

## Housing, Regeneration and Welfare Directorate

Housing Supply and Innovation Division

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Colin Miller  
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Dear Colin

As you know a short life working group was set up last April to consider and provide advice to ministers on whether adjustments to the current subsidy framework and benchmarks for housing grant to RSLs and Councils were needed to account for inflation and other financial pressures.

### Benchmark grant subsidies

I am pleased to advise you that Ministers have accepted the recommended benchmark grant subsidy increases outlined in the Group's [report](#) and that this has been confirmed in a [news release](#) that was issued today. Rather than implementing these increases from April, the benchmarks set out in the table below will apply to all Tender Applications received from 25 January 2016 under councils' strategic local programmes. The new benchmarks are set out below.

	West Highland, Island Authorities and remote and/ or rural Argyll	Other rural	City and urban
RSL social rent – greener*	£84,000 (3 person equivalent, benchmark)	£74,000 (3 person equivalent, benchmark)	£72,000 (3 person equivalent, benchmark)
RSL social rent – other	£82,000 (3 person equivalent, benchmark)	£72,000 (3 person equivalent, benchmark)	£70,000 (3 person equivalent, benchmark)
RSL mid-market rent – greener*	£46,000 (3 person equivalent, benchmark)		
RSL mid-market rent – other	£44,000 (3 person equivalent, benchmark)		
Council social rent – greener*	£59,000 (flat rate benchmark for council projects)		
Council social rent – other	£57,000 (flat rate benchmark for council projects)		

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*\* To qualify for the higher 'greener' subsidy, new homes must include energy for space for heating, as detailed within Section 7 of the 2011 Building Regulations.*

In line with the [report](#), Scottish Government guidance will be updated as quickly as possible to reflect these changes which will apply until March 2019 when they will be reviewed, if appropriate at that time.

The above benchmarks should enable councils and housing associations to keep social and mid-market rents affordable. I would draw your specific attention to paragraphs 2.16 to 2.18 of the [report](#) in this connection.

### **Housing with integral support and environmental works/ place-making**

As you will be aware, the Group recommended that a separate funding stream be made available for housing with integral support to contribute towards the health and social care agenda. While recognising that such projects are important aspects of the housing outcomes that we wish to achieve, a separate budget line for this housing has not been introduced as part of the Affordable Housing Supply Programme. We will however revise operational guidance to strengthen the message that, where identified as a strategic priority for the local authority, there can be no doubt that flexibility in awarding above benchmark grant subsidies can be applied.

Likewise while we are unable to set aside separate funding in 2016/17 for environmental/ place-making works I can confirm that this will be considered again at the next three year spending review.

### **Housing for Varying Needs**

All of the housing currently funded through the Affordable Housing Supply Programme should meet Housing for Varying Needs Part 1 – this covers accessibility in general needs housing. As this was originally published in 1996, we plan to review the current standards to consider whether this should now be updated in order to make the homes we fund more flexible to people's changing needs. We will consult with you further on this and other ways that we can all maximise the benefits that can be achieved from the delivery of the planned increase in affordable homes.

### **Flexibility**

In line with one of the report's recommendations, Scottish Government guidance will be strengthened to emphasise the existing flexibility which allows social rent and mid-market rent projects to be approved above and below benchmark. There will also be continuing discussions between Scottish Government area teams to ensure consistent treatment of approvals and the operation of flexibility.

We will want to work with the sector to drive the best value from the Affordable Housing Supply Programme and promote below grant subsidy benchmark delivery wherever possible through e.g. innovative funding packages and procurement and collaboration. This will help us all achieve cost efficiencies in delivering the 50,000 target or to exceed this figure over the five year period. We will welcome further detailed engagement with all of your organisations about how we can best work

together to achieve this in the delivery of councils' local strategies and priorities across Scotland.

### **Procurement and collaboration**

In line with the recommendations of the independent '*Review of Scottish Public Sector Procurement in Construction*', we expect councils and RSLs to enter into procurement partnerships in order to achieve improvements in procurement quality and efficiency. The exact nature of such partnerships is for councils and their partners to determine and could be based on geographical or sectoral factors. The aims of such partnership working include:

- applying procurement best practice to drive forward the quality of procurement across the housing sector
- delivering commissioning efficiencies which can be recycled to improve the supply of new housing, and
- achieving economies of scale (for example, through larger contracts or through rationalisation of supply chains).

We recognise that housing organisations take pride in the quality of the new housing they provide. We also believe that this quality can be preserved, or even improved, if collaboration is embraced positively by the housing sector. This will contribute to our shared goal of achieving a significant increase in housing supply across Scotland.

### **Programme delivery**

Strategic working with local authorities to ensure effective housing planning – and to identify and deliver housing priorities – will be critical to delivering the Scottish Government's ambitious 50,000 affordable homes' commitment over the next parliamentary term. In particular, the statutory roles of strategic housing and planning authorities will be crucial in (a) assessing the requirements of their areas (b) identifying the right opportunities in the right places and (c) prioritising the level of resource to meet them.

Local authorities have been advised of their *minimum* resource planning assumptions for the three years to March 2019 and we will issue updated Resource Planning Assumptions for 2016/17 to local authorities as quickly as possible to allow this planning to be accelerated in line with the increased housing ambition.

If you have questions on any of the above please do not hesitate to give me a call.

Yours sincerely



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