



**Scottish Housing
Regulator**

Development of Affordable Housing in Scotland

31st May 2017

The Scottish Housing Regulator

- Regulatory Framework
- Annual risk assessment
- Regulation Plans – 56 RSLs
- Development Thematic – March 2017
- Review of sector's finances – March 2017



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Challenges and Risks

Challenges specifically relating to housing development including: land availability, price and assembly issues, costs and delays associated with infrastructure, issues around capacity and issues with the operation of the planning framework.



Continuing uncertainty over the scale and pace of change to the welfare system and the potential impact of changes.



The impact of The Office for National Statistics' (ONS) re-classification of RSLs and resultant proposed changes in regulation upon the willingness of lenders to invest in the social housing sector.



Rising concern from tenants about future rent affordability against a background of many RSLs relying on above inflation rent increases to maintain financial health.



The prospect of increased inflation in 2017 and beyond as a consequence of the sharp fall in the value of sterling in 2016.



Other budgetary pressures, staff costs (particularly in the care sector), pensions, and energy efficiency.



Lessons from sector finance report

- Generally managing resources to ensure financial well being
- Level of development activity
- Access to funding
- Rent affordability



Thematic Methodology

- In-depth individual discussions with nine social landlords

Bield Housing and Care
Eildon Housing Association
Kingdom Housing Association
New Gorbals Housing Association
Wheatley Housing Group

Clyde Valley Housing Association
Fife Council
Link Group
Port of Leith Housing Association

- Round-table discussion with them and MHD
- Identification of positive practice principles

10 Positive Practice Principles for Development

- For each Principle we:
 - Identify positive practice
 - Link with the SHR Regulatory Standards and Business Planning Recommended Practice
 - Set out questions for governing bodies
- We expect RSLs to apply the principles in a proportionate way

Positive Practice Principles

1 Strategy

Be clear about why you are developing and how development fits within your overall business strategy.

3 Product

Have a robust understanding of housing need and demand for the area where you plan to develop and use this to design and build sustainable homes.

5 Governance

Ensure that your governing body and senior staff have the appropriate skills and experience and that your governance arrangements provide proper oversight of your development programme.

2 Risk

Be aware of the inherent risks in your plans and identify and manage development risks, including specific risks associated with different tenures.

4 Capacity

Have the appropriate organisational capacity, corporate structures, people and/or partnerships in place to effectively manage new development.

6 Appraisal

Carry out robust appraisals at key stages of the development process to make sure that development proposals are viable, represent VFM and capture whole life costs.



Positive Practice Principles

7

Funding

Have an appropriate funding strategy which ensures access to sufficient resources as they are required and have a clear understanding of the impact of development on future cash flows.

9

Procurement

Have a strategic approach to procurement that is kept under review, complies with relevant legislation, is tailored to the particular needs of your organisation and helps you select the most appropriate procurement option.

8

Project management

Ensure that appropriate project management processes are in place and integrated across your organisation.

10

Stakeholders

Actively manage and build constructive relationships with your stakeholders including tenants, service users, funders, regulators, local authority/RSL partners, contractors and the Scottish Government.



Feedback

Mary Taylor, SFHA Chief Executive

“The report provides a useful guide to the issues that housing associations need to consider when either considering developing again or looking to expand their development programmes”.

John Marr, Scotland Senior Policy Advisor, Council of Mortgage Lenders.

“This comprehensive guidance is a welcome addition to the tools and resources available to help boards strengthen their response to development risks, as they prepare to step up to the mark in delivering the government’s 50,000 homes target”.

Colin Culross, Director of Development and Asset Management, Link Group

“There’s one thing certain about development and that’s its uncertainty. This is a very well-constructed and informative document which outlines the guiding principles for RSLs - whether they be experienced in developing new homes or re-entering the affordable housing supply marketplace”.

Bill Banks, Chief Executive, Kingdom Housing Association

“Development is a complex process and the SHR Development Thematic is a very good report identifying positive practice based principles, which could be used by all RSL’s, as a form of self-assessment tool, to assess their own practices, capacity and capabilities to deliver their programmes and improve processes”.



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Any Questions?

Find the thematic here:

<https://www.scottishhousingregulator.gov.uk/publications/development-affordable-housing-scotland-thematic-inquiry>