebridean Housing Partnership (HHP) and the Comhairle have looked at the best way of addressing this issue by increasing unit numbers on the other SLP sites and by bringing forward sites from the Reserve List. Section 7 of this Report shows the amended SLP based on the version submitted to the SG in July 2013.

### **INCREASED BENCHMARK FIGURES**

- 6.1 In March 2013, a short life Working Group called the Financial Capacity, Affordability and Development Subsidy Working Group was established by the Minister for Housing and Welfare to examine a number of issues relating to the Affordable Housing Supply Programme. This Working Group was tasked to examine affordable rents, financial capacity and subsidy rates amongst other issues.
- 6.2 The Working Group consisted of representatives from the Chartered Institute of Housing (CIOH), the Scottish Federation of Housing Associations (SFHA), the Convention of Scottish Local Authorities (COSLA) and the Association of Local Authority Chief Housing Officers (ALACHO).
- 6.3 The Working Group has produced a Report with a number of recommendations which the SG has accepted. A key recommendation was to increase subsidy levels by £16k per unit. This increases the benchmark subsidy for remote rural and island authorities from £52k to £68k per unit.
- 6.4 In order to support the increase in the subsidy per unit, the SG has allocated additional funding to all councils. The Comhairle's additional funding is £626k. This brings the total funding available to the Comhairle for the SLP to £3.503m.
- 6.5 This additional funding can support a further 9 units being added to the SLP. This can be accommodated partially by increasing unit numbers on the planned sites, as mentioned at 5.5, but also by adding a further rural development of 4 units to the programme.

### **LEURBOST OLD SCHOOL SITE**

- 7.1 The SLP approved by the Comhairle in June 2013 proposed four social rented units for this site.
- 7.2 A community meeting to discuss the Leurbost site was held on 20 August 2013. This meeting was attended by local Members and by officers from HHP and the Comhairle, as well as local residents and representatives from the North Lochs Community Council (12 members of the public in total). At this meeting, strong views were expressed by the community that the preferred option for this site would be for private housing; either shared equity or serviced plots.
- 7.3 The site had originally been developed as serviced plots following the closure of the school. Six plots had been developed and marketed for sale at a subsidised amount. However, despite two rounds of marketing only one plot was purchased, with the remaining 5 plots remaining unsold. (See Appendix 1).
- 7.4 The Comhairle had previously taken the view (in March 2012) to use part of the site (two of the serviced plots) for social housing, in order to make use of the asset and to provide rented housing for the area.

- 7.5 The view of the public meeting was that whilst social rented units may be welcome in the village, the old school site was not the most appropriate site for this type of development. The view was that the community had understood that the school site would only be used for private housing, and this was also the understanding of the family who had purchased and built on the serviced plot.
- 7.6 The view of the community meeting was that a development of 4 shared equity houses would be preferred for this site, along with remarketing the remaining three serviced plots.
- 7.7 At its meeting of 23 August 2013, the LHS MOWG considered a number of options for the development of the site. This included taking note of the views of the community meeting, as well as considering the demand for housing in the Leurbost area.
- 7.8 The main issues considered by the LHS MOWG were;
- the original proposal for the site for serviced plots.
  - the community views.
  - the Local Housing Strategy policy that rural housing developments should be for social housing.
  - the Local Housing Strategy policy that the split between the Stornoway Housing Market and the Rural Housing Market should be maintained at a 65%/35% split.
  - the significant demand for social rented housing in the Leurbost area. Hebridean Housing Partnership has 34 applicants on its Waiting list for the area.
  - the reduced number of social rented properties in Leurbost. Of the 49 units originally built by the Comhairle, almost half had been sold through the 'Right to Buy', leaving on 26 units.
  - turnover of the HHP stock in the area was very low, with only 2 or 3 properties becoming available per year for allocating.
  - the LHS MOWG wished not to discriminate against social tenants.
- 7.9 Following consideration of these points, the LHS MOWG took the view that the development of the four social rented units should continue. The LHS MOWG was supportive of the view to also develop a further 4 units on the site. These four units would provide the additional rural site, made possible by the increased SG funding.
- 7.10 The development of these further 4 units was to be subject to market testing to gauge the likely demand for Shared Equity. There has been strong demand for Shared Equity units in and around Stornoway, but the market has not been tested for developments in this area. The LHS MOWG suggested a two month period to carry out market testing, with a final decision on the proposed tenure for the additional units going to the November series of Comhairle meetings.

## **AMENDED STRATEGIC LOCAL PLAN**

- 8.1 The SLP has been amended to take account of the various preceding issues and submitted to the SG on an interim basis. The amended SLP is set out below at Table 1 'Amended Strategic Local Plan 2012/15'.

**Table 1: Amended Strategic Local Plan 2012/15**

<b>Site</b>	<b>Number of units</b>	<b>Tenure</b>	<b>Changes to previous SLP</b>
Leurbost	4	Social Rent	No change
Leurbost	4	Subject to market testing for Shared Equity	Previously 'Rural Site'
Balivanich	4	Social Rent	No change to unit numbers (site may change)
Craigston School	6	Social Rent	No change
Melbost Phase 3	16	Shared Equity	6 additional units
Melbost Phase 3	16	Social Rent	12 additional units
Crowlista	4	Social Rent	No change
Allt Na Broige	7	Shared Equity	New
<b>Totals</b>	<b>61 Units</b>	<b>34 Social Rent</b> <b>27 Shared Equity</b>	

- 8.2 A short summary of the main proposed changes to the SLP are detailed below.
- 8.3 There is no change to the proposed SLP social rented developments at Balivanich, Leurbost and Craigston. Development work (including the transfer of land from the Comhairle to HHP) is progressing on these sites, with a site start expected in the autumn of this year. However, technical constraints exist on the Balivanich Site. If the technical constraints cannot be overcome, HHP may wish to propose an HHP owned site within the same area of Balivanich. This would appear appropriate in order to maintain momentum within the SLP.
- 8.4 The two Shared Equity developments at Tolmie Terrace and Lewis Hotel have both been removed from the SLP for the reasons set out in Section 5 of this Report.
- 8.5 Additional units have been added to Phase 3 of the Melbost Farm (MacKenzie Park) development – a further 6 Social Rented units and a further 12 Shared Equity units.
- 8.6 A new Shared Equity development at Allt Na Broige has been added. This is for a maximum of 7 units on a Comhairle owned site. The site has been brought forward from year 2015/16 of the SHIP. As the site is in Comhairle ownership, it will require to be transferred to HHP. It is recommended that this transfer is at nil value, in line with the three other sites in Comhairle ownership (Leurbost, Balivanich and Craigston) currently in the process of being transferred to HHP. A site plan of the Allt Na Broige site is attached at Appendix 2 of this Report.
- 8.7 A further Rural Housing site, for 4 social rented units, had also been added to the amended SLP. Following consideration by the LHS MOWG, it is proposed that these four units be market tested for Shared Equity and be developed on the Leurbost site.

- 8.8 There has been a Title issue with the Leurbost site (relating to the unregistered change of Title from the 1961 transfer of land to extend the school buildings) and although this is nearing a resolution, there could be an objection to the use of the land following advertisement of the proposed resumption. This could potentially delay the development of the site.
- 8.9 The amended SLP maintains the preferred 35%/65% 'Rural/Stornoway' split as set out in the Comhairle's Local Housing Strategy.

### **AMENDED STRATEGIC HOUSING INVESTMENT PLAN 2013/14 – 2017/18**

- 9.1 The amendments to the SLP have required a number of changes to the previously approved SHIP (a longer term plan for affordable housing).
- 9.2 There are two main changes to the previously approved SHIP. The four unit development at Tolmie Terrace-Phase 2 has been removed as the overall site is not currently financially feasible. This was to have been a second phase to the Tolmie Terrace development to provide four Social Rented properties.
- 9.3 The proposed development at Allt Na Broige for seven Shared Equity properties has been brought forward to the current SLP, as previously mentioned.
- 9.4 The Resource Planning Assumption allocated to the Comhairle for the period 2015-2018 remains at £3.35m.
- 9.5 The amended SHIP as submitted to the SG is set out in Table 2 'Amended Strategic Housing Investment Plan 2015/18'.

**Table 2: Amended Strategic Housing Investment Plan 2015/18**

<b>Site</b>	<b>Housing Market Area</b>	<b>Units</b>	<b>Tenure</b>
<b>2015/16</b>			
East Tarbert Site	Rural HMA	6	Social Rent
<b>2016/17</b>			
Melbost Ph 4	Stornoway HMA	10	Shared Equity
Melbost Ph 4	Stornoway HMA	10	Social Rent
Vatersay Site	Rural HMA	4	Social Rent
<b>2017/18</b>			
Unallocated Stornoway HMA	Stornoway HMA	9	Unallocated
Unallocated Rural HMA	Rural HMA	2	Unallocated
Shawbost Site	Rural HMA	6	Social Rent
		<b>47</b>	

## **COMHAIRLE FUNDING TO SUPPORT THE SLP AND SHIP**

- 10.1 The Comhairle has committed a total of £755k of direct financial support towards the current SLP for the period 2012-2015. This financial support is made up of £295k of Additional Council Tax Income from Second Homes (ACTISH) funding and £460k of Capital Funding.
- 10.2 The Comhairle is also contributing land, with a value of £135k, towards the SLP.
- 10.3 The allocation of ACTISH funding over a three year period, to match the 2012-2015 timeframe of the SLP, was approved by Comhairle in June 2012.
- 10.4 The amount of Comhairle financial support for the next SLP, covering the period 2015-2018 has still to be approved. A concurrent Report to the September 2013 series of Comhairle meetings sets out proposals for the allocation of ACTISH funds for this period.
- 10.5 That Report recommends the allocation of £150K ACTISH per annum to support the SLP and SHIP, for a three year period from 2015/16 to 2017/18. Although it is difficult to make a definitive forward commitment for this amount of ACTISH funding, it is important that the Comhairle is able to support the next SLP and the long-term SHIP.
- 10.6 In addition to the proposed allocation of ACTISH funds, £100k per annum has been committed from the current Capital Programme (2013-2018) to support the Affordable Housing Supply Programme. £200k of this Capital funding will support the current SLP (2012-2015), with the remainder, £300k, supporting the next SLP (2015-2018).
- 10.7 The total Comhairle funding available to support the Affordable Housing Supply Programme between 2015/16 and 2017/18 would be £750k. The Scottish Government's Resource Planning Assumption for the Comhairle for the same period is £3.35m. Based on an initial assessment, this amount of Comhairle funding would be required to support the AHSP.
- 10.8 There is also the possibility of a submission to be made to the Capital Programme Development/Match Fund, to support the SHIP in 2015/18. This would be appropriate should additional housing funding become available from the SG. Such a proposal would form the basis of a future Report.

## **CONCLUSION**

- 11.1 A number of material changes have taken place to the SLP and SHIP originally approved by the Comhairle in June 2013. Detailed costing on two of the proposed sites has resulted in the cost per unit coming in above acceptable benchmark figures. In addition, changes to the SG guidance has resulted in an additional amount of funding being awarded to the Comhairle.
- 11.2 The SLP and SHIP has been amended to take account of these changes and submitted under delegated authority to the Scottish Government.
- 11.3 The LHS MOWG has considered the issues detailed in this Report and the Recommendations of the Report reflect these considerations.

## LEURBOST OLD SCHOOL SITE

## KEY STAGES

Date	Stage
2000	Leurbost School surplus to requirements following opening of Sgoil Nan Loch
2004	Leurbost School identified for development for housing purposes TIG appointed as Development Agents for the site
2005	Demolition works carried out Serviced plots in development
2006	Criteria for sale of plots approved.  <i>Resident in Western Isles</i>  <i>Either living on social rented housing, or on Waiting List, or first time buyer</i>
2007	Marketing of serviced plots takes place. Several enquiries, resulting in two applications for the Leurbost plots.
2009	First Serviced Plot sold.
2010	Serviced Plots remarketed with reduced criteria. Some initial interest but no Plots progressed.
2012	Comhairle decision to transfer site to HHP for mixed tenure development
2013	Feasibility Study carried out on site to determine suitability for affordable housing development.
2013	Development of SLP and SHIP

Allt Na Broige Site

