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**ARGYLL & BUTE COUNCIL****EXECUTIVE****COMMUNITY SERVICES****24th NOVEMBER 2011**

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**AFFORDABLE HOUSING DEVELOPMENT AND RURAL REGENERATION**

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**1. SUMMARY**

- 1.1 In August 2010 the Council agreed criteria and policy for disbursement of the Strategic Housing Fund (SHF) based on the Scottish Government's affordable housing funding regime in place at that time. During 2011/12 the government's approach to the funding of affordable housing development changed significantly with a shift from grant allocations based on housing need, to a challenge process which considers applications from the whole of Scotland. This process will result in 3462 new build units (137 in A&B) being supplied nationally at an average government subsidy of around £32k per house. This compares favourably with a grant intervention rate of just under £70k in previous Affordable Housing development programmes.
- 1.2 This arrangement covers the 2011/12 financial year and currently it is not known how affordable housing funding will be awarded beyond March 2012. However, the Housing Minister has indicated that following the current National Spending Review a three year housing investment plan should be announced early 2012. In light of these changes it is proposed that criteria for the disbursement of the majority of the SHF is reviewed for the medium to long term once the new government funding arrangements are known to ensure an effective strategic fit with the national framework.
- 1.3 In the short term, it is proposed to allocate £750,000 of the SHF to take forward an initiative to support the development of affordable housing to sustain and regenerate some of the most remote and fragile rural areas. The investment proposed fits with existing strategic frameworks and consequently it is proposed that areas which demonstrate high housing need and in addition, have been identified as rural renaissance settlements, within the Economic Development Action Plan and Local Development Plan are targeted along with an action area in the National Park Plan.

**2. RECOMMENDATION**

- 2.1 Members approve the creation of a £750,000 Rural Housing Development Fund, utilising resources within the SHF to stimulate rural regeneration and address housing need. Bids submitted to the Fund will be subject of a future report to the Executive for approval.

### 3. DETAIL

- 3.1 **Background.** At a national level, the Minister for Housing and Transport reiterated, at the SFHA conference on 22<sup>nd</sup> September 2011, the government's commitment to the provision of 30,000 affordable homes during the life of the Parliament. However, the budget figures referred to do not represent new money for local government. Locally, Argyll and Bute Council have the option to utilise the Strategic Housing Fund to both stimulate the local economy and provide new affordable homes. Over the last two years the Council has been commended by the Scottish Government for the strategic approach taken to the disbursement of the Fund. The current stringent economic position provides an opportunity to take a strategic lead on these issues.
- 3.2 Since its inception in 2007 the Strategic Housing Fund has contributed £2,817,441 to housing developments across Argyll and Bute. 62% of the funding has supported development within the main settlements in Argyll and Bute. There is currently £7.7m available in the SHF which is anticipated to rise to £9.5m by financial year end 2011/12. Anticipated applications to the December Executive for SHF grants/loans as a result of successful IIF bids are likely to amount to £3.8m. This would leave a working balance of circa £5.72m and current policy is to retain just over £3m in the fund by 2014/15. This means that around £2.6m of funds are available to deal with this proposal and other potential initiatives such as the Local Authority Mortgage Scheme, Long Term Empty Homes and the Council House building tranche. A report on the longer term use of the SHF will be brought forward in early 2012 after the mechanism and guidance for national affordable housing funding is announced.
- 3.3 The current funding arrangements are designed to reduce levels of subsidy per unit and lend themselves to larger developments in the main settlements consequently increasing the challenges faced by smaller communities. In order to sustain progress and address the significant levels of housing need remaining in smaller settlements it is proposed that consideration is given to short term pilot projects which would improve support for affordable housing development within key rural areas.
- 3.4 **Strategic Planning.** The Strategic Housing Investment Plan (SHIP) 2011-2016 sets out the Council's priorities over the five year period. Included within the 2011-16 plan is a list of Reserve Rural Projects which were excluded from the core SHIP programme and given a "red or amber" status due to a 50% or more risk that they could not be delivered over the five year planning period. However, most of the sites are already in RSL or Council ownership and all are located within areas of priority housing need.
- 3.5 It is important that any future housing development complements wider strategic regeneration opportunities. Early consultation on the Main Issues Report (MIR); the Scottish Government agenda; the Council's Corporate Plan and the Economic Development Action Plan all identify stimulation of the local economy as a first priority. The MIR also suggests that this issue is particularly important in our remoter areas. There is therefore, sufficient justification for the Council to use its SHF resources to target areas which have been classified by HIE as

'fragile' or having an identified employment deficit and also demonstrate relatively high levels of housing need. The Housing construction industry has a key role to play through the creation of jobs and in the provision of affordable housing both of which will help to retain the local population and encourage investment and development in these remoter areas.

- 3.6 **Future Developments** – In order to provide a stimulus to the local economy and assist in the spread of economic development benefits in our smaller village, town and island communities a review of the list of reserve projects and sites within the SHIP has been carried out, and aligned to the rural regeneration agenda as set out in both the Economic Development Action Plan; Local Development Plans/Main Issues Report and the Loch Lomond and Trossachs National Park Plan. Initially it is proposed that bids be sought for developments in six areas which can demonstrate high levels of housing need and have been identified as fragile local economies or key rural renaissance settlements with the potential to promote local regeneration opportunities. These areas are: Strachur, Ardfern, Tiree, Iona, Port Ellen and Succoth which features as a planned area of activity for development as a quality destination within the National Park Plan.
- 3.7 **Rural Housing Development Fund.** It is proposed that the Council make provision of £750,000 from the Strategic Housing Fund to create an Argyll and Bute Rural Housing Development Fund. In a process similar to that which was instigated by the Scottish Government it would be open to RSL's and Community Development Trusts to provide new affordable housing in rural areas specified by the Council and which have been determined through the SHIP and LHS process.
- 3.8 **Long Term Empty Homes.** The Council is committed to reducing the number of long term empty properties(LTE's) in the area. The detrimental impact of long term empty properties is particularly important in rural areas and consequently it is suggested that the potential for a Lead Tenancy Scheme is explored. This would enable owners of LTE's in collaboration with an RSL to make application to the Rural Housing Development Fund to bring properties back into use. Funding from the SHF would be dependent on a commitment from the owner to lease the property to the RSL for a specified minimum period.
- 3.9 **Level of Subsidy.** In the absence of any Scottish Government grant funding for this initiative a benchmark up to a maximum £50,000 on the mainland is proposed. This is based on the government's benchmark figure of £40,000 plus a 25% SHF contribution as agreed in current Council policy. In recognition of additional costs on the islands it is proposed that the grant be increased up to a maximum of £60,000. These slightly higher benchmarks reflect the combined contributions previously available through government grants and Strategic Housing Fund contributions. They also acknowledge the higher costs attributable to smaller scale housing development and high on-costs on the islands.

3.10 **Assessment criteria.** Value for money and affordability would be key to any successful bid. The housing must:

- § Meet affordable housing need in the area
- § Be affordable to applicants in the lowest income quartile
- § Introduce new approaches to the delivery of affordable homes
- § Meet the SHQS and comply with, as a minimum, 2010 building regulations.
- § Development start by 30<sup>th</sup> September 2012.

3.11 **Outline Timetable**

The timetable for allocating the funding is estimated as follows:

- § November 2011 - Report to Executive to agree principle
- § December 2011 – Announce details of Rural Housing Development Fund and invite applications
- § February 2012 – deadline for applications
- § March 2012 – Assess applications
- § 19<sup>th</sup> April 2012– Report to Executive seeking approval of bids.
- § May/June 2012 – RSL's/Developers progress projects.

#### 4. CONCLUSION

4.1 Adoption of this policy has the potential to deliver up to 15 new homes within rural Argyll and Bute. Investment in housing is crucial for the sustainment and regeneration of our communities. It also makes an important contribution to employment and provides vital support to the construction industry during a period of economic recession. Utilisation of the Council's Strategic Housing Fund, at this time, when uncertainty remains around future government contributions to housing development would serve to ensure that a number of the Council's and its Community Planning Partners, strategic aims can be delivered.

#### 5.0 IMPLICATIONS

5.1 **Legal:** Formal offers of grants will require to be developed for any future successful bids.

5.2 **Financial:** The Strategic Housing Fund is a key financial resource at the Council's disposal to support the development of affordable housing. The

proposed expenditure from the Fund is in line with current Council policy. The previously agreed balance within the Fund by 2014/15 is to be maintained.

5.3 **Personnel:** Nil

5.4 **Policy:** Proposals are consistent with current Council policy.

5.5 **Equal Opportunities:** These proposals are intended to rectify imbalances in the provision of affordable housing between urban and more rural settlements.

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20<sup>th</sup> October 2011

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