

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 22 NOVEMBER 2022**

**STRATEGIC HOUSING INVESTMENT PLAN 2023/24 – 2027/28**

**REPORT BY REPORT BY ALISON SMITH, DIRECTOR OF VIBRANT COMMUNITIES AND SUSTAINABLE GROWTH**

**ABSTRACT**

This report informs members on the Strategic Housing Investment Plan (SHIP) for 2023/24 – 2027/28 and proposals for the use of resources from the Affordable Housing Revenue Account (AHRA).

**1. RECOMMENDATIONS**

It is recommended that the Committee:

- (i) Approves the content of the SHIP 2023/24 – 2027/28 as detailed in Appendix 1.
- (ii) Approves the ongoing development of the SHIP, and its associated programme plans and procedures, with the Council's partners during the lifetime of the Plan.

**2. ALIGNMENT TO THE COUNCIL PLAN**

This report contributes to the following outcomes in Council Plan 2022-25:

Priority 1: Economy

- Spend council money locally where we can to help grow our local economy
- Support the creation of local, paid, and lasting job opportunities for our citizens

Priority 3: Place

- Continue to reduce the council's carbon footprint with the aim of reducing our net carbon emissions to zero by 2045.
- Increase the supply of affordable housing and improve the council's current housing stock so it is fit for the future

**3. BACKGROUND**

3.1 The core purpose of the SHIP is to set out the strategic investment priorities for affordable housing over a five-year period to achieve the strategic vision set out in the Angus Local Housing Strategy (LHS) 2017-22 to 'create places that people are proud to call home'. The SHIP sits alongside the LHS 2017-22 as one of its core delivery mechanisms. Work is underway on the LHS 2022-27 though it is not yet complete, and so this SHIP covers a period of transition between the current and new LHS. While it is not anticipated that the LHS 2022-27 will set out a significant shift in our strategic priorities for housing, there will be an increased focus on the need for affordable housing solutions which also contribute to sustainability and delivering net zero targets. The LHS 2022-27 will set new housing supply targets based on the most recent housing need and demand evidence, which is currently being finalised in partnership with other Tayside authorities. It is also anticipated that issues such as the location of development and making best use of existing stock will more heavily influence investment decisions in the years to come.

3.2 Despite these strategic priorities, the linkages between the SHIP and the emerging economic outlook for the UK should not be underestimated. The construction sector was already facing up to the lasting impacts of the pandemic, most notably shortages of components and raw materials causing supply chain and logistical issues for contractors. This coupled with spiralling energy costs, and high demand for skilled operatives causing problems with staff retention, has created challenging operating conditions. This volatility is leading to uncertainty with

programming, and delays with projects, and may also result in higher tender prices over the mid-term. These challenges become all the more difficult to respond to in the context of pressures associated with the cost-of-living crisis, the possibility of long-term rent freezes and increasing borrowing costs. This means that all social housing providers will be carefully assessing their capital investment programmes over the coming months and may have to take difficult decisions to postpone or withdraw from new build projects.

- 3.3 The SHIP is prepared by the Council in its role as the Strategic Housing Authority and ensures that the Council, and its partners, deliver housing which meets the needs of the local community and informs Scottish Government investment decisions. Scottish Government guidance states that the SHIP should:
- Set out investment priorities for affordable housing, the methodology used for prioritisation, and how they will be delivered.
  - Demonstrate how these investment priorities align with LHS 2017-22 outcomes, Rapid Re-housing Transition Plan priorities, and the local Child Poverty Action Report.
  - Identify the resources required to deliver these priorities, including how we have used developer contributions and council tax on second and empty homes.
  - Enable the involvement of key partners.
- 3.4 The Council was required to submit its SHIP to the Scottish Government by Friday 28 October 2022. This was done subject to Committee approval and any changes required will be reported to the Scottish Government. Following approval, the SHIP will form the basis of the Strategic Local Programme Agreement (SLPA) with the Scottish Government. The SLPA sets out the programme of housing projects that will be funded over the next three years and will be reviewed and updated annually to ensure delivery remains on track

#### **4. CURRENT POSITION**

- 4.1 In 2021/22, the Council and its Registered Social Landlord (RSL) partners delivered 148 new build affordable homes against a target of 120. This is a significant achievement for all considering the disruption caused by the pandemic and challenges faced with supply issues. These 148 new build properties were alongside eight open market acquisitions, taking the new supply affordable housing total for the year in Angus to 156.
- 4.2 The Council and RSL partners have faced and continue to face a challenging operating environment due to the ongoing pandemic and supply chain issues which are having cost and time implications. Despite these challenges we were able to spend 78% (£8,199,542.48) of our Affordable Housing Supply Programme (AHSP) funding allocation of £10,491,000.
- 4.3 To assist with rising costs, the Scottish Government issued new, updated, grant benchmark figures<sup>1</sup> for affordable housing in October 2021, which were to take immediate effect and have been used to inform this SHIP. However, it is anticipated that it may be a challenge to spend the full funding allocation of £9,043,000 in 2022/23. We will seek to work with partners flexibly to address these challenges however as the AHSP is an annual allocation, any underspend cannot be carried forward to future years and an underspend on a particular project will have an impact on the funding available in the following year.
- 4.4 Last year, the Council purchased six 'off the shelf' units to deliver as New Supply Shared Equity (NSSE) through the Housing Development Policy Framework (report 134/20). This project was supported by grant which would otherwise have been lost through slippage elsewhere. We will continue to seek opportunities of this nature and add value to the plan.
- 4.5 Repurposing existing stock to meet the needs of applicants is also now playing a small but increasing role within the SHIP. Last year, three Council properties were converted into more suitable housing to meet the needs of applicants. We propose to supplement the new build programme, both for RSLs and the Council by accelerating void delivery to increase the number of affordable housing units available, mitigate demand pressures and increase rent income. The uncertainty in the economy, coupled with the volatility in the markets, is also leading SHIP partners to focus more on making better use of empty properties, both within their existing portfolios and in the wider stock across Angus. This should increase the availability of affordable accommodation in the short term, much quicker than new-build projects could, so would seem to be a logical and cost-effective approach. This supports the Government's strategy Housing to 2040 which has a strong focus on improving the long-term sustainability of existing stock.

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<sup>1</sup> In Angus, the 3 person benchmark grant allocation ranges from £71,500 to £95,300 depending on the location, landlord and provision of additional quality measures.

## 5. THE STRATEGIC HOUSING INVESTMENT PLAN 2023/24 – 2027/28

- 5.1 The SHIP estimates that around 686 units could be delivered in the period to 2027/28, requiring subsidy of around £44,154,441. At present, the Scottish Government has provided Resource Planning Assumptions (RPAs) for 2022/23 to 2025/26. This means, the SHIP has three years of indicative funding, with years four and five assessed as likely to have reduced amounts of grant available for planning purposes. The SHIP and accompanying tables are provided in Appendix 1 and 2.
- 5.2 The Council has maintained an ambitious new build programme and aims to deliver a programme of around 242 new build units over the lifetime of the SHIP, this does not include conversions or open market acquisitions.

## 6. AFFORDABLE HOUSING REVENUE ACCOUNT FINANCIAL IMPLICATIONS

- 6.1 The Affordable Housing Revenue Account (AHRA) is used to support projects which contribute to increasing the supply of affordable housing. As approved in the Housing Revenue Account (HRA) Rent Setting and Budget Strategy 2022/23-2025/26 (report 32/22 refers) and subsequently updated Housing Revenue Account Capital Plan 2021/26 (report 327/22 refers), funding of £0.3m from the AHRA will be used to support the HRA Capital Plan in 2022/23. Members will receive updates on the use of this funding through the Housing Capital Monitoring Reports.
- 6.2 At 1st April 2022, the unused balance of income raised through Council Tax was £2,612,122 and the unused balance of developer contributions was £330,250. The total unused balance of funds in the AHRA at 1 April 2022 was therefore £2,942,372.
- 6.3 The commitments for 2022/23 amount to £485,721 leaving an uncommitted total balance of £2,456,651. This is before adding further Council Tax income that will be due for 2022/23 onwards and any further developer contributions that may become due.
- 6.4 In order to support the continued development of new build affordable housing, consideration will be given to developing guidance on how RSL partners can apply to access funds from AHRA to assist in delivering projects in the SHIP, where funding challenges have arisen.

## 7. FINANCIAL IMPLICATIONS

- 7.1 There are no direct financial implications arising because of the SHIP 2023/24-2027/28
- 7.2 In terms of the use of committed AHRA reserves in 2022/23, these are as follows:

Purpose	AHRA funding commitment (£)	Additional comments
Part funding of Team Leader, Legal Services	32,759	Report 345/18 refers. These are costs at current rates which will require to be increased in line with increments / pay award levels and can be fully met from uncommitted AHRA resources (non-developer contributions).
Part funding of Environmental Health Officer, Environmental and Consumer Protection Services	24,862	
Legal fees	2,100	Additional fees related to affordable housing functions.
Housing Revenue Account Capital Plan contribution	300,000	Report 327/22 refers.
Empty Homes Loan Fund and Empty Homes Grant Fund	120,000	Report 233/19 refers
Contribution towards Trusted Trader Scheme	6,000	The Angus Trusted Trader Scheme is a joint Council and Trading Standards initiative to help residents choose a reliable local trader. Traders have been

		vetted by Angus Trading Standards and the Trusted Trader scheme is supported by Police Scotland and Citizens Advice Scotland.
Total	485,721	

**8. OTHER IMPLICATIONS (IF APPLICABLE)**

**9. EQUALITY IMPACT ASSESSMENT**

An Equality Impact Assessment has been carried out and is attached as Appendix 3.

**NOTE:** The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Report No. 134/20 - Housing Development Policy Framework - Special Arrangements Committee 28 April 2020
- Report No. 32/22 - Housing Revenue Account Rent Setting and Budget Strategy 2022/23-2025/26 – Communities Committee 8 February 2022
- Report No. 345/18 - Strategic Housing Investment Plan 2019/20 – 2023/24 – Communities Committee 13 November 2018
- Report No. 233/19 – Establishment of Empty Homes Grant Fund – Communities Committee 13 August 2019
- Report No. 327/22 - Housing Revenue Account Capital Plan 2021/26 – Communities Committee 27 September 2022

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List of Appendices:      Appendix 1 - Strategic Housing Investment Plan 2023/24 – 2027/28  
Appendix 2 - SHIP Table 2023/24 – 2027/28  
Appendix 3 - EIA