

Scottish Land Fund

Ionmhas Fearainn Na H-Alba

A guidance note for projects involving housing

This guidance note describes the circumstances in which the Scottish Land Fund (SLF) can consider support for projects that involve the provision of housing. This note provides the context for SLF housing support and the guiding principles that will be used to support decision making.

Engagement with your SLF adviser is essential for all projects involving housing. This applies even where the housing may be a secondary or ancillary part of a wider project. This is to enable additional advice and support to be provided as appropriate; a guidance note cannot cover every scenario and we do not wish to stifle innovative housing solutions.

Applicants are advised that details of projects involving housing provision are likely to be shared with housing colleagues in Scottish Government. This is because we need to ensure the SLF does not displace the provision of affordable housing by others and mainstream sources of affordable housing support.

1 CONTEXT

Scottish Government provides a range of support mechanisms to local authorities and Registered Social Landlords (RSLs) to meet affordable housing needs, including the [Affordable Housing Supply Programme](#). It also supports organisations (private and community) to increase the supply of affordable housing in rural Scotland through the [Rural Housing Fund and Islands Housing Fund](#).

However, despite the best efforts of local authorities and Registered Social Landlords (RSLs), there is an evidenced need for housing in many communities. Indeed, local communities are often the driver of housing opportunities, particularly in rural and island areas where high infrastructure and transport costs, and lack of economies of scale prove challenging for private house builders and even publicly supported housing organisations. Added to this is a stronger holiday and second home market that can put the cost of housing outwith the reach of many local people.

Whilst the SLF is not a housing fund, it can support housing projects in certain circumstances. All projects applying for SLF support must be aligned with the SLF's programme outcomes. These are for communities to be more resilient and sustainable through the ownership of land and buildings, and where whole community outcomes can be demonstrated. The objective of SLF supported housing projects must therefore be to meet wider, whole community outcomes such as economic growth, population retention or growth, demographic rebalance and place-based regeneration. The SLF is not appropriate for projects seeking to address the housing needs of individuals.

2 KEY PROVISIONS

- The housing provided is to be **affordable housing for rent**.
- The housing asset is to be retained by the community body.
- The housing provided is to be a primary residence.
- A recognition that local authorities and Registered Social Landlords (RSLs) are the most appropriate providers of affordable housing so SLF housing support must not displace such provision.

- SLF support is restricted to feasibility and acquisition of land and buildings only; it does not extend to post-acquisition development funding which is usually the principal cost.

3 GUIDING PRINCIPLES

Where affordable housing is the **principal outcome** of the proposed project, community bodies must be able to demonstrate all seven of the guiding principles.

Where affordable housing is a **secondary opportunity** rather than the driver for the project – such as a flat above a shop or a whole estate purchase - then community bodies must demonstrate principles 6 and 7 only. However, evidence to support some or all of the other principles will strengthen the overall application.

1	<p>Whole community outcomes</p> <p>A lack of affordable housing is impacting on community sustainability. The SLF is only concerned with the needs of the community as a whole. It will not support projects that are seeking to address the housing needs of individuals only. Thus, the housing opportunity must directly contribute to a stronger, more sustainable community.</p> <p><u>Evidence required:</u></p> <ul style="list-style-type: none"> - Detail how a lack of affordable housing is having a negative impact on the economic and social development of the community. Alternatively, detail how affordable housing will support place-based regeneration. - Provide evidence such as demographic and school roll trends, reduction in private enterprises locally (e.g. shop, hotels, local trades, petrol provision), evidence of individuals unable to sustain or accept job opportunities due to lack of housing, how housing will contribute to a new vision for a locality, how it will re-purpose under-utilised buildings etc.
2	<p>Housing need</p> <p>The SLF must be satisfied that the housing needs of the community are not being met. This may be due to problems with availability, cost, tenure or house type (size/accessibility/quality).</p> <p><i>NB This is about the supply and demand for affordable housing whereas guiding principle 1 is about the impact of insufficient affordable housing on the community.</i></p> <p><u>Evidence required:</u></p> <p>Supply – An assessment of the current housing supply in the community including numbers, tenure, cost to buy or rent and availability. This will include investigating plans for new provision through current or approved planning applications and contact with the local authority and appropriate RSLs to establish if they have plans for new provision in the area.</p> <p>Demand – An assessment of the demand for housing. This can be informed by published local authority strategies such as the Local Housing Strategy and Strategic Housing Investment Plan, reference to the Housing Needs and Demands Assessment for the region and by other local research such as waiting list information. If there is insufficient information at local level, a local housing needs study/survey will be required to identify demand for housing and to show the number of people requiring housing and the size, type and tenure they require. This would then be used to inform the size, type and tenure of housing needed.</p> <p><i>Notes</i></p> <ul style="list-style-type: none"> - <i>Housing provision must be to provide a primary residence, not second or holiday homes.</i>

3	<p>Additionality</p> <p>SLF intervention will add to the supply of housing in a community where no other, or insufficient, affordable provision is planned. It will also aim to contribute to the strategic housing priorities identified by local authorities.</p> <p><u>Evidence required:</u></p> <ul style="list-style-type: none"> - Detail the contribution the proposed development will make to meeting priorities identified in the local authority's Local Housing Strategy. - Where the proposed development is not included in the Local Housing Strategy, evidence that the community body has liaised with relevant RSLs and the local authority to request this to be included (and where this is possible, an indication of timescale). - Provision of information on housing supply to identify planned alternative provision of affordable housing in the community. - Confirmation from the housing strategy team at the local authority that they support the planned project and it will not displace other planned provision.
4	<p>Project delivery</p> <p>At Stage 2, we require to be satisfied that there are no major impediments to the project progressing.</p> <p><u>Evidence required:</u></p> <ul style="list-style-type: none"> - Applicants will need to demonstrate that they have considered the main areas of risk associated with housing projects: <ul style="list-style-type: none"> o Planning permission o Access to infrastructure and services o Assessment of development costs and funding sources (see principle 5) o Quality control in specification and build o Rent policy in place (see principle 6) o Lettings policy in place (see principle 7) o Management & maintenance arrangements including insurance o Compliance with legal requirements for housing o Governance <p><i>Note:</i></p> <ul style="list-style-type: none"> - <i>Housing projects are complex and can be high cost and risky. It is strongly advised that communities seek expert assistance for project planning and building, and then post completion for housing management and maintenance. Housing projects are not to be considered as income generators as small unit numbers are unlikely to generate surpluses; the income received will need to be reinvested to cover operating and maintenance costs.</i>
5	<p>Post-acquisition funding</p> <p><u>Evidence required:</u> Where this is required, a breakdown of costs, proposed funding sources and a report on progress towards securing this.</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> - <i>The table provided by Rural and Islands Housing Fund can be used for this purpose.</i>
6	<p>Affordable housing provision</p> <p>SLF support will only be provided for housing that is to be offered at affordable or mid-market rates. To be considered as affordable housing, the rents must be no higher than the list of rental rates, set on a regional basis, published online in SG's Local Housing Allowance (LHA) tables.</p>

	<p><u>Evidence required:</u></p> <ul style="list-style-type: none"> - A copy of the rent policy to be implemented, detailing how the rental rates are to be set. <p><i>Note:</i></p> <ul style="list-style-type: none"> - <i>As the SLF is likely to be a minority funder, with match funding coming from alternative sources, it is not considered necessary for the SLF to provide grant conditions to safeguard the ‘affordability’ of the housing provided. Bespoke conditions can however be considered on a case by case basis as appropriate.</i>
7	<p>Transparency and equality</p> <p>At Stage 2, applicants must provide an allocations policy that is transparent, fair and ensures equality of opportunity. Although community bodies can give priority to local people the allocations policy must be consistent with equalities law and ensure that no person or group of persons is treated less favourably than any other person or group of persons because of their race, colour, ethnic or national origin, sex, disability or sexual orientation.</p> <p><u>Evidence required:</u></p> <ul style="list-style-type: none"> - A copy of the lettings policy to be implemented. <p><i>Note:</i></p> <ul style="list-style-type: none"> - <i>SG has developed guidance on housing allocations:</i> https://beta.gov.scot/publications/social-housing-allocations-a-practice-guide/

4 INELIGIBLE HOUSING PROJECTS

This is not an exhaustive list.

- The post-acquisition development (**bricks and mortar**) of housing opportunities; as with all SLF projects Stage 2 assistance is restricted to the purchase of land or existing buildings.
- The purchase of an **existing house** in habitable condition will not normally be considered unless an exceptional case can be made (see section 5).
- The provision of **holiday lets** where this is the sole or primary focus of the project. The SLF will only consider projects where the housing provided is to be a primary residence. Holiday lets can be considered as a source of income generation for wider projects where housing is not the sole focus (NB displacement will need to be considered). There is a strong presumption against creating a holiday let in a property that could provide a primary residence.
- Projects where all of the **land or asset is to be sold on** to a third party and not retained in community ownership (see section 6 also).
- **Co-operative housing** projects are likely to be ineligible due to SLF’s open membership and whole community outcome requirements.

5 HOUSING RELATED ACTIVITY ELIGIBLE FOR SLF SUPPORT

The following acquisitions can be considered for SLF Stage 2 support:

- **Purchase of land for the development of affordable rented housing**
 - The community can contract or work in partnership with a rural housing body or RSL to develop and manage the housing. However, ownership of the housing must remain with the community body.
- **Building acquisition that involves a housing element as part of the overall project**
 - Occasionally a rental housing opportunity can arise as part of a wider project, such as a flat above a shop or a whole estate purchase. In such circumstances, where the housing is

additional to, rather than the driver of the project, the community body is only required to meet principles 6 (affordability) and 7 (transparency and equality) as detailed in Section 3.

- If the project is a mixed development with housing as a substantive element, then all principles should be met.
- **Purchase of existing, non-domestic, buildings to provide affordable rented accommodation**
 - Depending on the building this can be an appropriate route to provide a new housing opportunity, or multiple units.
 - As with purchasing land above, the community can contract or work in partnership with a rural housing body or RSL to develop and manage the housing. However, ownership of the housing must remain with the community body.
- **Purchase of an existing, habitable house to provide affordable rented accommodation**
 - This route does not always increase housing provision so there is a general presumption against support for such projects. Applicants are required to make a persuasive case with respect to principles 1 and 2 in particular.
 - Applications will be strengthened if the project can deliver additional units, for example converting a single dwelling in to two units, though this is clearly dependent on the building.

6 DISPOSAL OF LAND ACQUIRED FOR HOUSING DEVELOPMENT

To fit with SLF programme outcomes, SLF supported housing assets are to be retained in community ownership. However, for projects involving the purchase of land for housing, communities can request that a proportion of the land asset be sold on to either:

- i) **raise finance** to cross-subsidise the affordable rented housing development, or
- ii) to facilitate the provision of **low-cost ownership opportunities** (shared equity, rent to buy, self-build etc).

Such an onward sale of land can be considered under the following circumstances:

- The extent of the land to be sold must be no more than 20% of the holding acquired with SLF support. The 20% applies to either the extent of the asset (area) or its value (£). This is a 'normal maximum' guide rather than a prescriptive rule. If it is intended that more than 20% of either the area or value is to be sold on, this must be clearly detailed in the Stage 2 assessment report.
- The onward sale proposal must be detailed in the business plan and SLF stage 2 application.
- The sale price must represent the market value of the subjects. This must be supported by an independent valuation or an open market sale following an open and transparent marketing exercise. NB The market value would reflect any burdens placed on the land, such as a Rural Housing Burden designed to maintain the affordability of the property in perpetuity.

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