

HOUSING SUPPLY DIVISION GUIDANCE NOTE

To: All Local Authorities
All Registered Social Landlords

Subject: Affordable Housing Supply
Programme – Process and Procedures

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This guidance note sets out the process and procedures for the operation of the main part of the Affordable Housing Supply Programme (AHSP) and supersedes HSGN 2012/06 (and those sections within HSGN 2013/02 which makes specific reference to the preparation of Strategic Local Programmes).

A glossary of the acronyms used within this guidance note and a brief description of the documents referred to are attached at Appendix 1 and 2.

You will find a copy of this guidance note on the Scottish Government website at

<http://www.scotland.gov.uk/Topics/Built-Environment/Housing/investment/guidancenotes>

If you have any queries on the contents of this Guidance Note, please contact your local Scottish Government Housing Supply Area Office, or in the case of Edinburgh and Glasgow the City Councils. Throughout this guidance note the term “grant provider” is used. This refers to your local Scottish Government Housing Supply Area Office, or in the case of Edinburgh and Glasgow, the City Councils.

AFFORDABLE HOUSING SUPPLY PROGRAMME

PROCESS AND PROCEDURES

1. OVERVIEW

- 1.1 We recognise the importance of good partnership working in the delivery of affordable housing. This guidance outlines the distinct roles and responsibilities of Registered Social Landlords (RSLs), Local Authorities (LAs) and Scottish Government in that delivery and clarifies the process for agreeing Strategic Local Programme Agreements (SLPAs). The guidance also sets out the current process and procedures for the Affordable Housing Supply Programme AHSP¹.
- 1.2 AHSP subsidy is available to support council social rented and shared equity housing and Registered Social Landlord (RSL) homes for social rent, mid-market² rent (through an RSL subsidiary) and low cost home ownership including improvement for sale. Projects could also involve the improvement/rehabilitation of empty homes which are acquired by a local authority or an RSL. In addition where it can be demonstrated that the use of grant to acquire housing for rent “Off the Shelf” is the most appropriate method of meeting the housing needs identified for that particular area, and is consistent with the priorities identified in the local authority’s SHIP, AHSP subsidy will be available to fund these, up to a locally agreed limit per annum.
- 1.3 RSLs may also apply for funding to cover Stage 2 adaptations³ and if considered eligible under current guidance, grant funding will be available from local Resource Planning Assumptions (RPAs) to cover 100% of the cost of the adaptation. Funding for Stage 3 adaptations is met from a separate central ring-fenced budget and not from RPAs.
- Separate guidance is available on our website covering the eligibility and funding of both Stage 2 and Stage 3 adaptations.
- 1.4 Guidance on benchmark grant and rent assumptions (issued annually and reviewed on a regular basis) is available on the Scottish Government website.

¹ Separate Scottish Government financial support will continue to be provided on a number of centrally managed AHSP programmes including Open Market Shared Equity, existing and future innovation programmes such as the National Housing Trust initiative, the Home Owners Support Fund and, the Glasgow Housing Association programme.

² Mid market rent is sometimes referred to as “intermediate” rent.

³ Stage 2 adaptations are adaptations to a property to suit the particular requirements of the tenant to whom it has been allocated before, or close to, practical completion of construction or improvement works. The original contractor may carry out these adaptations.

- 1.5 Housing need and demand assessments undertaken by local authorities provide the evidence base upon which housing supply targets are defined in local housing strategies. SHIPs, developed in consultation with local delivery partners, should detail priority projects which will meet the need as identified by the housing need and demand assessments and set out within Local Housing Strategies.
- 1.6 Based on the minimum likely Resource Planning Assumption (RPA) for their area, local authorities are required to agree and approve 5 year local programme priorities as part of their Strategic Housing Investment Plans (SHIPs). The local programmes identified must include additional priority projects capable of being brought forward should slippage occur or additional funding become available. We recommend that, where possible, a slippage factor of 20% be applied to the programme.
- 1.7 We wish to continue to support a range of provision including specialist provision, housing in rural areas and housing in regeneration areas consistent with Local Housing Strategy priorities.
- 1.8 Submitted every two years, council-approved SHIPs will be used by Scottish Government to draft SLPAs for discussion with all local delivery partners and for final agreement with local authorities. TMDF authorities will draft their own SLPAs for agreement with Scottish Government.
- 1.9 Once agreed, SLPAs will form the basis of individual RSL and LA programme agreements and become the overarching AHSP working document at a local level. SLPAs will be treated as working programme planning and management documents to be updated regularly to reflect progress made and any revisions to programmes.
- 1.10 As a minimum, SLPAs will be fully revisited and reissued annually to enable the programme to roll forward and to maintain a minimum 3 year programme planning horizon. In years where a new SHIP has been produced, the new SLPA will be based on the new SHIP. In other years, the roll-forward of the SLPA will draw information from the existing SHIP.

2. ROLES AND RESPONSIBILITIES

- 2.1 Underpinning the AHSP process is an understanding that programmes and projects will be developed following partnership working and appropriate engagement with the local community (e.g. via tenant forums, local surveys, community council discussions etc.). Evidence of this should be provided at SHIP, SLPA and individual project submission stages.

Local Authorities

- 2.2 As part of their strategic role, local authorities should work in partnership with RSLs and industry partners to agree deliverable programme priorities for inclusion in their SHIPs.
- 2.3 SHIP and SLPA discussions should include options for programme procurement and delivery, opportunities to develop mixed tenure sites jointly with partners, land availability, and reflect known examples of good development practice.
- 2.4 Local authorities should engage regularly with Scottish Government and RSLs to oversee progress against the SLPA and this should be done through regular joint programme meetings or other locally agreed mechanisms. As a minimum, this should happen at 6 monthly intervals.
- 2.5 For council new build programmes, local authorities should ensure that all appropriate project submissions, claims for payment of grant and notification of key dates are made timeously to the Scottish Government local area team. Local authorities should nominate a lead council officer to oversee this process and to update Scottish Government regarding any programme delays, slippage, or opportunities to accelerate projects.

Scottish Government - in non-TMDF areas

- 2.6 Scottish Government has lead responsibility for the SLPA process and will work closely with local authority and RSL partners in developing SLPAs for each local authority area.
- 2.7 Responsibility for managing and monitoring the SLPAs will rest with Scottish Government and will involve regular joint programme meetings (or other locally agreed mechanisms) with all parties. As a minimum, this should happen at 6 monthly intervals. No projects will be added or removed from the SLPA without prior discussion with the relevant local authority.
- 2.8 Scottish Government has responsibility for project appraisal, approval, payment of grant, programme monitoring and management and post completion processes.

TMDF Authorities

- 2.9 TMDF authorities have lead responsibility in drafting their SLPAs but should discuss and agree the SLPA with Scottish Government.
- 2.10 Responsibility for the on-going managing and monitoring of the SLPAs rests with the TMDF authorities.
- 2.11 TMDF authorities have responsibility for project appraisal, approval, payment of grant, programme monitoring and management and post completion processes in their relevant local authority area.

2.12 TMDF authorities should keep Scottish Government regularly informed of progress against delivery of their SLPAs. Information should be provided at key stages as required for SG corporate reporting and official statistics.

RSLs

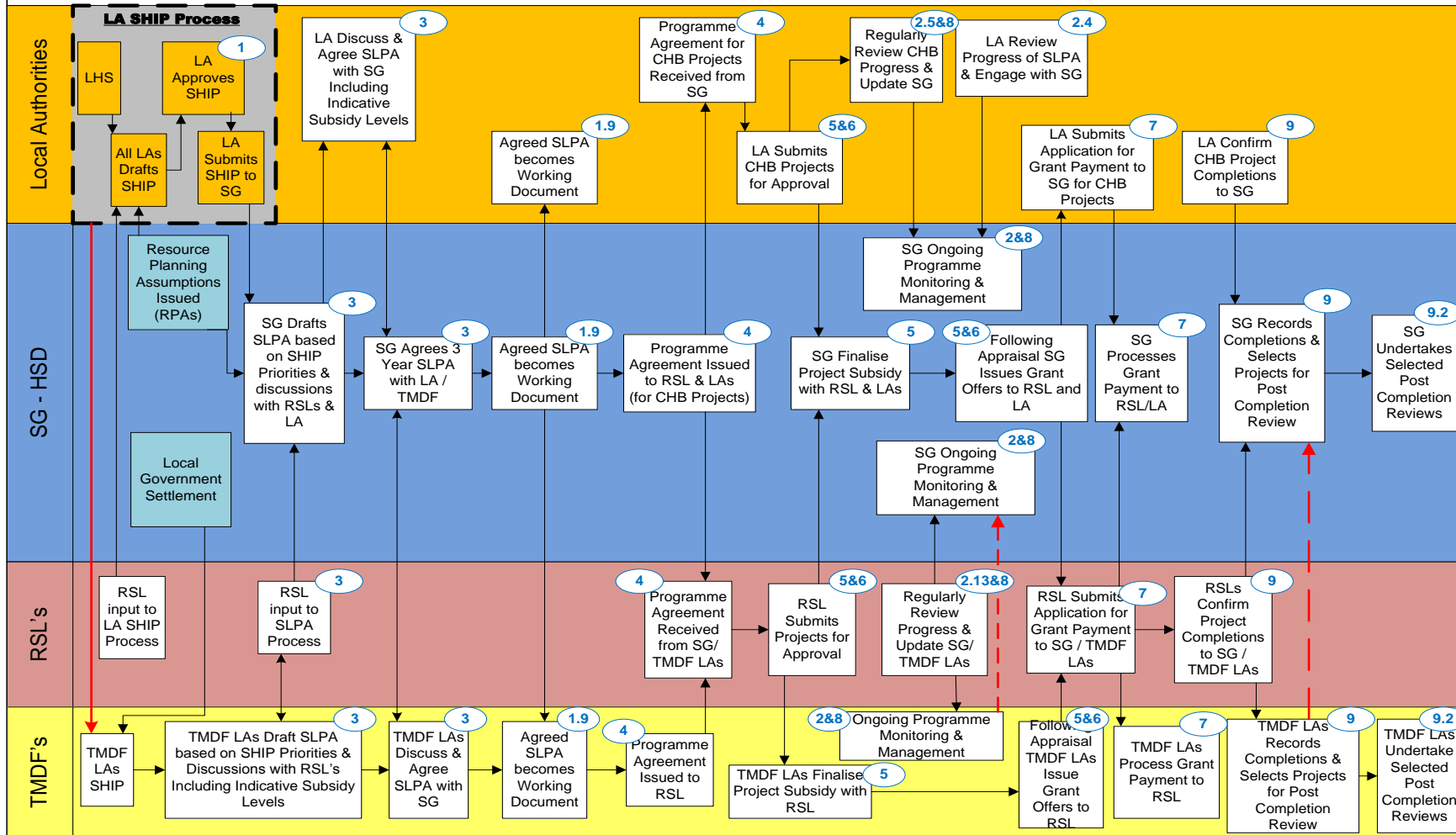
2.13 All RSLs with an interest in development have a responsibility to engage with the relevant LA and Scottish Government to ensure the strategic fit of and support for their proposals. Once proposals are accepted RSLs should liaise through regular joint programme meetings or other locally agreed mechanisms. As a minimum, this should happen at 6 monthly intervals. RSLs should ensure that all appropriate project submissions and claims for payment of grant are made timeously to the Scottish Government local area team or TMDF authority. Both the LA and SG should be notified of any programme delays, changes to proposals etc.

PROCESS

From the AHSP budget, councils receive notification of the Resource Planning Assumptions (RPAs) for their local areas. RPAs are the likely amount of Scottish Government funding against which local programmes should be planned. The process for developing Strategic Local Programme Agreements (SLPAs) and delivering the AHSP is outlined in this guidance, a summary of the process is provided on the chart on the next page.

SG Housing Supply Division – AHSP Process

○ Guidance Note Reference



3. STRATEGIC LOCAL PROGRAMME AGREEMENTS (SLPAs)

Local Authorities

- 3.1 Based on their local RPAs and agreed forward planning assumptions, each council will submit to the area team every 2 years its SHIP, setting out a clear programme of potential AHSP projects for the next 5 years. The SHIP will be used to form the basis of a 3 year Strategic Local Programme Agreement.
- 3.2 It is expected that all delivery partners (local authorities, RSLs and private developers) will be engaged in the identification of potential priorities and consulted on the proposals as part of the SHIP and SLPA development processes.
- 3.3 Local authorities and the Scottish Government will liaise and agree annual spend profiles. SLPAs will be prepared by Scottish Government reflecting existing carry-forward commitments, new planned priority projects and additional capacity in the form of a pipeline of projects taken from the SHIP, which could be interchanged as required to compensate for potential slippage or accelerated should additional monies become available.
- 3.4 The Council's approved SHIP will normally be the source of any additional projects which require to be brought into the SLPA and as part of the SHIP sign off process, council officials should, where possible, get delegated authority to assign agreed SHIP projects as required for SLPAs. These decisions will be taken jointly between SG and LA officers and discussed with the appropriate delivery agent. Any windfall projects that post-date the SHIP submission should be assessed in line with LHS strategic priorities before being added to the programme.
- 3.5 If slippage in local programmes is unable to be absorbed by deliverable SHIP priorities in that council area within the current financial year, the Scottish Government reserves the right to reallocate these resources. Where possible, the Scottish Government will seek to manage resources across council areas and future years to ensure alignment with RPAs over the long term. However, no guarantee can be given that funding will be increased in future years to compensate for any previous reallocation of funds.

Scottish Government – in non-TMDF areas.

- 3.6 Scottish Government will draft the local authority's SLPA proposal to reflect existing carry-forward commitments into future years and SHIP priorities. Scottish Government will also ensure that the overall balance of the programme, the respective subsidy levels for council and RSL projects, the mix of developers in each area and other matters are in line with the Scottish Government's national targets for housing supply.
- 3.7 On completion of discussions with RSLs and local authorities and following agreement with individual local authorities on projects to be included within SLPAs the Scottish Government will issue SLPAs to each local authority

confirming overall planned programme details and requesting their acceptance to them. The SLPAs will include details of the proposed developer, location, number of units, tenure, house type, whether general or specialist provision, greener standards, submission dates, site start and completion dates, indicative annual subsidy requirements for individual projects and the overall annual RPA profile. The proposals in the SLPA will be based on the intentions of the local authority as set out in its Local Housing Strategy and SHIP and agreed in discussions with the Scottish Government.

- 3.8 Responsibility for managing the AHSP and approving grant subsidy remains with the Scottish Government. Where planned programmes include RSL projects the Scottish Government area teams will use regular programme meetings, or other locally agreed mechanisms, to engage with RSLs. Local authorities will also be invited to attend these meetings.

T MDF Authorities

- 3.9 Based on their Local Government Settlement figures and agreed minimum forward planning assumptions, T MDF authorities will, every 2 years, submit to the Scottish Government area team their SHIPs including a clear programme of potential AHSP projects for the next 5 years.
- 3.10 T MDF Authorities will draft their 3 year SLPA proposal to reflect both existing carry-forward commitments into future years and SHIP priorities. In drafting SLPA proposals there should be an opportunity for RSLs and other delivery partners to input to the process.
- 3.11 T MDF authorities should ensure that the overall balance of the programme, the respective subsidy levels for council and RSL projects, the mix of developers in each area and other matters are in line with the Scottish Government's national targets for housing supply.
- 3.12 The SLPAs will include details of the proposed developer, location, number of units, tenure, house type, whether general or specialist provision, greener standards, submission dates, site start and completion dates, annual subsidy requirements for individual projects and the overall annual RPA profile.
- 3.13 SLPAs should be agreed with Scottish Government and then used as a working document to manage the local programme.
- 3.14 Where planned programmes include RSL projects, T MDF authorities will arrange regular programme meetings or agree other local arrangements with the appropriate RSL to allow opportunities to review progress at least every six months. T MDF authorities will lead on RSL programme meetings, programme management and grant approval within their geographic areas.

4. PROGRAMME AGREEMENTS FOR RSLs AND LOCAL AUTHORITIES

- 4.1 Following agreement with the local authority on the Strategic Local Programme Agreements, the grant provider will aim to issue individual

programme agreements to both local authorities and RSLs by the end of May of each year. These annual programme agreements will notify councils and RSLs of their annual grant planning targets over a three year period.

- 4.2 The programme agreements will confirm anticipated project costs, maximum grant allocation, units, tenure mix and type, grant submission date, start and completion dates. At this stage RSLs and LAs will also be advised if projects can expect to be streamlined. This will be for projects achieving benchmark and requiring limited grant provider's assessment, based on the minimum standards of compliance with benchmark rent, physical quality standards and benchmark subsidy. TMDF authorities will lead on issuing RSL programme agreements for their geographic area.
- 4.3 Where a project is identified in individual programme agreements and the grant funding required is at or below benchmark, funding can be approved providing no changes have occurred between programme agreement and submission stage. The grant applicant should proceed to project submission stage on the basis of the details and timetable outlined in the programme agreement.
- 4.4 Where a project is identified in the programme agreement but cannot be taken forward within benchmark there can be no presumption that grant approval will be issued. Projects in this position will be subject to more detailed scrutiny, which may include a technical evaluation, by the Grant Provider to determine value for money. Additional information may be requested to enable completion of this appraisal. Separate detailed guidance (Application of Benchmark Grant and Rent Assumptions and Treatment of Variations to Benchmarks and cost Overruns) is available on processes in place for those projects requiring above benchmark grant levels.

5 PROJECT SUBMISSION AND APPRAISAL PROCEDURES

- 5.1 Following receipt of programme agreements, individual project submissions should be returned by LAs and RSLs to Scottish Government area office teams or in the case of Glasgow and Edinburgh to the city councils in line with the terms of their agreement and using the relevant standard application forms.
- 5.2 Prior to Tender Application stage, and to enable a site acquisition to proceed, there is the opportunity to submit an Acquisition Application to allow an acquisition offer of grant to be issued.
- 5.3 Where projects have already received grant funding through AHSP or its predecessor programmes this will be taken into account in the assessment process and will be deducted as part of the project's grant requirement.

Subsidy Benchmarks

- 5.4 There is a range of subsidy benchmarks designed to reflect differentials between tenures, energy efficiency standards, and geographic location. Guidance on the current subsidy benchmarks is available on the SG website and will be updated annually (Application of Benchmark Grant and Rent Assumptions and Treatment of Variations to Benchmark and Cost Overruns).
- 5.5 It is expected that the majority of projects will fall within the appropriate current benchmark subsidy level, as detailed in our current benchmark guidance. Projects which do not meet the appropriate subsidy level will be subject to more detailed scrutiny.
- 5.6 In assessing projects above benchmark the Grant Provider will consider strategic fit, evidence of costs and evidence that borrowing capacity has been fully utilised/maximised. Where necessary this will include a detailed technical appraisal of all project costs.
- 5.7 Any requests for over benchmark subsidy will be discussed and agreed with the local authority. The current annual benchmark grant guidance provides more detailed guidance on dealing with requests for variances to benchmark grant.
- 5.8 No benchmark has been set for shared equity units however we would expect the Scottish Government's contribution, except in exceptional cases, to be lower than £40k. For shared ownership units, the Scottish Government will continue to encourage proposals requiring no subsidy or minimal grant but we will retain flexibility to provide grant up to a maximum of £20,000 in certain circumstances.

Benchmark Rents

Local Authority Social Rent Benchmark

- 5.9 Rent levels should strike an appropriate balance between being affordable, reflecting local market conditions and contributing to the cost of the house both in capital and revenue terms.

RSL Social Rent Benchmark

- 5.10 If the current published 3p social rent benchmark is exceeded by more than 5%, the RSL must justify to the council and to the Scottish Government why the proposed rent is considered affordable. Approval of rents exceeding benchmark by more than 10% will be given only in exceptional circumstances. Justification for variations in excess of 5% or 10% may, for example, include reference to market conditions in the geographic area or the energy efficiency of the new properties.

- 5.11 RSLs are required to confirm that social rents are in line with their own rental policy and may be required to provide confirmation from the local authority that the rents are affordable for households within the local area.
- 5.12 Guidance on benchmark social rents assumptions is available separately and reviewed annually.

RSL Mid-market Rent Benchmark

- 5.13 Mid-market rents must be in line with the applicant's rental policy and be affordable to households from the proposed target tenant groups. Mid-market rents must also not exceed the relevant Local Housing Allowance rate at the property's **first** let. Rents can then increase annually provided that they do not exceed the median point of the relevant Broad Rental Market Area (BRMA).
- 5.14 RSLs should contact their local Scottish Government area team to obtain details of median rent levels for the BRMA within which mid market rent provision is being planned. Where it can be evidenced that particular local sub-market area conditions are substantially different from the BRMA median, then there is scope for local discretion to be exercised following discussion and agreement with the council and the Scottish Government or, in the case of Glasgow and Edinburgh, with the agreement of the relevant city council.

Private & Other Finance

- 5.15 **RSLs only** – Confirmation should be submitted at SLPA stage that sufficient borrowing capacity or reserves exist to ensure delivery of the proposed development programme, detailing all sources of additional funding. At project submission stage all sources of additional funding should be detailed.
- 5.16 **LAs only** - Councils should confirm at SLPA stage and with project submissions that they have prudential borrowing capacity and/or other available resources to fund the new housing; that resources are not needed for other purposes (e.g. to meet the Scottish Housing Quality Standard); and that committing funds to a new build programme does not compromise the sustainability of the Housing Revenue Account.
- 5.17 Scottish Ministers are aware of changes to RSL financial arrangements in relation to borrowing and accepts that there is a role within this context for councils to support the RSL sector. Limited flexibility is now available to enable councils to on-lend to RSLs or an RSL subsidiary; however this flexibility does not place any requirement on councils to lend to RSLs. In the longer term it is considered essential that the general presumption remains that RSLs borrow from the private sector. Any proposal by councils to on-lend to an RSL or an RSL subsidiary should support the housing development priorities as set out in the council's SHIP.

Details of the approved scheme can be found on the Local Government Finance website:-

<http://www.scotland.gov.uk/Topics/Government/local-government/17999/11203>

5.18 The Scottish Government is also committed to supporting innovative models and approaches to investment in new affordable housing for rent. These typically involve long lease models alongside annuity funds or other institutional investment; require no direct subsidy, or require subsidy at below benchmark levels; offer rents at recognisably affordable levels; and have commitment to delivery from either housing associations or local authorities. The Scottish Government will engage with innovative proposals like this if suitable progress can be demonstrated with the underlying model and delivery arrangements. A pre-assessment tool is available on the Scottish Government website, link below, to help parties determine their progress and highlight areas that would benefit from additional work before approaching the Scottish Government.

<http://www.scotland.gov.uk/Topics/Built-Environment/Housing/Pre-Assessment-Tool>

5.19 Where such projects are to be supported with subsidy from local RPAs, development proposals brought forward for consideration should fit with the LHS/SHIP priorities.

5.20 While the balance of provision is a strategic matter for the council to consider, RSLs and councils are actively encouraged to pursue innovation opportunities such as these.

6. GUIDELINES

6.1 *Deliverability*

6.1.1 Land availability and deliverability is an important element and so project submissions should include information regarding planning permission (e.g. outline, detailed, applied for or received), whether the site is zoned for housing in the current development plan and/or has any planning obligations such as Affordable Housing Policy requirements, Section 75 etc. This information should be included within the Acquisition/Tender application.

6.1.2 Project submissions should also include information on whether the land to be developed is owned outright by the council or an RSL. If not yet in ownership, full details of the stage reached in negotiations should be submitted.

6.2 *Housing Quality and Design*

6.2.1 It is anticipated that the majority of each local programme will comprise additional homes and not units currently in Council or RSL ownership. However, remodelling/reprovisioning/rehabilitation of existing homes, as well as “Off the Shelf” purchasers may also be included where this is a strategic priority.

6.2.2 Units will be built to comply with all approved applicable Building Regulations as required by law and will include all Housing for Varying Needs (HfVN)

Essential Features as set out in Communities Scotland Guidance Note 2004/12.

- 6.2.3 Off the Shelf purchases of new build stock will be eligible for grant funding and should be capable of achieving 2010 Building Standards.
- 6.2.4 Projects should be designed with reference to the Scottish Government's design and placemaking policies, Designing Places, Designing Streets and Creating Places. These can be accessed at the links below:-

<http://www.scotland.gov.uk/Topics/Built-Environment/AandP/AandPdgn>

<http://www.scotland.gov.uk/Publications/2013/06/9811>

Projects should also be designed in accordance with the Place Standard when this has been fully developed.

Projects may also make reference to the document "Delivering Better Places in Scotland: A guide to learning from broader experience. A copy of the guide can be found on the Scottish Government's website:

www.scotland.gov.uk/Publications/2010/12/31110906/0

- 6.2.5 The supply of new affordable housing that is energy efficient for householders is a high priority for the Scottish Government. Within any future developments we would therefore encourage all projects to meet a higher energy efficiency standard. To incentivise delivery of new homes which meet a greener standard, higher subsidy benchmarks for new council and housing association homes are available. To qualify for higher subsidy, the building standards for the new homes must meet Section 7, Silver Level, of the 2011 Building Regulations in respect of both Carbon Dioxide Emissions and Energy for Space Heating. The relevant benchmark grant levels are detailed in the annual benchmark guidance issued for the current year.
- 6.2.6 RSLs or councils requesting the higher greener subsidy must attach to their application form the Building Warrant and Appendix 4 of the building warrant confirming that the above standard will be achieved.
- 6.2.7 Projects using existing buildings should maximise energy efficiency and accessibility, as far as is practicable. Evidence of this should be provided in the submission for example with reference to accessibility. The HfVN Design Guide, Section 20.1 - Refurbishment, should be referred to.
- 6.2.8 In the case of empty homes projects, where there are particular exceptional reasons why homes cannot meet Housing for Varying Needs or current energy efficiency standards, projects may still be eligible for funding if the reasons are set out and levels of energy efficiency of the homes will still be significantly improved by the project. These will be subject to agreement by the Grant Provider depending on the individual project circumstances. The Grant Provider will also consult with the local authority before making a decision.

6.3 Tenure

6.3.1 AHSP subsidy is available to support council social rented and shared equity housing as well as Registered Social Landlord (RSL) homes for social rent, mid- market rent (through an RSL subsidiary) and low cost home ownership, including improvement for sale. Projects could also involve the improvement/rehabilitation of empty homes which are acquired by a local authority or an RSL.

Social Rented Housing

6.3.2 Whilst wishing to achieve a balance of tenures, Scottish Government intends that the majority of AHSP funding will be directed towards social rented housing.

6.3.3 All social housing will be managed under Scottish Secure Tenancies. Where this is not proposed full discussions must be held with the Scottish Government to gain agreement on the future tenancy arrangements for the project. In addition, management must be consistent with existing stock management and maintenance approaches.

Shared Equity

6.3.4 For new supply shared equity (NSSE), we expect homes to be affordable, given local market conditions, to households on low to moderate incomes. Buyers' stakes are 60-80% with the Scottish Government holding the remaining share under a shared equity agreement which it will enter into with the shared equity owner.

6.3.5 The Grant Provider may however agree to reduce the minimum equity stake to 51 per cent. This is likely to apply where a housing market is particularly pressured, or where people with particular housing needs have identifiable additional housing costs.

6.3.6 For new supply shared equity projects within regeneration areas the Grant Provider can consider flexibility the minimum equity stake requirement for existing owner occupiers whose homes are scheduled for demolition, in line with published guidance, available on the Scottish Government website.

6.3.7 In moving forward with NSSE proposals, councils and RSLs should follow procedures set out in current guidance on the Scottish Government website.

6.3.8 In accordance with current Scottish Government guidance, Scottish Ministers will retain the equity stake in all shared equity properties. Additionally, all grant due for repayment from right to buy sales, shared ownership sales, shared ownership tranching up, shared equity tranching up and shared equity outright sales will continue to be repaid to Scottish Ministers.

Shared Ownership

6.3.9 Proposals for homes for **shared ownership** will, by exception, be eligible for subsidy, subject to local authority support. The Scottish Government has published separate detailed guidance setting out the criteria that should be met by registered social landlords seeking funding for shared ownership.

Improvement for Sale

6.3.10 As long as the housing provided is affordable to the same income groups as shared equity purchasers, **improvement for sale** is also considered an eligible tenure.

Mid-market Rent

6.3.11 We expect the provision of **housing for mid-market rent** which is supported by grant to be for a minimum of 30 years, which is consistent with existing Scottish Government guidance.

7. PAYMENT OF GRANT

7.1 The phased grant payment process for non- TMDF authorities will operate in the following way:-

(i) Each grant offer letter will set out a planned profile of grant payments for the duration of the project.

(ii) AHSP claims will normally be paid on the basis of one claim at acquisition, another claim at the point of receipt of the first valuation certificate (when all pre construction costs would be dealt with) and thereafter at 60 day intervals from the date of that claim until the grant is exhausted. Two exceptions will be made. The first is where a client has acquired a site but has not yet reached the construction phase, one further claim will be allowed in each financial year which will cover verifiable costs incurred in working up the project. The second exception is that if the claim can be made that results in the subsidy for the project being “spent out”, it can be submitted at any time.

(iii) Claims for adaptations will be paid on a calendar quarter basis.

(iv) Claims and all relevant back up should be submitted as an attachment to an email and sent to HSDclaims@scotland.gsi.gov.uk using the updated [grant claim form](#). Claimants should restrict claims to one claim per email. The subject of the covering email should show at least the grant type (AHSP, IIF, etc.), the TRS reference, the amount claimed, and the project name. Failure to submit a claim on this form may result in payment being delayed.

(v) Where it is not possible to submit a claim electronically then the claim should be sent by post to the appropriate area office.

(vi) Claims will only be paid on the basis of **verifiable** costs. These are costs that have some form of third party verification, whether it be an invoice, Statement for Settlement, valuation certificate etc. The practical effect of this is that allowances are neither calculated nor paid.

(vii) It is recognised that some partners may undertake construction projects themselves, either fully in house or by project managing contractors. In the former case we will accept valuations provided by in house Quantity Surveyors. In the latter case we expect to see valuation certificates or invoices from contractors and suppliers.

(viii) Where claims cannot be certified (such as an acquisition) they will be accepted for payment on a claim by claim basis provided that either the Director of Finance or the Director of Housing has certified the claim.

7.2 TMDF authorities may wish to implement this phased approach to the payment of grant or operate their own payment process.

7.3 For innovative or non-standard projects, discussion may take place between the Grant Provider and the grant recipient on revised payment terms which would be reflected accordingly in the grant offer.

7.4 Scottish Government grant which would otherwise be eligible for recycling locally - that is, any grant due for repayment at completion of projects (AHIP projects approved up to 31 March 2011) as a consequence of final account reconciliations (including shared equity projects) - can, following discussion and agreement with the Grant Provider, be recycled to the RSL as a contribution to projects included within the agreed programme. However for the avoidance of doubt, Scottish Government grant due for repayment from right to buy sales, shared ownership and shared equity tranching up and shared ownership and shared equity outright sales must continue to be repaid to Scottish Ministers.

8. PROGRAMME MANAGEMENT AND EXPENDITURE

8.1 With the exception of TMDF authorities Scottish Government will retain overall responsibility for the management of AHSP expenditure.

8.2 RSLs and LAs should provide a monthly profile of project expenditure at the start of each financial year. Any change to the profile or to the overall costs of the project should immediately be notified to Scottish Government or the TMDF authority.

8.3 Likewise any change to the proposed housing mix or agreed key milestones should be notified to Scottish Government or the TMDF authority as soon as known.

9. PROJECT COMPLETION

9.1 Practical Completion Stage

9.1.1 As soon as a project has been certified as complete by the project architect/supervising officer and approved by the local authority for occupation the Grant Provider should be notified immediately.

9.1.2 LAs and RSLs are then required to submit a [Project Completion Form](#) at the practical completion of each grant funded project. For projects comprising only housing for rent this submission should be forwarded within 1 month of the date of practical completion. For projects which include Housing for sale the form should be submitted within 1 month of the date of the last house in the project to be sold or within 3 months of practical completion of the works contract, whichever is earlier.

9.1.3 RSLs requiring additional grant funding to cover unavoidable and unforeseeable cost overruns should attach to their Project Completion Form a formal funding request together with full supporting information as outlined in separate guidance available on the Scottish Government website.

9.1.4 Receipt of this form will enable the Grant Provider to:-

- record that projects developed with grant funding have been successfully completed
- confirm the actual housing and tenure mix and the final costs and funding for the project
- record actual rental values and sales income
- identify whether any grant requires to be clawed back/repaid/increased
- identify which projects could be selected for post completion review

9.2 Post Completion Stage

9.2.1 A proportion of projects will be subject to post-completion scheme review (PCSR) in order to confirm compliance with grant conditions and to promote sharing of lessons learned. Separate detailed guidance will be available.

9.2.2 These arrangements will also apply to TMDF authorities who will undertake the PCSR processes, consistent with the current approach to the devolved management of funding administration.

9.2.3 An annual list of projects which will be subject to review will be issued as part of RSL or LA programme agreements.

Affordable Housing Supply Programme – Process and Procedures Housing Supply Guidance Note – 2014/05

Appendix 1 Glossary of Acronyms

AHIP – Affordable Housing Investment Programme	Superseded in 2012 by the Affordable Housing Supply Programme, the Scottish Government’s Affordable Housing Investment Programme (AHIP) funded both housing for rent and for low cost home ownership. The majority of funding was provided to registered social landlords (RSLs) although the AHIP also provided funding to others including local authorities, individuals and private developers.
AHSP – Affordable Housing Supply Programme	The Affordable Housing Supply Programme is the Scottish Government’s programme for supporting all types of affordable housing, whether through grant, loan, guarantee or receipts. Strategic Local Programme Agreements (SLPAs) for each council are the core of the AHSP and its largest component. Scottish Government Financial support is also provided for a number of centrally managed programmes.
HSGN – Housing Supply Guidance Note	To assist in the delivery of the Affordable Housing Supply Programme the Scottish Government will, as required, publish operational guidance for consideration by registered social landlords and councils explaining new or revised procedures and providing updates existing Scottish Government policies.
HfVN – Housing for Varying Needs	New houses and flats receiving funding support from the Scottish Government should be sufficiently flexible to meet people’s varying needs and should include all Housing for Varying Needs Essential Features set out in Communities Scotland Guidance note 2004/12.
IIF – Innovation and Investment Fund	In 2011 the Innovation and Investment Fund was the principal and largest element of the Scottish Government’s affordable housing supply programme. RSL bids to the short term challenge fund were assessed against a benchmark of £40,000/unit (3p equivalent). Council projects attracted a maximum subsidy of £30,000 per unit.
LHS – Local Housing Strategy	Local authorities are required by law to prepare a local housing strategy supported by an assessment of housing need and demand. Local housing strategies provide the strategic direction to tackle housing need and demand and to inform the future investment in housing and related services across the local authority area. They should cover a 5 year period and be reviewed and updated on a regular basis.
NSSE – New Supply Shared	Under the New Supply Shared Equity Scheme, the Scottish Government gives grants to registered social

Equity	landlords and local authorities to help them build or buy new homes for sale. The New Supply Shared Equity Scheme aims to help people on low to moderate incomes purchase a new build home where it is sustainable for them. The shared equity owner will pay for the majority share in the property (normally between 60 and 80 per cent) and the Scottish Government will hold the remaining share under a shared equity agreement. The interests of the Scottish Government will be secured by a standard security on the property. The New Supply Shared Equity Scheme is part of the range of assistance from the Scottish Government under the Low-cost Initiative for First-Time Buyers (LIFT).
PCSR – Post Completion Scheme Review	Within 12 months of practical completion a sample of projects will be subject to a Post Completion Scheme Review to ascertain whether they met specific project objectives and whether value for money has been achieved.
RPAs – Resource Planning Assumptions	Council and RSL funding streams have been brought together into one budget and from this each council area has combined, annual, Resource Planning Assumptions, normally covering the next 3 years. This gives each council a stronger strategic role, allowing for a sustained, forward-looking, planned and strategic approach to the delivery of affordable homes.
RSLs – Registered Social Landlords	Registered Social Landlords (RSLs) are independent housing organisations registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2001.
SHIPS – Strategic Housing Investment Plans	Councils' Local Housing Strategies and specifically their Strategic Housing Investment Plans (SHIPs), are the key statements of housing development priorities in each local authority area, and will guide the application of government (and other) funding. SHIPS should cover a 3 year period and be resubmitted every 2 years to ensure they remain current.
SLPAs – Strategic Local Programme Agreements	Strategic Local Programme Agreements are issued annually by the Scottish Government to individual councils confirming overall programme details such as project location, number of units, tenure and planned site start and completion dates. Strategic Local Programme Agreements are working programme planning and management documents and are updated regularly to reflect progress made and any programme revisions.
T MDF – Transfer of Management and Development Funding	The Transfer of Management and Developments Funding ('T MDF') is an arrangement whereby the responsibility for funding housing associations and other suppliers is transferred from the Scottish Ministers to local authorities for their respective areas. The only local authorities who have T MDF arrangements with the Scottish Ministers are Glasgow City Council and City of Edinburgh Council.

Appendix 2 Affordable Housing Supply Programme – Process

