



## Dunbritton Housing Association Limited

<b>Name of Policy</b>	<b>Development Strategy</b>
<b>Responsible Officer</b>	<b>Chief Executive Officer / Development Consultant</b>
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<b>Section</b>	<b>Chief Executive</b>
<b>Reference</b>	<b>D 3</b>

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N/A

## 1. Introduction

This document sets out Dunbritton Housing Association's (DHA) Development Strategy for the next three years. The Development Strategy is compliant with the Association's Business Plan, Asset Management Strategy, Internal Management Plan, adopted Policies and Procedures and may be influenced by external factors which could influence DHA's decision making process in relation to how each and every development is taken forward.

The Association has, as part of its Business Plan, the following core objective:

*It is Dunbritton's policy to seek out development opportunities that meet the Association's strategic objectives, creating affordable housing that meets housing need and demand and is sympathetic to the local environment.*

However, in recent years with the downturn in the economy and significant changes to affordable housing grant funding, the Association has had to restrict its development aspirations.

The purpose of the Development Strategy is to allow the Association to meet the above objective in a structured approach, which can be measured and reviewed.

## 2. Background

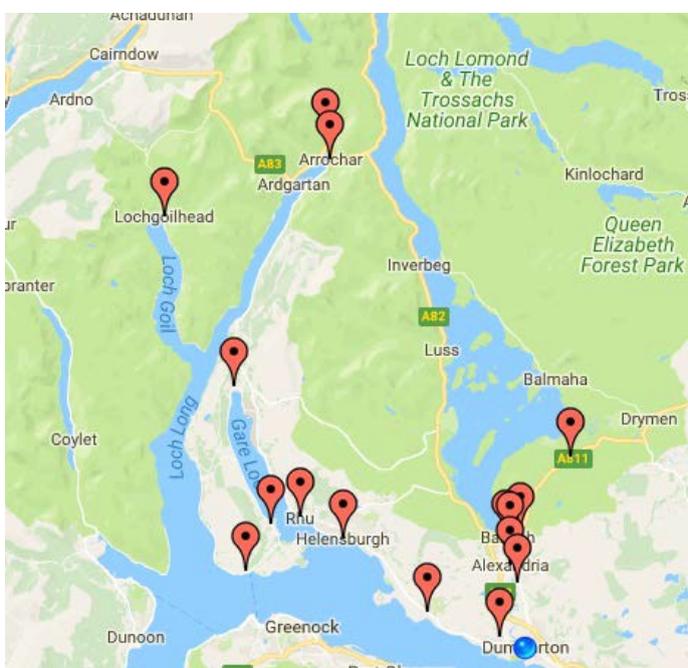
In preparing this Strategy a number of key strategic documents and development processes have been taken account of as these will influence the Development Strategy; for example:

- 
- Local Housing Strategy (LHS) requirements including Housing Needs and Demand Assessment (HNDA) and Strategic Housing Investment Plan (SHIP)
- Strategic Local Programme (SLP) priorities
- Programme response and agreement with Scottish Government
- Tenure profiles and demand
- Risk
- Land acquisition
- Meeting our subsidiary and partner requirements
- Funding and private finance profiling
- Wider role and community benefit requirements

### 3. Key Areas of Operation

DHA operates in parts of Argyll & Bute and West Dunbartonshire with the principal activity being the provision of social housing. This includes operation over 3 planning departments' areas:

- **Argyll & Bute Council**
- **West Dunbartonshire Council**
- **National Park (in both above)**



Any potential development sites must form part of the above planning authorities' adopted Local Plan, with any sites or areas being supported through the Local Authority Strategic Local Programme (SLP) and Strategic Housing Investment Plan (SHIP).

Through any development programme period (normally 3 years) quarterly programme meetings will be held with each Local Authority and the Scottish Government to appraise current development activity and identify areas and sites for future development that meet the requirements and needs of each individual Local Authority.

Full support for any development activity from each Local Authority and Scottish Government must be gained before detailed work is undertaken on any development opportunity.

#### 4. Meeting Housing Need & Demand

Local authorities are required to prepare a Housing Needs and Demand Assessment (HNDA) to plan for future housing needs. The HNDA allows local authorities to consider and prioritise housing demand by local area and this information forms part of their adopted Local Housing Strategy (LHS). The delivery vehicle for the LHS is the council's SLP. The SLPs are reviewed annually to reflect changes in housing demographics and the availability of housing sites to meet housing need. Development activity within each operational Local Authority must be undertaken in line with the adopted Council SLP.

#### COPY OF EACH COUNCIL CURRENT SLP (Summary)

##### Argyll & Bute Council SLP 2021/22-2025/26

Site	Density
Jeanie Deans	12
Helensburgh Golf Club	75

##### West Dunbartonshire Council SLP 2021/22-2025/26

Site	Density
Dumbarton Harbour Phase 1 & 2	150
Dumbarton Cottage Hospital	10
Golfhill Drive, Dalmonach Dalmonach	7
Dumbain Road, Haldane	39

\*WDC agreed for Dumbarton Harbour Phases 1 & 2 to be brought together with a total of 150 units.

#### 5. Providing Particular Needs Housing

DHA will work closely with Local Authorities to continue to identify opportunities to provide wheelchair and particular needs housing. Our aim is to provide at least 10% of wheelchair housing on all our developments; working with the Local Authorities to identify service users where possible and thereby provide bespoke solutions to specific housing needs.

## **6. Impact of Welfare Reform**

Notwithstanding the broad range of reform across the welfare system, the potential impact of Housing Benefit changes alone has a significant part to play in how we develop affordable housing in the future. The Association has traditionally moved away from providing large numbers of smaller sized properties because of the lack of flexibility and sustainability of tenure it provides, however this approach will need to be reviewed on a scheme by scheme basis in order to address any shortfalls in house sizes arising from welfare reform and under-occupation for new and existing tenants (requiring to transfer). We are also likely to see a reduction in demand for larger properties because of the impact of under-occupancy rules.

## **7. Development Funding for Housing Projects**

The Scottish Government's affordable housing delivery plans are almost entirely dictated by local authority SLPs from a single stream of funding with an agreed 3 year programme commitment. Traditional Private finance is available but at higher margins combined with arrangement fees, making the cost of borrowing and the subsequent development product more expensive. It may be a requirement for the Association to consider alternative funding solutions for future development with the preferred option being in line with current policy of private lending. Current and preferred funding options are:

- Scottish Government Affordable Housing Supply Programme Grant
- Council Strategic Housing Fund (where applicable)
- Private Finance Loans
- Use of own resources (where applicable)
- On lending from local authorities

Funding has become the pivotal element of any development strategy and has dictated to some degree the direction, tenure profile and potential volume of the Association's proposed development programme.

## **8. Development Design**

Funding challenges and external factors are not the only issues influencing this Strategy; the Association's 2020 Design Guide sets out a design vision which firmly establishes places that people want to live as an overriding aim. The Design Guide underpins our commitment to high quality design and will be utilised in all development activity.

## **9. Modern Methods of Construction and Lower Impact on Carbon Requirements**

DHA will adopt an approach to investigate and where practical and beneficial adopt the principles of Modern Methods of Construction to determine any emerging cost benefits from standardised volumetric construction both as a mitigating action for cost and lower carbon requirements.

Changes in Building Standards from 2021 are impacting on construction costs. The requirements of the revised Building Standards and the energy efficiency standards of funding organisations are contributing to a rise in the cost of superstructure, however the Association recognises the importance of looking to develop modern homes with low carbon footprints.

## **10. Risk Management**

Changes in government subsidy levels have escalated the potential requirements for front funding by the RSLs more so in relation to the early stages of the development process (prior to tender approvals). There is also still the ability to look to recover unforeseen costs at post completion stage, however this may be harder to secure.

Due to the particular risks associated with housing development projects, and in accordance with DHA's Risk Management Plan, risk assessments will be undertaken for all development capital expenditure projects. Procedures are in place to ensure all potential areas of risk are identified and that the necessary controls are in place to manage risks throughout the project.

There are three risk assessment stages: re-Acquisition, Pre-Tender Acceptance and On-site

Risk assessments cover the following areas:

- External - site, environmental and demographics
- Financial - project and overall financial implications
- Regulatory - legal issues and statutory approvals
- Operational - project management and procurement
- Reputational – strategic objectives, policies and adverse issues (including public opposition)
- Marketing review and demand

## **11. Procurement**

Procurement for any development activity will be undertaken in line with the Association adopted Procurement Manual 2017. The Manual sets the overall framework for:

- How we will decide the appropriate procurement strategy for different types of purchasing;
- How we will manage the selection and appointment of consultants, contractors and suppliers; and
- Monitoring, control and risk management.

The objectives of the Manual are:

- To ensure that DHA obtains the best quality and value for money in all of its procurement activities.
- To manage procurement and purchasing activities in a transparent way, ensuring the highest standards of accountability and probity.
- To ensure DHA always complies with its legal obligations and regulatory requirements; see separate procedures on Deterrence of Fraud and errors Corruption, and Bribery (Bribery Act 2010).
- To support the efficient and effective delivery of DHA's services and the management of its overall business.

## **12. Land Acquisition/ Landbank**

The Housing (Scotland) Act 2001 has a requirement for local authorities to prepare a Local Housing Strategy (LHS) with one of the functions being to assess housing need and demand. Local authorities have a long standing strategy which has consistently favoured the development of brownfield sites over new greenfield. A Council's HNDA is an overarching document that informs both the LHS and SLP. Any development sites that are identified for potential development need to be supported by the relevant Local Authority and either form part of current SHIP or future SHIPs.

Priority sites to be developed first will be those held by the Association. This is required to utilise sites for housing and minimise risk of future clawback for Housing Grant used to acquire sites. Sites that are identified for potential development need to be discussed early on with the Scottish Government and Local Authority to assess how they may fit in with current or future Housing Investment Programmes. Prior to any detailed feasibility work undertaken on any sites they will be presented to the Association's Board of Management with initial information and comments from Local Authorities and Scottish Government to assess probability of forming part of future development programmes.

The Association undertakes a robust appraisal process when approving a scheme for development. The Board of Management see a full development appraisal including key criteria to be defined by them but as a minimum including an NPV (Net Present Value) and measures and parameters that must be met. This allows the Board of Management to determine the viability of the scheme on a stand-alone basis. The Board will also consider the scheme's impact on 30 year cash-flows if the scheme is not viable on a stand-alone basis.

<b>Current Landbank</b>	<b>Density</b>	<b>Plan to Develop</b>	<b>Comments</b>
Donich Park, Lochgoilhead	6	2024	Opportunity for extension
Golfhill Drive	5-7	2021-2022	Opportunity for redevelopment of brownfield site
18T, Helensburgh	16	2021-2022	Planned for 2021

### **13. Site Feasibility Procedures**

Sites identified by the Association to be taken forward to a feasibility stage will have an initial site appraisal in terms of development ability and as early as possible in the process an estimated financial cost appraisal will be undertaken and assessed by development staff, consultants and the Association's finance staff. This will also include discussion with housing management staff in relation to the house mix being proposed by the Local Authority.

Any proposed development sites should be assessed in terms of their individual financial viability taking into consideration available Housing Grant, whilst ensuring that levels of private finance are affordable to individual tenants (rent levels) and fit with the Associations internal financial business plan. This will identify which developments are taken forward and their timing/phasing if deciding to progress with any developments (one at a time or overlapping developments).

### **14. Funding Feasibility Costs**

Dunbritton Housing Association makes provision annually for abortive feasibility costs, reflecting the "at risk" environment which the new grant bidding system has created, as projects have to be worked up further at risk. The purpose of the budget is to allow the development consultant to appoint consultants to undertake professional services to assess the viability of development opportunities and carry out due diligence. This is an integral part of the risk assessment process to allow the Management Board to decide if they wish to take projects forward.

Feasibility costs are wrapped up in general project expenditure once it has been approved for inclusion in a Local Authority programme (or permission sought to write off, if they are not). The nature of the programme is such that most of the current feasibility costs have been offset to approved project status.

### **15. Development Procedures for Active Sites**

Once a site has been identified and feasibility studies have been undertaken successfully and reported to and approved by the Board of Management the

development can be taken forward. The following is a summary of the key stages for each development project and who is responsible for progressing or agreeing key actions:

- Procurement of Design Team - Appointments approved by DHA
- Outline Design – Approved by DHA
- Revised Financial Appraisal – Approved by DHA
- Detailed Design – Approved by DHA
- Procurement of Contractor – Approved by DHA
- Detailed Tender/Costings –Approved by DHA
- Tender Applications – Approved by Scottish Government/Councils
- Detailed Financial Information Issued to DHA Finance Department to Secure Private Finance – Approved by DHA
- Secure all Necessary Development Funding – Approved by DHA
- Approval from Committee to Award Contracts – Approved by DHA
- On Site Development Activity – Responsibility of Development Consultant
- Development Progress Reports to Sub-Committee – Approved Quarterly by DHA
- Completion of Development – Responsibility of Development Consultant

The above procedures follow good practice and guidance in terms of identifying key development stages and will be undertaken in line with the Associations adopted policies for Development activity (See Development Manual 4: Development Procedures).

## 16. Board Reporting

Quarterly cash flow updates of the annual cash flow and quarterly development progress reports will be provided to the Board of Management along with quarterly management accounts. These will highlight variance in the expected and actual position.

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The Board of Management will consider detailed development financial appraisals on a scheme by scheme basis prior to acquisition and at the outline design stage.

### **17. Future Development Activity**

The Association will endeavour to work with Local Authorities and the Scottish Government to promote and deliver projects to communities which are identified through the Local Authority SLP's and as such will promote future funding from the Scottish Government for any such developments. This will be undertaken in strict accordance with the Strategy set out within this document.

### **18. Working in partnership**

Partnership working in development is complex and requires our commitment, energy, focus and patience to achieve results. It also requires specific skills and we will identify best practice in partnership working with both the private and public sectors. The Association is committed to continue to improve the range and quality of services provided to our external customer base and acknowledge that, in the future, more partnership approaches to development may be required with other RSLs or developing organisations.

### **19. Wider Role & Community Regeneration**

Across Scotland there has been a significant amount of investment in regeneration over many years. DHA has made meaningful and sustainable positive differences to many individuals and communities through its wider role programme. In December 2011, and in recognition that too many communities continue to suffer the effects of deprivation and disadvantage, the Scottish Government launched the new 'Achieving a Sustainable Future' – Regeneration Strategy, defining regeneration as;

“the holistic process of reversing the economic, physical and social decline of places where market forces alone won't suffice”.

DHA will continue to deliver a wider role and community regeneration programme to support its development activities. Reference should be made to the Association's Wider Role Strategy.

#### **Related Development Procedures**

The development strategy is interlinked with the following adopted development procedures:

Document 1:	Design Guide
Document 2:	Procurement Manual
Document 3:	Development Strategy
Document 4:	Development Procedures
	Site Evaluation and Acquisition
	Risk Assessments of Development Opportunities
	Development Submissions to Scottish Government

Development Cost Control and Reporting  
Handover Procedures  
Compliance with CDM Regs  
Equal Opportunities in Development

## **20. Equality and Diversity**

20.1 As a service provider and employer we recognise the requirements of the Equality Act 2010, oppose any form of discrimination and will treat all customers, internal and external, with dignity and respect. We recognise diversity and will ensure that all of our actions ensure accessibility and reduce barriers to employment and the services we provide.