Scottish Government
Riaghaltas na h-Alba

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This information can also be accessed via the Affordable Housing Supply Programme: Guidance Notes web page.

Introduction

Housing to 2040 – Scotland's first long term housing strategy – sets out the Scottish Government's ambitions for how it wants the housing and communities of the future to be, with actions on how to achieve that. The strategy shows how integral housing is to the Scottish Government's objectives of tackling poverty and inequality, creating and supporting jobs, meeting energy efficiency and decarbonisation aims as well as fuel poverty and child poverty targets, and creating connected, cohesive communities. That is why A Fairer, Greener Scotland: Programme for Government 2021-22 commits that 110,000 affordable homes will be delivered across Scotland by 2032, with at least 70% of these in the social rented sector and 10% in remote, rural and island communities.

This guidance note therefore (a) details the process for planning the delivery of grant-funded homes for social rent, mid-market rent and new supply shared equity through the Affordable Housing Supply Programme and (b) outlines the procedures to be followed by grant applicants, grant recipients and grant providers when delivering these homes. It supersedes MHDGN 2022/02 and takes immediate effect.

The main changes between this guidance note and MHDGN 2022/02 are as follows:

- an uprated set of affordable housing investment benchmarks is reflected in this guidance note, alongside illustrative examples showing how these work in practice – these benchmarks are 16.9% higher than the previous set (this percentage increase reflects the Scottish Social Housing Tender Price Index for the year to December 2022)

- an additional 'quality measure' benchmark for the installation of electric vehicle charge points has been introduced

- the quality standards that would require to be met when purchasing 'second-hand' residential dwellings with vacant possession have been included

- RSL social rent benchmark assumptions are reintroduced for grant assessment purposes (Annex C), and

- information is provided on the Scottish Government's Heat Network Fund.

In line with the former Cabinet Secretary for Social Justice, Housing & Local Government's letter of 21 February 2023, grant applicants which intend to apply for grant funding through the Affordable Housing Supply Programme from 1 December are reminded that homes within new build and conversion projects will require to contain zero direct emissions heating systems (unless there are compelling reasons why this would not be considered appropriate, or where a valid building warrant application has been submitted prior to that date).

Grant applicants should also note that this guidance note will be updated further over the coming weeks (a) to reflect Fair Work First guidance which will apply to grants awarded on or after 1 July 2023 and (b) to provide guidance on how the Affordable Housing Supply Programme can accommodate the purchase of properties from landlords leaving the private rented sector with a tenant in situ, where this meets a clear strategic purpose and where the tenant is at risk of homelessness. If any grant applicant is looking to explore any such purchases meantime they should continue to contact their local More Homes Division area team office.

Throughout this guidance note the following terms are used:

- ‘grant applicants’ and ‘grant recipients’ – this refers to local authorities, RSLs, local authority arms-length external organisations and RSL subsidiaries, and

- ‘grant provider’ – this refers to Scottish Government More Homes Division area offices or, in the case of Edinburgh and Glasgow, the City Councils (known throughout the guidance as ‘TMDF authorities’).

Any questions about this guidance note should be directed to the relevant grant provider.

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Programme planning

Local Housing Strategies

The planning and delivery of affordable housing is focussed on meeting local needs by supporting the 'right homes in the right place'. Local authorities, as both the statutory housing and planning authority, are responsible for assessing housing requirements and for ensuring appropriate land in the right places to enable the delivery of housing. The 'Local Housing Strategy' sets out the authority's strategic vision for housing, taking into account both national policy objectives and local priorities, based on housing need and demand evidence. As well as its strategic response to national outcomes and national housing priorities, the Local Housing Strategy sets out the approach to meeting other statutory housing responsibilities, including fuel poverty, house condition and homelessness amongst others. It also provides people with a vital opportunity to have their say and influence the future delivery of housing and housing related services in their communities.

The 2001 Housing (Scotland) Act places a statutory requirement on local authorities to prepare a Local Housing Strategy which encourages equal opportunities. In addition, the Equality Act 2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, 2015 and 2016 introduce duties that public bodies are legally required to meet in the exercise of their functions. Local Housing Strategy guidance makes clear that local authorities should ensure that equality is central to all housing and housing services delivery and that the Local Housing Strategy should include a statement that reflects the local authority's commitment to addressing inequalities in housing and should provide details on how this will be achieved. An Equality Impact Assessment must be carried out to inform each Local Housing Strategy, and local authorities are expected to demonstrate how findings from this have translated into priorities and outcomes in the Local Housing Strategy.

Strategic Housing Investment Plans

Strategic Housing Investment Plans are prepared by local authorities annually using the latest known Resource Planning Assumptions. They set out the key development priorities for affordable housing over a five year period in each local authority area and their preparation should be viewed as a corporate activity, with close working relationships being developed between housing, planning, social work and other departments.

Strategic Housing Investment Plans are directly informed by the relevant Local Housing Strategy priorities and are developed in consultation with key stakeholders (collaboration is also expected between local authorities, RSLs, communities, developers, the Scottish Government and other stakeholders). Each Strategic Housing Investment Plan is approved by local Elected Members and (a) reinforces the role of the local authority as the strategic housing authority (b) is expected to align with the priorities and outcomes set out in the Local Housing Strategy and (c) identifies the projects which will be included in Strategic Local Programme Agreements.

Strategic Local Programme Agreements

Non-TMDF authorities

Non-TMDF authorities should submit Strategic Housing Investment Plans to the Scottish Government through the HARP system. Once approved, these Plans will be used by the Scottish Government to create Strategic Local Programme Agreements for discussion with local delivery partners and for final agreement with individual local authorities[1]. When preparing Strategic Local Programme Agreements, the Scottish Government will ensure that the overall balance of the programme is in line with its national targets for affordable housing supply.

[1] It is expected that local authorities will engage and consult with all delivery partners on Strategic Local Programme Agreement proposals and priorities.

Strategic Local Programme Agreements will cover a three year period (year one agreed, and years two and three in draft) and will reflect existing carry-forward commitments, new planned projects, and additional capacity in the form of a pipeline of projects taken from the Strategic Housing Investment Plan. Once agreed, they can form the basis of individual RSL and local authority Programme Agreements (where these are requested by grant applicants).

Strategic Local Programme Agreements are therefore the primary working document informing the delivery of the Affordable Housing Supply Programme at the local level and include:

- details of each project's proposed developer
- each project's location, unit numbers and tenure
- each project's approval, site start and completion dates
- each project's indicative annual grant requirement, and
- the annual Resource Planning Assumption profile.

Responsibility for managing and monitoring these Strategic Local Programme Agreements rests with the Scottish Government and will involve regular joint programme meetings (or other locally agreed mechanisms) with all parties. As a minimum, these should happen at six monthly intervals. No projects will be added or removed from the Strategic Local Programme Agreement without prior discussion with the relevant local authority.

Strategic Local Programme Agreements will be reviewed and re-issued at least annually to enable the programme to roll forward and to maintain a minimum three-year programme planning horizon, based on the most up to date approved Strategic Housing Investment Plan.

The local authority approved Strategic Housing Investment Plan will normally be the route by which projects will be brought into the Strategic Local Programme Agreement. As part of the Strategic Housing Investment Plan sign-off process, local authority officials should therefore – where possible – obtain delegated authority to ensure that any project which falls out of the Strategic Local Programme Agreement can be replaced by another from within the Strategic Housing Investment Plan[2].

If slippage is unable to be taken up by other identified Strategic Housing Investment Plan priorities in a local authority area within a financial year, the Scottish Government reserves the right to reallocate resources to other affordable housing projects outside of that local authority area. The Scottish Government cannot guarantee that the local authority area's allocation will be increased in future years to compensate.

More generally, local authorities are expected to overcommit resources in the Affordable Housing Supply Programme to ensure delivery should slippage occur. Wherever possible, a minimum slippage factor of 25% should be applied on an annual basis.

TMDF authorities

Based on their Local Government Settlement figures and agreed minimum forward planning assumptions, TMDF authorities will submit their Strategic Housing Investment Plans to the relevant Scottish Government area team through the HARP system.

[2] Any windfall projects which post-date the Strategic Housing Investment Plan submission should be assessed using the same methodology that was applied when prioritising projects for inclusion within the Strategic Housing Investment Plan.

TMDF authorities will prepare their three-year Strategic Local Programme Agreement proposals to reflect both existing carry-forward commitments into future years and other Strategic Housing Investment Plan projects. In preparing Strategic Local Programme Agreement proposals, there should be an opportunity for RSLs and other delivery partners to input to the process.

TMDF authorities should ensure, in discussion with the relevant Scottish Government area team, that the overall balance of the programme is in line with the Scottish Government's national targets for affordable housing supply – the majority of funding for the Affordable Housing Supply Programme should be directed towards social rented housing.

Strategic Local Programme Agreements will include the details listed above, and should be discussed and agreed with the Scottish Government. These will then be used as a working document to (a) manage the local programme and (b) prepare Programme Agreements (where these are requested by grant applicants).

Responsibility for the on-going managing and monitoring of the Strategic Local Programme Agreement rests with the TMDF authority, with TMDF authorities being expected to overcommit resources to ensure delivery should slippage occur (wherever possible, a minimum slippage factor of 25% should be applied on an annual basis). TMDF authorities should however keep the Scottish Government regularly informed of progress against delivery of their Strategic Local Programme Agreement, or with any revisions to the Strategic Local Programme Agreement, with information being provided at key stages as required for Scottish Government corporate reporting and official statistics.

Programme Agreements

The grant provider will aim to issue Programme Agreements to those local authorities and RSLs which request one by the end of May of each year. These will notify grant recipients of their annual grant planning targets over a three-year period. Programme Agreements will confirm – at the project level – the expected grant requirement, unit numbers and tenure mix, as well as approval, site start and completion dates.

Scottish Housing Regulator – thematic inquiry

Grant applicants should note that the Scottish Housing Regulator's March 2017 publication Development of Affordable Housing in Scotland - a thematic inquiry shared positive practice for social landlords developing affordable homes. The Regulator's report sets out 10 principles to help social landlords considering developing homes. Applying these principles will help landlords manage and mitigate risk, achieve value for money for tenants and meet Regulatory Standards. The 10 principles cover the importance of a landlord being clear about why it is developing homes in the first place and how this fits within its overall business strategy. The principles also cover risk, capacity, procurement and funding as well as governance.

Tenure, built form and quality standards

Tenure

The grant funding which is available through the Affordable Housing Supply Programme primarily supports the delivery of social rented housing, homes for mid-market rent, and the provision of housing for low cost home ownership (most notably the new supply shared equity scheme)[3]:

- **Homes for social rent** are let under a Scottish Secure Tenancy or a Short Scottish Secure Tenancy[4]. While the majority of social rented homes that are delivered through the Affordable Housing Supply Programme will be let under a Scottish Secure Tenancy, discussions should be held between the grant applicant and the grant provider where this form of tenancy is not proposed.

- **Homes for mid-market rent** are let under a Private Residential Tenancy.

- **New supply shared equity homes** are homes which are for sale on a shared equity basis and which are (a) built by local authorities or RSLs (b) purchased by local authorities or RSLs at an appropriate discount from private developers or (c) developed by local authorities or RSLs for existing owner occupiers whose homes are scheduled for demolition and who wish to participate in an agreed area redevelopment plan.

[3] As well as homes delivered through the new supply shared equity scheme, the provision of grant-funded homes for low cost home ownership also includes housing for shared ownership and improvement for sale.
[4] A Short Scottish Secure Tenancy can only be created in specific circumstances as outlined in Schedule 6 of the Housing (Scotland) Act 2001, as amended by the Housing (Scotland) Act 2014.

Built form

It is expected that the majority of homes delivered through the Affordable Housing Supply Programme over the period up to 2026-27[5] will be new build units that are delivered directly by grant applicants or through new build 'off the shelf' purchases from developers.

However, the Affordable Housing Supply Programme can also support the purchase of individual 'second-hand' residential dwellings under certain circumstances (see below), as well as the refurbishment of existing residential properties and the conversion of non-residential property where these projects are considered a strategic priority.

Where it can be demonstrated that the purchase of individual 'second-hand' residential dwellings meets a clear strategic purpose and can be clearly seen to support the achievement of the priorities and objectives set out in the relevant local authority's Local Housing Strategy, the Affordable Housing Supply Programme can support this under the following scenarios[6]:

- the dwelling is for sale on the open market and will be purchased with vacant possession (unless otherwise agreed with the Scottish Ministers)
- the dwelling is not for sale on the open market but will be purchased with vacant possession – securing stock where there is a limited supply and limited development opportunities, and/or securing stock for households with specialist requirements, are examples of the type of situation where this might be deemed appropriate

[5] In line with Housing to 2040, the five years up to 2031-32 will see an acceleration of funding towards bringing more existing homes into the Affordable Housing Supply Programme, as well as building new, looking to make more use of 'off the shelf' purchases and buy backs.
[6] The Scottish Government and the relevant local authority will require to agree the number of such purchases that can be approved each year.

- the dwelling is not for sale on the open market and the owner occupier (a) cannot afford the required maintenance or refurbishment of their home (particularly where this is in a mixed tenure block) and (b) would therefore wish to sell their home and remain in it as a tenant in the social rented sector[7]. Under this scenario, the value of the property must be in line with the terms of the Mortgage to Rent scheme, and the amount of money that the household can retain post sale must mirror the terms of the Mortgage to Rent scheme (with any capital and equity in excess of the limits set for this scheme requiring to be forwarded to the Scottish Government and used to support the Affordable Housing Supply Programme). It would also need to be clearly demonstrated that:

    - the purchase facilitates the consolidation of stock ownership for managing specific planned stock improvement/ refurbishment works
    - the local authority is unable to facilitate the planned works from local resources under discretionary power to assist
    - the owner occupier has received (a) advice about their financial situation from an FCA authorised independent financial adviser and (b) independent legal advice on the terms of the proposed sale and subsequent tenancy agreement
    - the owner occupier will employ a solicitor to act on their behalf with respect to the sale of their home, and
    - the owner occupier is not eligible for support under the Home Owners' Support Fund.

[7] The ability to use the Affordable Housing Supply Programme in this way will be reviewed as part of the development of the 'Help to Improve' approach.

Quality standards

New build homes delivered directly by grant applicants (excluding the purchase of 'off the shelf' new build stock from developers)

New build homes which are delivered directly by grant applicants should:

- as a minimum, be two person, two apartment units (unless otherwise agreed with the relevant Scottish Government area team and local authority)
- comply with all applicable building regulations as required by law
- meet, as a minimum, the design criteria indicated as a 'basic' requirement as outlined in Housing for Varying Needs (column 'B' in 'Summary of Design Criteria') – the design criteria indicated as 'desirable' (column 'D' in 'Summary of Design Criteria') should also be included where possible
- include ducting to help future-proof access to internet and broadband services, wherever possible[8]
- have space for home working or study[9]
- have private or communal outdoor space with room for people to sit outside, and
- be digitally-enabled – when a household gets the keys to their home they must be able to arrange for an internet connection to 'go live' without the internet service provider having to provide additional cabling to the premises. These connections should utilise the best available technology and, where it is not possible for a gigabit capable technology to be provided immediately, the physical infrastructure should be installed to support retrospective deployment.

While it is acknowledged and accepted that not all projects which are under development will contain the measures set out in bullet points five to seven above, grant applicants should ensure that these measures are incorporated into future development proposals as quickly as is practicable.

[8] This will remain a required quality standard until all homes delivered through the programme are digitally-enabled.
[9] While provision of a desk space is a basic requirement within the Housing for Varying Needs design guide for dwellings for three or more people, this requirement is being phased-in to all homes delivered through the programme.

‘Off the shelf’ purchases of new build stock from developers

‘Off the shelf’ purchases of new build stock from developers should:

- as a minimum, be two person, two apartment units (unless otherwise agreed with the relevant Scottish Government area team and local authority)
- comply with all applicable building regulations as required by law
- aim to meet, as a minimum, the design criteria indicated as a ‘basic’ requirement as outlined in Housing for Varying Needs (column ‘B’ in ‘Summary of Design Criteria’) – the design criteria indicated as ‘desirable’ (column ‘D’ in ‘Summary of Design Criteria’) should also be included where possible
- include ducting to help future-proof access to internet and broadband services, wherever possible (see footnote 8)
- have space for home working or study (see footnote 9)
- have private or communal outdoor space with room for people to sit outside, and
- be digitally-enabled – when a household gets the keys to their home they must be able to arrange for an internet connection to ‘go live’ without the internet service provider having to provide additional cabling to the premises. These connections should utilise the best available technology and, where it is not possible for a gigabit capable technology to be provided immediately, the physical infrastructure should be installed to support retrospective deployment.

While it is acknowledged and accepted that not all projects which are under development will contain the measures set out in bullet points five to seven above, grant applicants should ensure that these measures are incorporated into future development proposals as quickly as is practicable.

Projects comprising the purchase of 'second-hand' residential properties

Projects comprising the purchase of 'second-hand' residential properties with vacant possession should meet the requirements of the Scottish Housing Quality Standard technical guidance for social landlords prior to the first let.

Projects comprising the refurbishment of existing residential properties

Projects comprising existing residential properties (not new build) should:

- as a minimum, be two person, two apartment units (unless otherwise agreed with the relevant Scottish Government area team and local authority)
- comply with all applicable building regulations as required by law
- maximise energy efficiency and accessibility, as far as is practicable – evidence of this should be provided when applying for tender approval through the HARP system
- include ducting to help future-proof access to internet and broadband services, wherever possible (see footnote 8)
- have space for home working or study (see footnote 9)
- have private or communal outdoor space with room for people to sit outside (unless there are compelling reasons why this space cannot be provided), and
- be digitally-enabled – when a household gets the keys to their home they must be able to arrange for an internet connection to 'go live' without the internet service provider having to provide additional cabling to the premises. These connections should utilise the best available technology and, where it is not possible for a gigabit capable technology to be provided immediately, the physical infrastructure should be installed to support retrospective deployment.

While it is acknowledged and accepted that not all projects which are under development will contain the measures set out in bullet points five to seven above, grant applicants should ensure that these measures are incorporated into future development proposals as quickly as is practicable.

Projects comprising the conversion of non-residential property into housing

Projects comprising the conversion of non-residential properties (not new build) should:

- as a minimum, be two person, two apartment units (unless otherwise agreed with the relevant Scottish Government area team and local authority)
- comply with all applicable building regulations as required by law
- maximise energy efficiency and accessibility, as far as is practicable – evidence of this should be provided when applying for tender approval through the HARP system
- include ducting to help future-proof access to internet and broadband services, wherever possible (see footnote 8)
- have space for home working or study (see footnote 9)
- have private or communal outdoor space with room for people to sit outside (unless there are compelling reasons why this space cannot be provided), and
- be digitally-enabled – when a household gets the keys to their home they must be able to arrange for an internet connection to 'go live' without the internet service provider having to provide additional cabling to the premises. These connections should utilise the best available technology and, where it is not possible for a gigabit capable technology to be provided immediately, the physical infrastructure should be installed to support retrospective deployment.

While it is acknowledged and accepted that not all projects which are under development will contain the measures set out in bullet points five to seven above, grant applicants should ensure that these measures are incorporated into future development proposals as quickly as is practicable.

Liveable places and sustainable communities

It is important that quality homes are provided in the right places, where people want to live, and that these are well connected to services, facilities, sustainable transport and green spaces for play and recreation.

Communities' health, wellbeing and resilience, their sense of identity and the sustainability of the environment and the planet, are influenced by the quality of housing and the quality of place.

Projects funded through the Affordable Housing Supply Programme should therefore be well-designed and delivered with reference to the following:

- location – this is an important factor in the desirability and convenience of all housing, but for older people or those with any form of mobility issue it is particularly critical. Particular consideration should be given therefore to the location of projects for specific client groups such as older people or people with mobility issues which takes into consideration the ability to access facilities and to move freely around the dwelling and wider environs
- the Scottish Government's planning, design and placemaking policies included in Scottish Planning Policy and architecture policies, namely Creating Places and Designing Streets policy statements, and
- Water-resilient places - surface water management and blue-green infrastructure: policy framework (which sets out the important role of blue and green infrastructure, including how rainwater will be managed without connecting to the public sewer network), and Nature Scot's[10] report on maximising the benefits of green infrastructure in social housing.

Adopting a holistic place-based approach on projects can help to ensure that these issues and more are considered locally, and that appropriate local solutions and consensus are achieved. Therefore, projects should also be delivered with reference to the Place Standard tool[11], which is designed to support holistic conversations on, and considerations of, quality of place and the relationship to quality of life.

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[10] For the purposes of Nature Scot's report, green infrastructure is defined as: 'The use of greenspaces and any vegetated land or water to deliver benefits for people and nature. GI includes parks, open spaces, playing fields, woodlands, wetlands, floodplains, road verges, allotments and other growing spaces, private gardens, green roofs, green walls as well as blue infrastructure such as sustainable drainage systems, ponds, swales, raingardens, wetlands, rivers and canals'.

[11] The tool is supported by different versions and additional resources for use in specific contexts to support the design and delivery of good places, ensuring climate resilience and to support engagement with children and young people.

Procurement

The Review of Scottish Public Sector Procurement in Construction provides comment on the opportunities for better coordination of spend and procurement across the public sector. The Scottish Government therefore expects that – in line with their existing strategic responsibilities – local authorities will work closely with partners and consider the scope and potential benefits of collaborative approaches such as:

- sharing design resources
- adopting common specifications and/ or designs and considering the use of off-site construction (see below)
- procuring jointly to achieve larger and longer contracts with greater scope to deliver community benefits
- using existing framework contracts, and
- identifying strengths and weaknesses across delivery partners and sharing skills to reduce risks. A partner organisation with strong design resources might, for example, undertake this for the collaborative procurement, whilst a different organisation (say with strong contract management skills) could do likewise.

Housing to 2040 set out an ambition to make greater use of offsite construction in the Affordable Housing Supply Programme, and to develop a more visible pipeline of future offsite development. Local authorities' Strategic Housing Investment Plans should include details of any plans within the local authority area to facilitate and support efficient delivery of projects through collaboration on (a) design/ mass customisation and (b) procurement for all construction methods.

Scottish Government area teams will continue to discuss procurement approaches with local authorities as part of their ongoing, routine engagement.

Scottish Procurement Policy Notes and Construction Policy Notes

All grant applicants should also refer to the relevant Scottish Procurement Policy Notes and Construction Policy Notes which are available on the Scottish Government's website.

Funding applications and appraisal procedures

Funding applications for social rent, mid-market rent and new supply shared equity projects being delivered through the grant-funded programme should be submitted by local authorities and RSLs through the HARP system, in line with the terms specified in any individual Programme Agreements. **Grant applicants should ensure that each funding application is completed in full, and that the information provided is accurate and robust as this data informs official published statistics, programme reporting, answers to parliamentary questions and Freedom of Information requests. Grant applicants, working with their respective grant providers, should also ensure that the HARP system contains accurate project information at all times during a project's lifecycle, including up-to-date spend profiles.**

The Scottish Government has responsibility for appraising projects in non-TMDF authority areas. TMDF authorities have responsibility for appraising projects in their areas in line with this guidance.

Where projects have already received grant funding through the Affordable Housing Supply Programme or its predecessor programmes, this will be taken into account in the assessment process and will be included as part of the project's overall grant requirement.

Acquisition applications

Prior to tender application stage, and to enable an acquisition to proceed, there is the opportunity to submit an acquisition application to allow an acquisition offer of grant to be issued**. For all acquisitions, a grant settlement form should be submitted through the HARP system within 14 days of grant payment.**

It is important however that a robust appraisal of the development opportunity is carried out by grant applicants before an acquisition takes place to ensure that the proposal is viable and represents value for money. For example, while grant applicants should continue to undertake proper investigations as part of the normal acquisition process, grant applicants are advised that unknown abnormals can be considered as part of the missives. Where this happens, grant applicants would need to purify the condition of purchase within an agreed timeframe in order for the acquisition to take place. Such a course of action enables grant applicants to satisfy themselves that there are no abnormals, or to have them costed and the price adjusted accordingly, prior to the purchase concluding.

Tender application stage – social rent and mid-market rent

Affordable housing investment benchmarks

When applying for grant assistance at tender stage to deliver homes for social rent and mid-market rent, grant applicants are required to self-certify that the amount of funding that they are requesting is the minimum required for a project to be financially viable for their organisation whilst ensuring rent affordability.

For new build, refurbishment and conversion projects[12], the amount of grant requested is then compared with the applicable affordable housing investment benchmark (which should be agreed with the relevant grant provider before progressing to tender stage) to determine how the funding application will be assessed.

[12] Due to the varied strategies being adopted by individual local authorities across Scotland with respect to the purchase of individual ‘second hand’ residential dwellings, alongside the varied market conditions, the benchmark system does not apply to these cases – instead, decisions should be agreed locally with relevant grant providers on whether individual applications for grant funding to facilitate such purchases follow a streamlined application and appraisal process or are subject to a more detailed value for money assessment.

Projects that can be delivered with grant funding at or below the relevant benchmark follow a streamlined approval process, with projects which are seeking grant funding in excess of the relevant benchmark following a more detailed value for money assessment (Annex A). **The benchmark system is therefore a flexible, administrative tool which is used for grant assessment purposes only – rather than being a grant rate or grant ceiling – and should have no bearing on other matters such as rent setting processes.**

The current set of affordable housing investment benchmarks are as follows:

Baseline benchmarks

Project type	West Highland, Island authorities, and remote/ rural Argyll	Other rural	City and urban
RSL social rent	£111,640 (3 person equivalent)	£97,027 (3 person equivalent)	£91,182 (3 person equivalent)
Council social rent	£97,027 (3 person equivalent)	£88,260 (3 person equivalent)	£83,584 (3 person equivalent)
RSL mid-market rent	£68,387 (3 person equivalent)	£66,049 (3 person equivalent)	£62,542 (3 person equivalent)
Council mid-market rent	£61,957 (3 person equivalent)	£60,204 (3 person equivalent)	£57,281 (3 person equivalent)

The Scottish Government Urban Rural Classification, six-fold should be used to identify and record a project's geographic classification. To identify the relevant classification, reference should be made to the National Records of Scotland Scottish Postcode Directory where the following steps should be taken:

- Open ‘latest’ under the Scottish Postcode Directory files subheading

- Under the ‘Postcode Index and lookups’ section select ‘Postcode Index – Comma Separated Value (CSV)’

- Open the ‘SmallUser’ excel file

  Find the relevant postcode in column A – column BA gives the classification of the project as follows: 1 – Large urban area
    - 2 – Other urban area
    - 3 – Accessible small town
    - 4 – Remote small town
    - 5 – Accessible rural area
    - 6 – Remote rural area

To determine the relevant geographic benchmark classification, discussions should be held between the grant applicant and the grant provider to agree the relevant geographic baseline benchmark for the project ahead of the tender grant application being submitted.

When applying for grant funding at tender stage, grant applicants should highlight whether their development proposal contains any of the undernoted features. If so, the relevant additional quality measures benchmark(s) will be taken into account when determining the overall affordable housing investment benchmark for the project.

Additional quality measure benchmarks

Additional quality measure benchmarks	Benchmark
Delivering homes to Section 7, Silver Level, of the 2019 Building Regulations in respect of Energy for Space Heating (that is, full Bronze Level plus Aspect 2 of Silver Level).[13]	£2,338 per home (3 person equivalent benchmark)
Provision of balconies within flatted developments to enable people to sit outside, where the provision of private or communal outdoor space cannot otherwise be accommodated.	£4,676 per home (3 person equivalent benchmark)
Provision of space for home working or study – to note that this benchmark does not apply to projects meeting current Housing for Varying Needs standards[14]. In all other circumstances, grant applicants should demonstrate that additional space is necessary to deliver this measure in order for this benchmark to apply i.e. it is not possible to incorporate this within the design of the homes under current space standards.[15]	£4,092 per home (3 person equivalent benchmark)
Digitally-enabling – when a tenant gets the keys to their home they should be able to arrange for an internet connection to '*go live*' without the internet service provider having to provide additional cabling to the premises.[16]	£351 per home (3 person equivalent benchmark)
Installation of ducting infrastructure for electric vehicle charge point connectors.	£585 per connector (3 person equivalent benchmark)

[13] This will remain a feature of the current system for the time being.
[14] The provision of space for home working or study for homes comprising three or more people is already captured as a basic requirement within Housing for Varying Needs.
[15] It is up to grant applicants to determine the most appropriate area for this provision within the home's footprint.
[16] From the outset these connections should utilise the best available technology and, where it is not possible for a gigabit capable technology to be provided immediately, the physical infrastructure should be installed to support retrospective deployment.

Additional quality measure benchmarks	Benchmark
Installation of electric vehicle charge points (excluding installation of ducting infrastructure).[17]	£585 per charge point (3 person equivalent benchmark)
Installation of automatic fire suppression systems.	£3,507 per home (3 person equivalent benchmark)
Installation of heating systems which produce zero direct emissions at the point of use.[18]	£4,676 per home (3 person equivalent benchmark)

Annex B provides illustrative examples showing how the affordable housing investment benchmarks system works in practice. A tender application spreadsheet to determine the applicable appraisal route of a project proposal should be completed by grant applicants and submitted through the HARP system as part of the tender application process.

Social rent levels

The Scottish Social Housing Charter describes the results that tenants and other customers expect social landlords to achieve, including getting good value from rents and service charges.

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[17] This benchmark takes account of the new building standard (7.2 – Electrical Vehicle Charging) which comes into effect from 5 June, requiring all new residential buildings with a parking space to have at least one electric vehicle charge point with a minimum 7kW rating.

[18] Information on zero direct emissions heating technologies is provided in section 2.2 of the New Build Heat Standard Consultation: Part 2.

Rents for social rented homes should not be set without regard to the importance of affordability for tenants, with the grant provider considering the proposed rents for RSL social rented homes at the point of first let.

RSL social rent benchmark assumptions

At tender application stage, proposed RSL rents (which should be projected to the date of completion) will be compared against the relevant social rent benchmark. If the relevant benchmark is exceeded by more than 5%, the RSL must justify to the local authority 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 these levels may, for example, include reference to market conditions in the geographic area.

Further information is provided in Annex C.

Mid-market rent levels

In most cases, the starting rent level for each mid-market rent home (including any service charge) will be no more than the relevant Local Housing Allowance rate for the property size in question. The grant provider may however give agreement on an exceptional basis to starting rent levels for each mid-market rent home (including any service charge) being more than the relevant Local Housing Allowance rate if the following cumulative conditions are met:

- the grant applicant (being an RSL, a local authority, a local authority arms-length external organisation or an RSL subsidiary) can demonstrate that in a particular local market area conditions are materially different from the relevant Local Housing Allowance rate
- an RSL, or an RSL subsidiary, has secured the local authority's support to the proposed starting rent levels, and
- the starting rent levels do not exceed the mid-point of market rent levels for the property sizes in question in the relevant Broad Rental Market Area (as assessed by the Scottish Government).

Rents must not at any time exceed (a) the mid-point of market rent levels for the property sizes in question in the relevant Broad Rental Market Area (as assessed by the Scottish Government) or (b) where agreed in writing with the Scottish Government and the local authority or – in the case of Glasgow and Edinburgh – the relevant City Council, the mid-point of market rent levels for the property sizes in question in a particular local market area – where this is demonstrated and accepted as being materially different from the relevant Broad Rental Market Area.

Further information on the provision of homes for mid-market rent is available at Annex D.

Tender application stage – new supply shared equity

As no affordable housing investment benchmarks are in place for new supply shared equity units, grant applicants should discuss their project proposals with their grant provider at the earliest opportunity in order that the financial viability and appraisal route of the project proposal can be determined. To aid this discussion, it is vital that property valuations are obtained – if the total value of the properties does not exceed the total project costs then the project is unlikely to be supported by the grant provider.

It should be noted that if the tranche sales predicted at tender stage are assumed too high and those levels are not realised at sale then the grant recipient will have to cover that cost difference until project reconciliation at completion stage. Conversely, if the tranche sales are higher than predicted those funds remain with the grant recipient until completion stage.

The following example provides a breakdown of how the grant provider's funding contribution for new supply shared equity properties would normally be calculated at tender stage[19]. (This methodology can be used in advance of inputting the information into HARP to determine whether the project is viable.)

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[19] Should the grant applicant chose to retain a stake in the new supply shared equity units, the grant provider's contribution to the project would be adjusted accordingly.

Unit type	No. of units	Market value	Total sales value	Assumed tranche sales	Sales income
3 person/ 2 bed house	2	£147,500	£295,000	65%	£191,750
3 person/ 2 bed flat	2	£137,500	£275,000	65%	£178,750
5 person/ 3 bed house	2	£162,500	£325,000	65%	£211,250
Total unit sales	6				£581,750
Total sales value			£895,000		
Total project cost					£880,000
Total grant required					**£298,250**
Total grant required per unit					£49,708

Further information on the provision of homes for new supply shared equity is available at Annex E.

Cost monitoring

Housing tender returns

Grant applicants must upload a housing tender return for each new build social rent, mid-market rent and/ or new supply shared equity project through the HARP system as part of the tender application process – housing tender returns must therefore be provided for 'off the shelf' purchases of new build stock from developers, as well as for new build homes delivered directly by grant applicants. **No offers of grant will be issued at tender stage until these returns are submitted**, particularly as the Scottish Social Housing Tender Price Index[20] will be the measure used to adjust affordable housing investment benchmarks on an annual basis.

[20] The Scottish Social Housing Tender Price Index is produced by the Building Cost Information Service on behalf of the Scottish Government on a quarterly basis and uses the information within the housing tender return to measure the movement in tender prices paid by local authorities and RSLs to contractors for the construction of housing delivered through the Affordable Housing Supply Programme (houses and flats).

Documents relating to the Scottish Social Housing Tender Price Index report, the methodology and housing tender return are available on the Scottish Government website. Further, HIGN 2008/06 provides an explanation of the New Indicative Cost System (which is embedded within the housing tender return). Grant applicants should note that the terms of HIGN 2008/06 still apply with the following exceptions:

- the 'HAG Tender Return' referenced therein is now known as the 'housing tender return', reflecting the fact that both RSLs and local authorities are now required to submit this information (formerly it was only required by housing associations), and

- the allowable excesses for ad hoc levels and overall design excess levels have been increased to 25% and 15% respectively.

Automatic fire suppression systems and zero direct emissions heating

Where projects include the installation of automatic fire suppression systems and/ or heating systems which produce zero direct emissions at the point of use, grant applicants must enter the following information in the tender application spreadsheet and submit this through HARP as part of the tender application process for cost monitoring purposes:

- Automatic fire suppression systems:
    - The number of units within the project which will have automatic fire suppression systems installed, by tenure and type
    - The type and design standard of the suppression system(s) being installed, for example, sprinkler system (BS 9251) or watermist system (BS 8458)
    - Whether a water supply tank and pump is required, or whether the system is fed directly off the mains
    - The total actual tendered cost of:
        - purchasing the equipment, including all pipework, sprinkler heads and, where applicable, the tank and pump
        - installing the system, including all building work in connection with the installation, and
        - associated preliminaries.

- Heating systems which produce zero direct emissions at the point of use:
    - The number of units within the project which will have heating systems which produce zero direct emissions at the point of use installed, by tenure and type
    - The type of heating system which produces zero direct emissions at the point of use being installed, for example, heat pumps, heat networks, or electric boilers
    - The actual tendered cost of:
        - purchasing the equipment, such as pipework, radiators, control systems and all other necessary equipment
        - installing the systems, including all building work in connection with the installations
        - the energy infrastructure, such as the electricity grid connection (over and above the cost of connecting for other services), and
        - associated preliminaries.

As with the housing tender return for new build projects, **no offers of grant will be issued at tender stage until this information is submitted for projects containing one or both of these measures.**

Private and other public finance

At tender application stage, grant applicants must detail all of the sources of finance that are in place/ expected for the project.

Grant applicants considering the installation of large scale heat networks should note that they may be eligible for support through the Scottish Government's Heat Network Fund – which provides grant funding for the installation of zero emissions communal and district heating systems. Applications should be made to the Heat Network Fund prior to applying for grant assistance through the Affordable Housing Supply Programme – where a project is supported through the Heat Network Fund (a) the funding must be disclosed at tender application stage and (b) the zero direct emissions heating system additional quality measure benchmark would not apply.

Fair Work First

Fair Work is key to Scotland's economic recovery and renewal, as set out in the Scottish Government's Covid Recovery Strategy, and National Strategy for Economic Transformation. Through Fair Work First, criteria are being applied to grants awarded by and across the public sector, including to grants awarded to the affordable housing sector. As a result, as part of the tender application process through HARP, all grant applicants must now:

- provide a statement demonstrating their commitment to each of the following Fair Work First criteria in a way that is relevant and proportionate for their organisation:
    - appropriate channels for effective voice, such as trade union recognition
    - investment in workforce development
    - no inappropriate use of zero hours contracts
    - action to tackle the gender pay gap and create a more diverse and inclusive workplace
    - payment of the real Living Wage
    - offer flexible and family friendly working practices for all workers from day one of their employment, and
    - oppose the use of fire and rehire practice
- confirm that a short statement is contained on their website highlighting their commitment to advancing these Fair Work First criteria – this is to be signed off by the relevant trade union where one is present, or by a workers' representative(s) where there is no union present, and
- identify measures that their organisation will take to embed fair working practices in their organisation (which in turn will be reflected in grant offer letter).

The above information should be submitted by completing the relevant tab in the tender application spreadsheet.

Further information and support can be found in the Scottish Government's Fair Work First Guidance – **no offers of grant will be issued at tender stage until the above information is submitted**.

Grant offers

Following approval of a tender application, the offer of grant will be emailed to the grant recipient in PDF format. The grant offer will confirm (amongst other things) the total approved grant funding for the project. It will also set out a planned profile of annual grant payments.

Grant recipients should print a hard copy of the PDF version of the document and arrange for it to be signed and witnessed by hand. The document should then be scanned and returned to the grant provider by email.

Site security, cost over-runs and adaptations

Site security

Grant recipients must ensure that when security services are being provided under contracts being supported by grant funding, any security services contractor or sub-contractor is registered under the Security Industry Authority's Approved Contractor Scheme for the relevant category of service provision (individual directors holding an individual Security Industry Authority license is insufficient in this regard). Where more than one contractor or sub-contractor is employed then each company must be separately registered under the Scheme and registration must be maintained for the duration of the contract. Similarly, should a contractor or sub-contractor cease to be employed any replacement company must also be registered.

In order to comply with the above, appropriate clauses must be incorporated in any contract documentation specifying the requirements applying to the provision of security services. Prior to awarding any contract therefore, grant recipients will need to check or obtain confirmation from their project consultants that the proposed security services contractor and any sub-contractors are appropriately registered under the Security Industry Authority's Approved Contractor Scheme.

Cost over-runs

Projects receiving funding through the Affordable Housing Supply Programme will be considered for additional grant in relation to unforeseeable and unavoidable cost over-runs which may be identified following tender approval.

RSLs, RSL subsidiaries, local authorities and local authority arms-length external organisations must write to the grant provider notifying of any unforeseeable and unavoidable cost over-runs **immediately** they become apparent, together with an initial estimate of cost. While it is not appropriate for the grant provider to get involved in contract decisions or discussions between grant recipients and their contractors, and while contract types are not stipulated as a condition of grant funding, due diligence (which would include value engineering and taking professional technical/ legal/ procurement advice as appropriate) is expected to have been undertaken by grant recipients before they approach the grant provider with a formal request for additional grant funding. Any funding approaches should also consider pain-share of any additional costs[21].

As noted in Annex F, the grant provider will take the final decision on whether cost over-run requests are acceptable based on the evidence provided.

Adaptations prior to completion

RSLs, RSL subsidiaries, local authorities and local authority arms-length external organisations may apply for additional funding before completion to enable homes to be adapted to suit the particular requirements of the household to whom they have been allocated[22]. Following approval of the funding request, grant will be available from local Resource Planning Assumptions to cover the total cost of eligible adaptations (which should essentially be of a structural nature).

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[21] See Annex F for further information.
[22] Assessments will usually be carried out by an Occupational Therapist.

Project completion

Grant recipients should notify the grant provider **as soon as** all of the homes in a project (social rent, mid-market rent and/ or new supply shared equity) have been certified as complete by the project architect/ supervising officer and approved by the local authority for occupation. A copy of the completion certificate should then be forwarded to the grant provider which will be responsible for recording the actual completion date on the HARP system.

Social rent and mid-market rent

To record final project details, grant recipients should submit through HARP a project completion application – wherever possible this should be done within one month of the date of practical completion. This should contain (where applicable) full supporting information to allow the grant provider to consider any requests for additional grant funding to cover any unforeseeable and unavoidable cost over-runs (Annex F).

Receipt of this information 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, which will be used to record progress against housing targets, and
- identify whether any grant requires to be increased or repaid (for example, in cases where a substantial reduction in capital costs has occurred, or where additional funding contributions for the project were secured beyond those known about prior to acceptance of the grant offer).

In cases where the ownership of homes transfers to another affordable housing provider post completion, the grant provider will arrange for the obligations of the grant offer to transfer to the recipient organisation when the transfer takes place.

New supply shared equity

To record final project details, grant recipients should submit through HARP an initial project completion application – this application should, wherever possible, be submitted within one month of the date of practical completion. In order to record ongoing property sales, further project completion applications should be submitted through HARP at three monthly intervals until all the properties are recorded on the system as having been sold.

Receipt of this information will enable the grant provider to:

- consider any requests for additional grant funding to cover any unforeseeable and unavoidable cost over-runs (Annex F)
- 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 (including where – for justifiable reasons – sales receipts differ from projected levels), and
- identify whether any grant requires to be increased or repaid (for example, in cases where a substantial reduction in capital costs has occurred, or where additional funding contributions for the project were secured beyond those known about prior to acceptance of the grant offer).

Building on the tender stage example provided earlier in this guidance note, the examples set out below show how a new supply shared equity project can change from tender to completion stage. These changes will all be captured on HARP and a revised grant offer issued to reflect the final project costs and grant funding:

Actual sales income below that assumed at tender stage

Unit type	No. of units	Market value	Total sales value	Actual tranche sales	Actual sales income
3 person/ 2 bed house	1	£147,500	£147,500	66%	£97,350
3 person/ 2 bed house	1	£147,500	£147,500	60%	£88,500
3 person/ 2 bed flat	2	£137,500	£275,000	60%	£165,000
5 person/ 3 bed house	1	£162,500	£162,500	71%	£115,375
5 person/ 3 bed house	1	£162,500	£162,500	62%	£100,750
Total unit sales	6				£566,975
Total sales value			£895,000		
Total project cost					£880,000
Total grant required					**£313,025**
Total grant required per unit					£52,171
Additional grant for the grant recipient					**£14,775**

Actual sales income above that assumed at tender stage

Unit type	No. of units	Market value	Total sales value	Actual tranche sales	Actual sales income
3 person/ 2 bed house	1	£147,500	£147,500	66%	£97,350
3 person/ 2 bed house	1	£147,500	£147,500	63%	£92,925
3 person/ 2 bed flat	1	£137,500	£137,500	61%	£83,875
3 person/ 2 bed flat	1	£137,500	£137,500	75%	£103,125
5 person/ 3 bed house	1	£162,500	£162,500	70%	£113,750
5 person/ 3 bed house	1	£162,500	£162,500	67%	£108,875
Total unit sales	6				£599,900
Total sales value			£895,000		
Total project cost					£880,000
Total grant required					**£280,100**
Total grant required per unit					£46,683
Grant to be returned to the grant provider					**(£18,150)**

Payment of grant

Non-TMDF authorities

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

- Each tender offer of grant letter will request that the grant recipient provides a profile showing the estimated monthly draw down of grant payments for the duration of the project. Grant recipients should ensure that any subsequent variations to the profile provided are notified immediately to the relevant Scottish Government area team.

- While grant claims will normally be paid on the basis of one claim at acquisition stage, and at monthly intervals thereafter, a higher frequency of claims is permissible.

- Claims and all relevant back up should be submitted through the HARP system.

- Ordinarily, 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’ in relation to an acquisition, valuation certificate etc.

- It is recognised however that some grant recipients may undertake construction projects themselves, either fully in-house or by project managing contractors. In the former case, valuations provided by in-house Quantity Surveyors will be accepted. In the latter case, valuation certificates or invoices from contractors and suppliers should be provided.

- Where claims cannot be certified (such as an acquisition), they will be accepted for payment on a claim by claim basis provided that an appropriate official at Director level has certified the claim.

TMDF authorities

While the majority of the above procedures will apply to TMDF authorities, TMDF authorities may wish to implement an alternative approach to the one outlined in the second bullet point above.

Grant recycling

RSLs and local authorities may seek the Scottish Government's consent to waive the right to recover grant when an RSL or local authority home(s) which has been previously grant funded for social rent becomes available for re-let and the RSL or local authority considers that:

- there are now strategic reasons for not re-letting at a social rent, and
- it makes strategic sense to (a) sell the home(s) on the open market for outright sale or shared equity or (b) convert the home(s) to mid-market rent.

To enable the Scottish Government to consider an application to waive the right to recover grant, an RSL or local authority should provide the following information:

- the number, size, type, and location of the social rented homes concerned
- the proposal for the homes, that is whether the RSL or local authority would wish to sell them or convert them to mid-market rent (including the reasons for selecting the proposed approach)
- the estimated value of the grant repayment to be waived, and
- the RSL's or local authority's proposal for reinvesting the grant into additional affordable housing supply.

Depending on the nature of the proposal, the Scottish Government will approve or reject the application[23]. Where consent is given, an RSL or local authority must then apply the confirmed value of the grant repayment that has been waived towards the agreed affordable housing supply project. (The expectation is that the full amount of the grant repayment that has been waived will be allocated to the new project. This means that the grant contribution that would have been offered on this project under the terms of the existing funding regime will be reduced by the amount of the waived repayment.)

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[23] Because receipts on disposals would otherwise have been repayable to the Scottish Government, decisions on grant recycling in Glasgow and Edinburgh will be the responsibility of the Scottish Government. Both City Councils will however be fully consulted on all factors.

Annex A

Projects requiring grant above benchmark

While grant providers and grant recipients will wish to maximise the value obtained through the Affordable Housing Supply Programme, this should not prevent higher cost projects from proceeding (including projects in regeneration areas, remote, rural and island areas, and those involving housing for people with particular needs). **Flexibility to award grant funding above benchmark therefore continues to apply to both RSL and local authority projects, as well as projects delivered by RSL subsidiaries and local authority arms-length external organisations.**

Applications requesting grant in excess of the applicable benchmark should be accompanied by a detailed narrative and supporting documentation explaining why additional grant is required and the nature of the higher costs.

The grant provider will take the final decision on whether higher grant requirements are acceptable and at what level, based on the evidence provided by the grant applicant.

This evidence may include:

- an analysis of project information, to include specific items with associated costs, as defined within the housing tender return – information contributing to the gross indicative cost will require to be detailed sufficiently to allow a full appraisal to be carried out by the grant provider (the grant provider may give consideration to the actual cost of delivering the additional quality features that are being phased into the Affordable Housing Supply Programme which are in excess of the specified allowable limitations (currently 25% for ad-hocs and 15% for design excess) where these are not otherwise reflected in the current gross indicative cost calculation)
- evidence showing the project's cashflow

- evidence that the site valuation and acquisition price reflect identified remediation costs which are unavoidably high
- evidence of higher costs associated with particular needs housing
- evidence of higher costs stemming from particular planning requirements/ restrictions, and
- evidence of how rigorous the grant applicant has been in pursuing alternative options – such as developing a different site, negotiating a lower price for the development, or exploring other funding sources.

In addition, an RSL, an RSL subsidiary or a local authority arms-length external organisation should submit a letter from the relevant local authority expressing ‘in principle’ support for its project.[24]

There should be no presumption that above benchmark grant funding will be approved at the level applied for. If higher than benchmark grant is approved it will be met from the appropriate local Resource Planning Assumption.

[24] Local authority projects requiring above benchmark grant funding should be discussed with the Scottish Government local area team.

Annex B

Affordable housing investment benchmarks – examples

3 person equivalent conversion factors

Table 1: 1.0 bedspaces to 1.9 bedspaces

Average bedspace	Conversion factor
1.0	72.0
1.1	73.7
1.2	75.5
1.3	77.2
1.4	78.9
1.5	80.7
1.6	82.4
1.7	84.1
1.8	85.8
1.9	87.6

Table 2: 2.0 bedspaces to 2.9 bedspaces

Average bedspace	Conversion factor
2.0	89.3
2.1	90.4
2.2	91.4
2.3	92.5
2.4	93.6
2.5	94.7
2.6	95.7
2.7	96.8
2.8	97.9
2.9	98.9

Table 3: 3.0 bedspaces to 3.9 bedspaces

Average bedspace	Conversion factor
3.0	100.0
3.1	100.9
3.2	101.8
3.3	102.7
3.4	103.6
3.5	104.5
3.6	105.4
3.7	106.3
3.8	107.2
3.9	108.1

Table 4: 4.0 bedspaces to 4.9 bedspaces

Average bedspace	Conversion factor
4.0	109.0
4.1	109.7
4.2	110.3
4.3	111.0
4.4	111.6
4.5	112.3
4.6	112.9
4.7	113.6
4.8	114.2
4.9	114.9

Table 5: 5.0 bedspaces to 5.9 bedspaces

Average bedspace	Conversion factor
5.0	115.5
5.1	116.0
5.2	116.4
5.3	116.9
5.4	117.3
5.5	117.8
5.6	118.2
5.7	118.7
5.8	119.1
5.9	119.6

Table 6: 6.0 bedspaces to 6.9 bedspaces

Average bedspace	Conversion factor
6.0	120.0
6.1	121.0
6.2	122.0
6.3	123.0
6.4	124.0
6.5	125.0
6.6	126.0
6.7	127.0
6.8	128.0
6.9	129.0

Table 7: 7.0 bedspaces to 7.9 bedspaces

Average bedspace	Conversion factor
7.0	130.0
7.1	131.0
7.2	132.0
7.3	133.0
7.4	134.0
7.5	135.0
7.6	136.0
7.7	137.0
7.8	138.0
7.9	139.0

Table 8: 8.0 bedspaces to 9.0 bedspaces

Average bedspace	Conversion factor
8.0	140.0
8.1	141.0
8.2	142.0
8.3	143.0
8.4	144.0
8.5	145.0
8.6	146.0
8.7	147.0
8.8	148.0
8.9	149.0
9.0	150.0

Example 1:

The following example relates to a six unit RSL social rent project in a 'city and urban' area. All six homes are being delivered directly by the RSL and all six homes: will be delivered to Section 7, Silver Level, of the 2019 Building Regulations in respect of Energy for Space Heating, will have automatic fire suppression systems installed, will have zero direct emissions heating systems installed, will be digitally enabled, and will have electric vehicle charge points:

Description	**Number and amount (£)**
Number of units (a)	6
Number of bedspaces (b)	22
Average bedspaces (b)/(a)	3.7
Total proposed grant (c)	£615,500
Average proposed grant per unit (c)/(a)	£102,583
Three-person equivalent conversion factor	106.3
Apply conversion factor to average proposed grant per unit (£102,583 divided by 106.3 multiplied by 100) (d)	£96,503
Compare (d) with the relevant three-person equivalent affordable housing investment benchmark of £103,224 per unit[25]	Project under benchmark at £96,503 per unit and therefore follows a streamlined application and approval process

[25] £91,182 (applicable baseline assumption), plus £2,338 for delivering to Section 7, Silver Level, plus £3,507 for the installation of an automatic fire suppression system, plus £4,676 for the installation of a zero direct emissions heating system, plus £351 for digital enabling, plus £585 for the installation of ducting infrastructure for an electric vehicle charge point connector, plus £585 for the installation of electric vehicle charge point = £103,224 (three person equivalent).

Example 2:

The following example relates to a 20 unit council social rent project in an 'other rural' area. All 20 homes are being delivered directly by the council and all 20 homes: will have automatic fire suppression systems installed, will have zero direct emissions heating systems installed, and will be digitally enabled. Ducting infrastructure for 30 electric vehicle charge point connectors will be provided, and 20 electic vehicle charge points will be installed:

Description	Number and amount (£)
Number of units (a)	20
Number of bedspaces (b)	80
Average bedspaces (b)/(a)	4.0
Total proposed grant (c)	£2,130,000
Average proposed grant per unit (c)/(a)	£106,500
Three-person equivalent conversion factor	109
Apply conversion factor to average proposed grant per unit (£106,500 divided by 109 multiplied by 100) (d)	£97,706
Compare (d) with the relevant three-person equivalent affordable housing investment benchmark of £98,257 per unit[26]	Project under benchmark at £97,706 per unit and therefore follows a streamlined approval process

[26] (20 units x £97,379 (applicable baseline benchmark assumption of £88,260 plus £3,507 for the installation of an automatic fire suppression system, plus £4,676 for the installation of a zero direct emissions heating system, plus £351 for digital enabling, plus £585 for the installation of an electric vehicle charge point)) plus (30 x £585 for the installation of ducting infrastructure for an electric vehicle charge point connector), divided by 20 units
i.e.
(£1,947,580 plus £17,550) divided by 20 = £98,257 (three person equivalent).

Example 3:

The following example relates to a 15 unit RSL mid-market rent project in an island authority – 12 of the homes are three person units, with the other three homes being two person units. All 15 homes are being delivered directly by the RSL and all 15 homes: will be delivered to Section 7, Silver Level, of the 2019 Building Regulations in respect of Energy for Space Heating, will have automatic fire suppression systems installed, will have zero direct emissions heating systems installed, will be digitally enabled, will have electric vehicle charge points installed, and will have space for home working and study[27]:

Description	Number and amount (£)
Number of units (a)	15
Number of bedspaces (b)	42
Average bedspaces (b)/(a)	2.8
Total proposed grant (c)	£1,206,000
Average proposed grant per unit (c)/(a)	£80,400
Three-person equivalent conversion factor	97.9
Apply conversion factor to average proposed grant per unit (£80,400 divided by 97.9 multiplied by 100) (d)	£82,125
Compare (d) with the relevant three-person equivalent affordable housing investment benchmark of £81,247 per unit[28]	Project over benchmark at £82,125 per unit and therefore subject to a detailed value for money assessment

[27] In this example, the grant applicant has demonstrated that additional space is necessary for the two person units in order to deliver this measure i.e. it has not been possible to incorporate this within the design of the homes under current space standards.

[28] (12 units x £80,429 (applicable baseline benchmark assumption of £68,387, plus £2,338 for delivering to Section 7, Silver Level, plus £3,507 for the installation of an automatic fire suppression system, plus £4,676 for the installation of a zero direct emissions heating system, plus £351 for digital enabling, plus £585 for the installation of electric vehicle charge point ducting infrastructure, plus £585 for the installation of an electric vehicle charge point)) plus (3 units x £84,521 (applicable baseline benchmark assumption of £68,387, plus £2,338 for delivering to Section 7, Silver Level, plus £3,507 for the installation of an automatic fire suppression system, plus £4,676 for the installation of a zero direct emissions heating system, plus £351 for digital enabling, plus £585 for the installation of electric vehicle charge point ducting infrastructure, plus £585 for the installation of an electric vehicle charge point plus £4,092 for space for home working and study)), divided by 15 units
i.e.
(£965,148 plus £253,563) divided by 15 = £81,247 (three person equivalent).

Annex C

RSL social rent benchmark assumptions

Social rent benchmark assumptions have been calculated using the three-person equivalent as the base (100%) and by applying a conversion factor relevant to the property size to that base rent (see conversion factor table below).

The base three-person benchmark assumption is £4,848. This has been derived by uprating the last published three-person social rent benchmark, which was set at £4,366 in 2020-21, by:

- Annual Consumer Price Index (CPI) inflation in November 2020 and November 2021, with respect to uprating from 2020-21 to 2021-22 and 2022-23, giving a cumulative increase of 5.4%. This is in line with previous practice to use the November CPI inflation rate to uprate rent benchmarks for the following fiscal year.
- For uprating from 2022-23 to 2023-24, rent benchmarks have been uprated by 5.34%, in line with the average expected RSL rent increase for 2023-24 as reported by the Scottish Housing Regulator, with the intention of keeping rent increases below inflation in 2023-24.[29]

Bedspaces	Conversion factor
2	89.3
3	100.0
4	109.0
5	115.5
6	120.0
7	130.0

[29] Scottish Housing Regulator: Rent increases by Scottish social landlords 2023-24

For example for a four-person property completing in 2023-24 the annual rent is calculated as follows – three person equivalent = £4,848 x 109.0% (four person conversion factor) = £5,285.

Projected social rent benchmark assumptions

The table below shows the relevant social rent benchmark assumptions over the years 2023-24 to 2026-27 inclusive. The benchmark assumptions for subsequent years have been calculated by increasing the 2023-24 figure by 2% per annum, which is the Bank of England inflation target.

Bedspaces	2023-24	2024-25	2025-26	2026-27
2	£4,329	£4,416	£4,504	£4,594
3	£4,848	£4,945	£5,044	£5,144
4	£5,285	£5,391	£5,498	£5,608
5	£5,600	£5,712	£5,826	£5,943
6	£5,818	£5,934	£6,053	£6,174
7	£6,302	£6,429	£6,557	£6,688

Illustrative example:
An RSL is proposing to build 10 units for social rent which are scheduled for completion in 2024-25. The following rents are due to be charged at the point of first let: 4 no. x 2 bedspace units – £4,552 per unit per annum, 4 no. x 4 bedspace units – £5,250 per unit per annum, and 2 no. x 5 bedspace units – £6,184 per unit per annum

These rental amounts are compared with the table above. While the proposed rent for the four bedspace unit is lower than the relevant projected rent benchmark assumption of £5,391, the proposed rent levels for the two and five bedspace units exceed the relevant amounts (of £4,416 and £5,712 respectively). However, as the difference between the proposed rent for the two bedspace units is less than 5% of the projected amount, no justification of affordability is required. The RSL is however expected to justify why the proposed rent for the five bedspace units is considered affordable given that it exceeds the relevant benchmark amount by 8.3%.

Annex D

Mid-market rent

Target tenant group

Mid-market rent is aimed at assisting people on low and modest incomes to access affordable rented accommodation and helps those who have difficulty accessing social rented housing, buying their own home or renting privately on the open market. It is important however that prospective tenants are assessed on their ability to afford and sustain a tenancy, not just on their ability to meet specific income levels, and that they are not discriminated against as a result of the source of that income (for example, through a work or state pension or social security contributions). Income criteria will be based upon figures in the local authority's Local Housing Strategy, Affordable Housing Policy, or as otherwise agreed between individual local authorities and the relevant grant provider. Projects aimed at higher income groups are ineligible for funding.

Grant applicants and form of tenancy

While mid-market rent grant applicants can be RSLs, local authorities, local authority arms-length external organisations or RSL subsidiaries, it will be for the local authority arms-length external organisation or RSL subsidiary to provide households entering into a tenancy with a Private Residential Tenancy. In this respect, the Scottish Government has developed a digital tool to help landlords to create a Model Private Residential Tenancy Agreement.

Policy monitoring data collection

The Scottish Government has developed an electronic survey in order to collect policy monitoring information from all mid-market rent providers/ letting agents and households. The 'SmartSurvey' system is GDPR compliant, easy to use and secure, adapts to any device, and only takes a few minutes to complete. Access to the data held is limited to a small number of Scottish Government staff and the SmartSurvey account is username and password protected. Individual tenants, landlords or households cannot be identified through the system. The information collected will help to (a) ensure that mid-market remains affordable to households in the target tenant group (b) shape future policy on mid-market rent and (c) provide valuable policy monitoring information.

Grant recipients are expected to arrange for the survey to be completed when tenants collect the keys or have access to the property, and for every new let or subsequent let of the property. The steps for completion are as follows:

- Step 1 – The mid-market rent provider/ letting agent completes **Part A of the survey** and upon completion it will say 'Thank you for completing the survey.'

- Step 2 – When the mid-market rent provider/ letting agent clicks **Next Page,** the survey continues to **Part B** for the tenant to complete including the privacy notice for the tenant.

Letting agent regulation – code of practice and registration

Part 4 of the Housing (Scotland) Act 2014 introduces a robust framework for the regulation of letting agents in Scotland. This includes:

- a mandatory register of those carrying out letting agency work, with an associated fit and proper person test and minimum training requirements that must be met to be admitted
- a statutory Letting Agent Code of Practice
- a new way for tenants and landlords to resolve complaints for breaches of the Code through the First-tier Tribunal for Scotland (Housing and Property Chamber), and
- powers for the Scottish Ministers to obtain information and of inspection to monitor compliance and support enforcement.

The Letting Agent Code of Practice came into force on 31 January 2018. It (a) sets out the standards of practice that those carrying out letting agency work (as defined by section 61 of the Housing (Scotland) Act 2014) must meet in how they deliver their services and (b) gives tenants and landlords the ability to challenge poor practice.

Paragraph 22 of the code makes it clear that a letting agent must not unlawfully discriminate against a landlord, tenant or prospective tenant on the basis of their age, disability, sex, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief or sexual orientation.

Applying blanket policies such as insisting that an applicant must be able to afford rent without recourse to housing benefit, or refusing to accept a guarantor where there is no credit history, may breach the requirements of paragraph 22. Grant recipients which are subject to the code (see below) should ensure that their advertising, credit checking and allocation policies and practices support people on low and modest incomes to access mid-market rent and do not inadvertently discriminate against groups with protected characteristics.

Whether an RSL or its subsidiary, or a local authority or its arms-length external organisation, is required to follow the code of practice for its mid-market rent properties and join the register of letting agents will depend on: the exact circumstances of its business model, the work it does, and what type of landlord it manages properties for (private or social).

Where an RSL or its subsidiary, or a local authority or its arms-length external organisation, only manages properties that it owns directly, it will not be expected to register. However:

- if an RSL or local authority manages properties it has leased to its subsidiary/ arms-length external organisation, the RSL or local authority will be expected to register, and
- if an RSL or its subsidiary, or a local authority or its arms-length external organisation, manages properties for a private landlord (not a local council or an RSL) it will be expected to register.

Any grant recipient which is unsure whether letting agent regulation applies to its particular circumstances should seek its own legal advice on whether it is required to comply with the code of practice and register.

The Scottish Government has published a guide to letting agent registration. This provides further information for those undertaking letting agency work to help them understand what will be required for registration.

Service charge

In the event that a service charge is to be included within the monthly rent, the tenancy agreement should make clear what services are included and a breakdown of the prices of each. This should be made clear in all correspondence (including advertising). A breakdown of the services included within the rent should also be shown to prospective tenants.

Annex E

New supply shared equity

Introduction

Please note that throughout this Annex the term ‘grant recipient’ should be taken to include local authorities and RSLs (including local authority arms-length external organisations and RSL subsidiaries where they are the chosen vehicle for providing new supply shared equity properties). In addition, any reference to rights and obligations contained in documentation which is referenced in this Annex is purely for convenience and regard can only be had to the documentation itself upon which appropriate legal advice should be taken.

New supply shared equity grant recipients should be aware that they are – in certain cases – acting as principals (in relation to the procuring of developments) and in other cases (for example in all aspects of the Shared Equity arrangements with a purchaser) acting as agents for the Scottish Ministers. In all circumstances however grant recipients **must** follow the procedures set out in this Annex and have due regard to the interests of the Scottish Ministers. They must also ensure that all duties of care owed to them by their advisors and contractors (including valuers) are properly extended to the Scottish Ministers.

Target groups

First time buyers

New supply shared equity homes are available to first time buyers on low to moderate incomes who cannot buy a home without assistance from the scheme.

For the purposes of administering the scheme a first time buyer is defined as ‘A person who does not own nor has previously owned a dwelling in Scotland, the rest of the UK or the rest of the world (all forms of ownership in the legal system of the rest of the UK which are equivalent to ownership in Scotland are treated as ownership)’.[30]

Where joint applications are received and one of the applicants is not a first time buyer the application cannot be processed.

Priority access groups

In addition, priority access is given to the following groups of people (who do not need to be first time buyers):

- people living in social housing
- disabled people
- people aged 60 or over (see below)
- members of the Armed Forces
- veterans who have left the Armed Forces within the past two years, and
- widows, widowers and other partners of service personnel for up to two years after their partner has lost their life while serving.

[30] This applies whether title was taken either individually, jointly or in common pro indiviso (that is where ownership of a dwelling is/ was held by two or more parties in individual shares). The definition of what constitutes a first time buyer is in line with the definition used for the purposes of Land and Buildings Transaction Tax and is set out in further detail on the Revenue Scotland website.

Applicants who are aged 60 and over

Applicants who are aged 60 and over and who wish to apply for support from the scheme without mortgage finance are considered as a priority access group providing they fulfil the following criteria:

- Applicants must demonstrate a housing need to move which must include at least one of the following:[31]
  - Under-occupation – the applicant is living in property which is too large and needs to downsize.
  - The applicant's existing property is no longer suitable to meet their needs – for example, they can no longer manage the stairs.
  - Support – the applicant needs to move closer to family or friends that provide care and support.
  - Living in private rented accommodation.

- Joint applications will be eligible (without the requirement for a mortgage) from couples where one of the applicants is aged 60 or over.

- Joint applications with an applicant aged 60 or over and their offspring under the age of 60 will be eligible, without the requirement for a mortgage, if the applicants can demonstrate that the offspring has a disability that affects their housing needs or ability to sustain a sole occupancy.

Existing or previous home owners

New supply shared equity may also be used to provide affordable home ownership for existing or previous home owners who are unable to sustain or move back into home ownership due to a significant change in household circumstances – for example, a marital breakdown.

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[31] This list is not exhaustive and other circumstances can be considered as evidence of housing need.

Grant recipients must make sure that duties under the applicable Equality Act Codes of Practice are met when targeting the new supply shared equity scheme.

Non-United Kingdom nationals are eligible for assistance under the new supply shared equity scheme so long as they do not have a home elsewhere and meet any other eligibility criteria set for the scheme.

Grant recipients must be satisfied that the target client group(s) cannot reasonably meet their needs within the locality through buying on the open market without assistance.

Eligible property types and sizes

Care should be taken in considering the types of housing required. Whilst the primary focus of new supply shared equity is to meet the needs of first-time buyers, this does not necessarily mean the need is solely for 'starter homes'. For example, as noted above, new supply shared equity can be used to meet the needs of older people for retirement accommodation.

More generally, purchasers will not be allowed to buy a home which is more than one apartment size larger than their current need[32] unless there are exceptional reasons, for example, due to disability or family breakdown. In the case of someone with particular housing needs arising from a disability, professional advice should be sought to determine any need for larger accommodation over and above this limit. In the case of family breakdown, the number of people in the household **may** include children who only spend part of the time in the property due to parental shared access. Evidence would need to be provided however to demonstrate the need for larger accommodation in such cases.

[32] An apartment is classified as any habitable room, but does not include kitchens, bathrooms, box rooms, utility rooms or hallways. Glass conservatories do not qualify as an apartment.

Equity stakes

People buying a new supply shared equity property from a grant recipient must generally take an equity stake of between 60 and 80 per cent of the market value of the property, as set by the District Valuer. The grant recipient 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, in a regeneration area, or where people with particular housing needs have identifiable additional housing costs.

The grant recipient may waive the minimum equity stake requirement for existing owner occupiers whose homes are scheduled for demolition or for those aged 60 or over who have a housing need. This means the minimum equity stake can, in these circumstances, be lower than 51%. These buyers would be expected to invest, as a minimum, the value of their existing property in an equity stake of the new property. If there is any likelihood of the equity stake being funded purely from the value of the existing property with no lending from an external source it is important that the relevant grant provider is advised at as early a stage as possible. In all cases, the maximum initial equity stake that any purchaser can take is 80 per cent of the market value of a property.

The level of equity stake that the Scottish Ministers will have in a property depends on the level of equity stake taken by a purchaser. For example, if a purchaser has an equity stake amounting to 60 per cent of the market value of a property, the Scottish Ministers would have a 40 per cent equity stake in the market value of that property.

Grant recipients must inform applicants that they are expected to make payment of all sums due under the new supply shared equity scheme when they sell their home. Grant recipients should note that the shared equity arrangements between the Scottish Ministers and individual shared equity owners are intended to run indefinitely. The Scottish Government has made an amendment to the 20 year security rule pursuant to powers contained in the Housing (Scotland) Act 2014. The amendment took effect on 15 February 2019 and removes the right to redeem securities after 20 years for those participating in designated schemes (including the new supply shared equity scheme).

With the exception of existing owner occupiers whose homes are scheduled for demolition, people buying a new supply shared equity property must be means tested in order to establish eligibility (see below).

The responsibilities associated with buying a home under the scheme

An applicant will be responsible for their own legal and valuation costs incurred in relation to the purchase, and for all tax and registration costs. An independent valuation is required for every transaction, even if the home buyer is not financing the purchase with a mortgage. This may be the case for applicants aged 60 and over. Unlike shared ownership, an owner has full title to the property and will not make occupancy payments.

An owner is expected to occupy the property as their only residence and they will be responsible for keeping the property in a good and habitable state of repair. As well as making mortgage repayments and paying tax to their local authority, an owner must also insure their property. An owner is responsible for all maintenance, repair and insurance costs and not just a percentage and, if the property has common and shared areas, they will be responsible for paying all common maintenance or service charges attributable to their property.

In so far as practicable, grant recipients should provide applicants with information on common maintenance and/ or service charges, and in relation to the homebuyer's warranty or guarantee which will apply to the new build property at an early stage as well as reliable and realistic information about when the construction of the property may be finished and other matters referred to in relevant codes, as applicable, such as the Consumer Code for Home Builders or the New Homes Quality Code (see below).

Grant recipients are expected to follow the Factoring Guidance published by the Scottish Federation of Housing Associations in relation to the future management and maintenance of the project and/ or block in which each shared equity property is located.

An owner is not allowed to let the property or any part of it to a third party. Previously permission to let was given for limited periods in exceptional circumstances. However, when the Short Assured Tenancy was replaced by the Private Residential Tenancy – in terms of the Private Housing (Tenancies) (Scotland) Act 2016 – landlords were no longer able to provide for the tenancy to run for a limited period of time since a key aspect of the Private Residential Tenancy is that, once created, it continues without limit of time and landlords can only recover vacant possession if (a) the tenant gives notice of their intention to leave or (b) certain grounds exist which justify an eviction order. This means that letting for short periods is not compatible with the new legislation and will not therefore be granted.

Grant recipients should make sure that applicants are made aware of these obligations (and the associated financial responsibilities) when they apply for a new supply shared equity property. Grant recipients should also recommend that applicants fully discuss these and all other costs and restrictions – whether arising from the shared equity documentation, the primary lender's documentation or otherwise – with their financial and legal advisers.

Processing legal documentation

The new supply shared equity scheme legal documentation contains a template sale offer to be used by the solicitors acting for the grant recipient when operating the scheme. This template offer includes references to the separate legal documents which will regulate the Scottish Government's equity stake in a property (the shared equity agreement, the standard security in favour of the Scottish Ministers and the ranking agreement).

Scottish Government solicitors have been appointed to provide legal services for the new supply shared equity scheme and they will liaise closely with the grant recipient and their solicitors in order to handle the preparation, completion and registration of the shared equity documentation.

In essence, the solicitors appointed by the Scottish Government (currently Harper Macleod LLP, The Ca'd'oro Building, 45 Gordon Street, Glasgow, G1 3PE) will deal with the shared equity agreement, the standard security and the ranking agreement among the Scottish Ministers, the purchaser and the primary lender. Everything else including acquisition, title examination, burdens/ deed of conditions/ development management scheme/ disposition of individual houses, searches etc will be dealt with by the grant recipient's own solicitor. This will ensure that the lines of responsibility of both the grant recipient and the Scottish Ministers are clear and avoid any duplication of title work or additional costs.

As noted above, the scheme legal documentation contains a standard style of offer to sell which the solicitors which are acting for the grant recipient should complete subject to any amendments and additions which they and the grant recipient deem necessary and/ or desirable in accordance with good market practice and the nature of the development as well as the principles underpinning the Consumer Code for Home Builders or the New Homes Quality Code (see below).

Once agreed, the grant recipient's solicitors should make a formal offer to sell to the solicitors acting for the purchaser. If accepted the grant recipient's solicitors will progress the sale of the plot in the normal manner in accordance with their duty of care whilst the Scottish Government solicitors will deal with the shared equity documentation.

RSLs must also ensure that they have all appropriate licences and authorisations for consumer credit purposes in relation to their role in the administration of new supply shared equity transactions. (Local authorities do not require any particular licences or authorisations in order to administer new supply shared equity transactions.) As a consequence of responsibility for the regulation of consumer credit being transferred from the OFT to the Financial Conduct Authority (FCA) with effect from 1 April 2014, any applications for authorisation after that date must be made to the FCA. The Scottish Government has issued guidance on the impact of the changes to the FCA legislation on RSLs administering shared equity schemes. RSLs may also wish to consider guidance that has been provided to them by the Scottish Federation of Housing Associations on this particular issue.

Shared equity agreements which are entered into from 21 March 2016 will no longer be classified as regulated consumer credit agreements, provided that they fall within the definition of 'exempt housing authority loans' as set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. This should then mean that undertaking debt administration and debt collection in relation to such exempt loans will not themselves be regulated activities for which an RSL would require FCA authorisation. In order to qualify as 'exempt housing authority loans', borrowers (i.e. shared equity purchasers) must be given timely information on the main features, risks and costs of the loan at the 'pre-contractual stage'.

Grant recipients must therefore ensure that a letter in terms of the template set out is issued to all prospective purchasers who have been assessed as eligible for shared equity support, to explain the key features of the equity loan. This letter must be issued by the grant recipient **before** the grant recipient instructs its solicitors to issue to the purchaser's solicitors a formal legal offer for the sale of the property – this is required so that the explanation to the prospective purchaser is given at the 'pre-contract' stage.

Price

Projects should be developed which produce housing at a value appropriate to the income level of the client group(s). The income level of the target group(s) and hence the purchase price that can be afforded with grant support will be an important factor in determining where new supply shared equity takes place.

Location

The housing developed should be both within the means of the target group(s) and in the appropriate location, taking into account factors such as travel to work times and proximity to schools and community amenities.

New supply shared equity primarily aims to increase the supply of affordable housing 'in and around' pressured housing markets[33]. Where there is tension between the cost of development within a particular area and providing affordable prices for the intended group, grant applicants will have to make a judgement about developing outside the area – in a location that is still appropriate for the intended group(s).

In addition, there is a recognised need for flexibility in developing local responses to local housing market circumstances. As a result, the scheme can also be an option in other areas where there is an identifiable local need.

In all cases however, location should also reflect Local Housing Strategy and Strategic Housing Investment Plan priority areas for investment.

[33] A 'pressured market' is an area where demand for housing outstrips supply, pushing prices beyond an affordable level for large numbers of people. These areas are identified in local authority Local Housing Strategies.

Publicity

Grant recipients should ensure that any publicity material they produce for projects meets all statutory requirements and is discussed in advance with their advisers and the trading standards department of the relevant local authority. In particular, for Scottish Government shared equity loans to qualify as ‘exempt housing authority loans’, the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 requires that all advertising must be fair, clear and not misleading.

Establish affordability and conduct means testing

Whilst the market assessment will provide information on the broad income levels of those households who are unable to enter the home ownership market as a result of market pressures being experienced locally, grant recipients **must** undertake a detailed financial assessment of individual household circumstances using the criteria set out below. This information will be obtained from the standard application form which grant recipients **must** ask prospective purchasers of properties to complete when they are applying to the scheme.

The underlying principle of this is that the applicant purchases the maximum amount of equity that they can reasonably afford, taking account of other financial commitments and the associated costs of home ownership. Local authorities may provide guidelines on the maximum income levels of applicants which they and RSLs may, in turn, publish as part of their eligibility criteria. Care should be taken to ensure that these take account of applicants with particular needs.

The maximum level of mortgage that the applicant is capable of funding and any other personal contribution they are able to make will be based on the following criteria.

Income assessment

An applicant should provide the grant recipient with details of all sources of finance when formally applying to the scheme. This information will be used by the grant recipient to determine the anticipated value of mortgage finance (if applicable), and the value of any other personal contributions. Mortgage lending must be in the form of a capital repayment mortgage – interest only mortgages are not permitted. A household income will be considered to be the total of:

- gross earnings, per single person or couple, as appropriate
- any other income, comprising sickness benefits, unemployment benefit, bank interest, superannuation or pension from previous employment, working families tax credit, widow's pension and shareholder's profits, and
- personal contributions comprising savings, gifts or other financial contributions.

The definition of personal savings includes: cash, premium bonds, stocks and shares, unit trusts, bank or building society accounts and fixed-term investments, the surrender value of any endowment policies, property, redundancy payments, and pension lump sum payments.

For applicants aged 60 or over who are not buying with a mortgage, establishing household income will be less important. However, grant recipients will want to be satisfied that this type of applicant is contributing the proceeds from the sale of their current or previous property. An applicant may retain £5,000 of any personal contributions held. Above this amount, 90 per cent of the balance will be treated as a contribution towards the purchase of a property.

A 'rule of thumb' for the estimated maximum mortgage for an applicant in employment would be as follows:

- individual application – individual salary x 3.0 = estimated maximum, or
- joint application – joint salary x 2.5 = estimated maximum.

In the event that it is a joint application but only one applicant works then the individual application rule would apply.

Grant recipients should note that the ‘rule of thumb’ will not be appropriate in the case of applicants who are self-employed. For these cases, a Decision in Principle and one Key Facts illustration from a reputable mortgage provider would be acceptable for assessment purposes. Normally lenders will require sight of a minimum number of years’ accounts before providing a mortgage quote although some allow self-employed people to self-certify their income. The rule of thumb does not apply to those applicants who are aged 60 or over and who are applying to purchase without a mortgage.

An applicant should provide details of the anticipated level of mortgage finance available. Applicants are normally required to provide at least one Decision in Principle from a mortgage provider. Mortgage searches can leave ‘footprints’ on the applicant’s credit history which may affect the applicant’s ability to obtain credit. An applicant should therefore be made aware of the need to confirm with their mortgage provider whether a quote will include any form of credit search. If a quote does require a credit search the mortgage provider should explain to an applicant any potential consequences. The mortgage provider should also obtain the applicant's consent before carrying out the search. This will not apply for applicants aged 60 or over who are not using a mortgage to purchase through the scheme.

The ‘rule of thumb’ should be used to compare the Decision in Principle provided by an applicant. In the event that the level achieved by an applicant is less than the rule of thumb, an applicant must provide the grant recipient with written evidence confirming why this is the case. If the level achieved by an applicant is more than the rule of thumb, an applicant must provide written evidence from their independent financial advisor confirming that they are able to sustain that higher level of borrowing over the long term.

The issue of how any debts incurred by applicants are treated will require to be considered by grant recipients. Secondary loans incurred for housing purposes, essential transport costs, or to meet care and support costs may be taken into account. However, grant recipients may also decide to consider loans taken out for other purposes.

Where an applicant with particular needs will be using their benefit entitlement to support a mortgage, a multiplier will be an inappropriate measure. The assessment should therefore be conducted using knowledge of the benefit entitlements of disabled people, reference to which is made in below.

Having satisfied the grant recipient of the maximum level of funds the applicant can raise, it becomes self-evident whether they satisfy entry into the scheme financially and the maximum level of equity they can afford to purchase.

It is also essential that applicants are fully aware of their housing related costs and the financial responsibilities that come with home ownership. At a local level this should be done through:

- grant recipients encouraging applicants to seek independent legal and financial advice on all housing-related costs at the earliest possible stage, and

- ensuring well designed servitudes and burdens/ deeds of condition are produced at an early stage particularly in the case of properties with common and shared parts and considering the introduction of development management schemes (as set out in the Title Conditions (Scotland) Act 2003).

Where households have, of necessity, exceptional housing and living costs which can be evidenced, greater flexibility will be required in the operation of the new supply shared equity scheme. This may result in provision having to be considered in locations that would otherwise not be considered (as a result of support networks, employment or other factors) or accommodation requiring to be purpose designed resulting in additional costs. These factors, together with the additional living costs that such households face, may result in lower levels of equity stake requiring to be considered (to a minimum of 51 per cent).

In addition, in exceptional cases an applicant with a severe disability may have received a compensation payment as a result of an injury. Where the applicant provides evidence that they need to keep funds aside to meet additional living costs (for example, the cost of employing a carer), such compensation payments should not affect a buyer's eligibility for the scheme and the applicant may not need to meet the standard requirement to put 90% of their savings over £5,000 towards the purchase of a property. These factors should be taken into account particularly when the applicant is aged 60 or over.

There are no set formulae for identifying additional costs but they should be capable of being evidenced by professional supporters or other sources. A means test and affordability exercise consistent with that for other applicants should be undertaken.

The complexity of mortgages repaid solely through benefits means that a grant recipient should consider the need to employ specialist assistance from an organisation experienced in the issues facing people with particular needs when buying a home.

For applicants aged over 60, evidence of the sale price achieved from a previous house sale or of the formal offer accepted should be requested as part of the assessment process. Reasonable expenses such as legal, estate agency fees and removal costs will be regarded as ‘eligible deductions’ from the sales proceeds prior to determining the equity stake.

Illustrative case studies on establishing affordability and conducting means testing are provided in Annex E, Appendix 1.

Third party warranties

Third party warranty premiums will be eligible for grant funding. Third party warranties are a mandatory grant requirement for all types of new supply shared equity project.

The grant provider will accept NHBC Buildmark, Zurich and Premier Guarantee third party warranty schemes cover, or such other third party warranty scheme as may be acceptable in terms of the Council of Mortgage Lenders’ (now UK Finance) Handbook for Scotland.

In situations where the grant recipient owns the land which is to be developed for new supply shared equity, NHBC Buildmark and Premier Guarantee each require the land owner and builder to be registered under their respective warranty schemes so that effectively a double registration premium is required. A second registration premium will be eligible for grant funding only where it can be demonstrated that this provides value for money.

Consumer codes

The Consumer Code for Home Builders has been in operation since 2010. In December 2021 the New Homes Quality Board published its 'New Homes Quality Code' with the intention that it will replace the existing codes currently in place. The New Homes Quality Code will apply to developers which register and activate with the New Homes Quality Board.

Documentation in connection with sales of new build property under the shared equity arrangement are set out in the legal documentation. Although the established view is that codes such as the Consumer Code for Home Builders or the New Homes Quality Code do not apply to a sale of this nature, the Scottish Ministers take the view that grant recipients should abide by the spirit of and principles underpinning such codes as applicable and that it is reflected in the sale offer.

Grant recipients should discuss the terms of the relevant code with their solicitors and adapt it to the development as appropriate. Without prejudice to that, grant recipients and their solicitors should note the following:

- If there is a reservation fee payable in advance of formal offer there should be a written Reservation Agreement in terms of and subject to the relevant conditions in the relevant code.

- If there is no reservation fee or the reservation fee is only payable after conclusion of missives it has been decided that a Reservation Agreement will not be required. Grant recipients should, however, set out clear details of the estimated cost and nature of any management services the home buyer must pay for. The offer accordingly requires the solicitor acting for the home buyer to confirm as part of their acceptance that this has been done.

- A similar issue arises with the terms of the home warranty where the home buyer's solicitor again agrees on their behalf that the terms of cover have been explained to them.

- The covering letter sent to the home buyer's solicitor along with the offer should draw these matters to their attention.

- Grant recipients should, as a matter of course, provide bespoke advice in relation to health and safety precautions and information on:

  - the layout, appearance and plot position of the home
  - the list of home contents
  - the standards to which the home is being built, and
  - a contact person or personnel.

Grant recipients must ensure that a letter in terms of the template set out in the template sale offer is issued to all prospective purchasers who have been assessed as eligible for shared equity support, before the grant recipient instructs its solicitors to issue to the purchaser's solicitors a formal legal offer for the sale of the property – this is required so that the explanation of the key terms of the equity loan is given at the 'pre-contract' stage.

Once the sale is effected grant recipients are required to provide:

- an appropriate after sales service all in accordance with the published After Sale Shared Equity Procedures
- advice on health and safety precautions when living in a development where building work takes place
- an appropriate system and procedures for receiving, handling and resolving buyers' service calls and complaints as well as advice on dispute resolution, and
- an explanation of the arrangements to complete any work outstanding at handover.

These should be provided in accordance with the relevant code as applicable, together with any other matters which may be required in order to comply with the spirit of and principles underpinning the relevant code.

In providing an after sales service, grant recipients should recognise that the contractual arrangements relating to the design and construction of the houses are between the grant recipient and the building contractor/ developer and design team, and that individual home buyers have no direct contractual recourse against those third parties in the event of snaggings or defects arising in their home. This is one reason why the provision of an appropriate third party warranty is a mandatory grant requirement as set out above, but in keeping with the spirit of the codes grant recipients should also have procedures in place to assist home buyers in bringing relevant matters to the attention of the builder/ developer during the applicable defects period and in ensuring that such matters are appropriately addressed. It will not generally be sufficient for the grant recipient to simply refer the home buyer to the terms of their third party warranty cover.

Grant recipients should also ensure that, in their contracts with the builder/ developer, appropriate provisions are included so that the grant recipient can enforce any after sales arrangements against the builder/ developer if required. For example, when negotiating its contract with the builder/ developer, grant recipients should seek to harmonise the duration of the contractual defects liability period with the duration of the period in the relevant code for reporting defects (two years), and may wish to consider whether to insert specific defects/ snagging reporting arrangements, which permit home buyers to report concerns directly to the builder/ developer, and which require the builder/ developer to remedy such matters within agreed timescales.

Where required and practicable grant recipients should be prepared to enforce the terms of the building contract against the builder/ developer for the benefit of affected home buyers, and should have regard to any outstanding complaints made by home buyers before releasing any contract retention upon the expiry of the defects liability period in the building contract.

Data protection

RSLs and local authorities acting as new supply shared equity administering agents act as data processers in relation to shared equity applications, including after sales transactions. Further detailed information is contained in the Shared Equity Privacy Notice. The retention periods for information processed by Administering Agents on behalf of the Scottish Government are as follows:

- Application information and supporting documentation (i.e. forms, wage slips etc) – This should be held for the remainder of the calendar year within which the information was received plus an additional 12 months.

- Shared Equity Owner and Property Purchase Information where Scottish Ministers hold an equity stake – This information should be held by the grant recipient indefinitely until the Scottish Ministers' securities are discharged and for the remainder of the calendar year plus a further six years subsequent to discharge for audit purposes.

- Non-anonymised Customer Satisfaction Survey and Testimonials – The information should be destroyed within 12 months after the end of the calendar year the information was received, unless the individual has given express permission for it to be used in publicity materials.

All shared equity information stored by grant recipients acting as administering agents on behalf of the Scottish Government must be stored in electronic form.

After sales

Further detailed guidance on the handling of common after sales enquiries such as those below can be found in the After Sale Shared Equity Procedures:

- owners wishing to increase their equity stake
- owners wishing to re-mortgage
- owners wishing to sell
- adding or removing someone from the shared equity documentation, and
- buy back and re-sale.

Annex E, Appendix 1

New supply shared equity scheme case studies

Case study 1

Jill and Ian currently rent a one-bedroom flat from a private landlord. They have been married for three years and have decided that they would like to own their home. Both work in the city centre and travel to work by public transport. Ideally they would like to purchase a two bedroom flat in the local area.

Both work full-time – Ian earns a salary of £16,000 and Jill earns £14,000 a year. The couple do not have significant savings (not more than £5,000). They have been to see three mortgage lenders and have ascertained that the maximum mortgage they are likely to be given is £75,000. Typical market prices for two bedroom flats in the area are around £120,000 and they have not been able to find a suitable property that they can afford.

Ian has seen that a local authority has developed properties for sale through shared equity in the city. The local authority is advertising two bedroom flats at £115,000.

Their application is successful. On their combined salaries they are able to buy a 65.22 per cent stake in a flat.

Value of property	£115,000
Owners' equity stake	£ 75,000 (= 65.22 per cent stake)
Scottish Ministers' equity stake	£ 40,000 (= 34.78 per cent stake)

Case study 2

Mary and John are married and have two children below the age of 10. They currently live in a two-bedroom house in a small town which they rent from an RSL. Both children attend the local primary school.

House prices in the town have been rising sharply in recent years. The couple would like to purchase a home and do not want to move their children away from the school they attend.

John earns a salary of £15,000. Mary works part-time and earns £10,000 a year. They do not have significant savings. A mortgage lender has given them a quote for a mortgage of £62,500. Typical market prices for a three bedroom house in the area range between £110,000 and £150,000.

An RSL has developed new supply shared equity homes in the local area. A three bedroom house is valued at £110,000 and under usual circumstances will cost a purchaser between £66,000 and £88,000.

The application is unsuccessful. The RSL does not feel that the applicants have an adequate income for home ownership at this time. They have not demonstrated sufficient need to justify lowering the equity stake below 60 per cent and feel that the household is appropriately housed in the social rented sector.

Case study 3

John, 23, lives in a two bedroom privately rented flat and has regular paid support, including a worker who sleeps over. He has been given a valid notice to leave by his landlord and needs to move from the property in the coming months.

John has learning difficulties and is supported to live a full life in his community but it is unlikely that he will ever have an earned income. In the flat the bedrooms and bathroom are upstairs – and the kitchen and living room are downstairs. This suits John who has no problems accessing the property or its rooms.

John needs to remain in the town close to his family networks, to the community centre, and to other resources that he currently attends and with which he is familiar. He requires a similar property with two bedrooms. His family, support provider and care manager at the local authority confirm John's need to stay within the area.

John's income comprises a total weekly income of £260.50 from benefits. He has no significant savings.

Universal credit rules allow John to claim Support for Mortgage Interest payments in addition to his current benefits to repay the interest on a mortgage providing it is taken out in order to acquire alternative accommodation more suited to his needs as a disabled person. The termination of his tenancy is sufficient proof of the need for a more suitable property.

John has limited access to affordable mortgage finance. However he is able to raise a mortgage of £45,000.

An RSL has developed new supply shared equity flats in the local area. They accept John's application on the grounds that he is potentially homeless and in housing need; and they obtain supplementary evidence from his care manager confirming his need to live in the same area and from his welfare benefits advisors that the maximum mortgage he can raise and afford is £45,000.

This supports their decision to accept a 51.00 per cent stake on a property valued at £88,235.

Value of property	£88,235
Owner's equity stake	£45,000 (= 51.00 per cent stake)
Scottish Ministers' equity stake	£43,235 (= 49.00 per cent stake)

Case study 4

Sarah is in her thirties, lives with her young son and has serious mobility problems as a result of a car accident. She has difficulty with stairs although she is not a wheelchair user. She also has difficulty concentrating but believes she will be able to return to low paid work at some point.

She currently owns her home outright without a mortgage. The house is on two storeys and has two bedrooms. The house is small and has not been adapted in any way. Sarah has been told that the house is not suitable for adaptation to meet her needs – for example, a stair lift will not be appropriate as the staircase is too narrow.

She needs a single storey house, preferably with an accessible garden to allow her to supervise her son, and three bedrooms to allow for family and other supporters to provide overnight care when Sarah is unwell. A bungalow would be most suitable if this can be found at an affordable price.

Sarah’s current income is from benefits and she does not have significant savings. She wants to stay in the town where she is living, where her son is at school and would prefer to buy a property. Properties identical to her current home have sold recently in the local area for £85,000. She has looked at property prices on the open market and does not think that she will be able to buy a suitable home in the town for less than £150,000. Her desire to return to work means it would be inadvisable for her to take out a mortgage based on benefits that are only payable while she is not working.

A local authority is developing a number of new supply shared equity properties, including a few bungalows which would be suitable for Sarah's needs. The bungalows are valued at £160,000, making the normal price somewhere between £96,000 and £128,000 (60 per cent – 80 per cent). Sarah would only be able to purchase a stake of 53.13 per cent by contributing the entire proceeds from the sale of her house ((£85,000 ÷ £160,000) × 100). She is aware that in particular circumstances the equity stake can be lowered and makes an application to the scheme.

The local authority receives evidence from an occupational therapist that Sarah's current home is not suitable for adaptation. The application is successful.

Value of property	£160,000
Owner's equity stake	£ 85,000 (= 53.13 per cent stake)
Scottish Ministers' equity stake	£ 75,000 (= 46.87 per cent stake)

Case study 5

Eric and Betty are in their 60s and are living in a three bedroom semi-detached property which they purchased from the Council under the Right to Buy in the 1980s. The property is now too large for them and requires significant maintenance which they are finding difficult to manage. They decide to sell their home and look for something more suitable. They receive £70,000 equity from the sale of their home and also have £8,000 in savings.

They see a one bedroom apartment for sale through the new supply shared equity scheme at a purchase price of £110,000. They can keep £5,000 and must contribute 90% of the £3,000 balance. Therefore they can make a contribution of £2,700 to the purchase of their new home from their savings.

They can deduct 'eligible deductible costs' from the sales proceeds of their previous property. (Eligible deductible costs include expenses such as legal costs and removal costs to a maximum of £5,000.)

Sales proceeds from existing house sale	£ 70,000
Owner's contribution from savings	£ 2,700
Less eligible deductible costs (max)	£ 5,000
Sum available to invest in new supply shared equity property	£ 67,700
Value of 1 bedroom new supply shared equity property	£110,000
Owner's equity stake	£ 67,700 (= 61.5%)
Scottish Ministers' equity stake	£ 42,300 (= 38.5%)

Annex F

Cost over-runs

As detailed earlier, projects receiving funding through the Affordable Housing Supply Programme will be considered for additional grant in relation to unforeseeable and unavoidable cost over-runs which may be identified following tender approval.

RSLs, RSL subsidiaries, local authorities and local authority arms-length external organisations must demonstrate to the grant provider's satisfaction that the additional costs have not resulted from their deliberate actions. And that they were unforeseeable.

Ordinarily, all information necessary to evidence the reasons for the cost over-run and to assess the request should be submitted through the HARP system at project completion stage – this information should be submitted earlier however, with the agreement of the grant provider, if the cost over-run is (a) of a significant nature and (b) affecting the deliverability of the project. The information submitted to the grant provider should include confirmation from a senior local authority official that the local authority is aware of the impact of the cost over-run on its local programme given that the grant funding of any approved cost over-runs will be met from the Resource Planning Assumption for that local authority area.

The grant provider will take the final decision on whether cost over-run requests are acceptable based on the evidence provided.

Unforeseeable and unavoidable cost over-runs which are below £20,000 or 1% of the works cost, whichever is lower, will not normally be considered eligible for additional grant funding.

If accepted, additional capital costs above the minimum threshold amount specified above will normally be funded in full for new supply shared equity projects[34], and normally in the same ‘Affordable Housing Supply Programme grant : total cost’ ratio as that approved at tender stage for social rented projects and mid-market rented projects.

[34] Except, for example, where the grant recipient has retained a stake in any new supply shared equity units.

Annex G

Continuous improvement programme

Given the scale of investment in the Affordable Housing Supply Programme it is essential to demonstrate that delivery is as efficient and effective as possible in order to maximise the number of affordable homes that can be provided. As such, as a condition of grant:

- RSLs will require to participate in (a) a procurement improvement programme every two years and (b) a programme which assesses value for money in affordable housing projects in the case of new build developments (regardless of the procurement route), and
- local authorities will require to participate in a programme which assesses value for money in affordable housing projects in the case of new build developments (again, regardless of the procurement route).

RSLs and local authorities will therefore require to identify and work with providers that can deliver the required content of each programme, as set out below. [35]

Procurement improvement programme

The procurement improvement programme will contain the following features:

- A period of support to assist RSLs to understand their procurement duties and current level of performance, leading to an assessment after that support has concluded which will include the undernoted elements:

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[35] Local authorities delivering projects which are not new build, local authority arms-lengths external organisations, and RSL subsidiaries will not be required to participate in a programme of continuous improvement.

- whether the RSL’s leadership and governance arrangements recognise the importance of strong procurement capability (for example, responsibilities are clearly defined and appropriate procurement policies and procedures have been issued and are adhered to)
- whether the approach to procurement is aligned with the RSL’s overall strategic objectives (for example, in terms of financial, economic, social and environmental objectives)
- whether the RSL has sufficient resources in place to deliver the desired approach to procurement, as well as the necessary skills and training to ensure that both capacity and capability are being addressed
- whether procurement performance is monitored to check that it is improving and that the RSL is using effective procurement as part of its wider efforts to secure best value for money
- whether the RSL has appropriate controls in place to manage risks (for example, a clear scheme of delegation with appropriate separation of duties, evidence of risk management, counter fraud measures and policy on gifts and hospitality)
- whether the RSL has a clear understanding of where it spends its money and the markets from which it purchases, together with different approaches to procurement to achieve the best outcomes from those markets
- whether the RSL has appropriate arrangements in place to manage contracts and suppliers to ensure that contract obligations are met and any potential benefits are captured as well as ensuring that there is strong contract compliance across the organisation with minimum maverick (off-contract) spend, and
- whether reliable systems are in place to ensure purchases are received and paid for properly and efficiently.

- The programme will be based on (a) the principles of benchmarking of procurement capability within the housing sector and (b) the development and sharing of best practice. Accordingly:
    - participation must be accessible to all applicable RSLs
    - RSLs participating in the programme must be actively involved in reviewing the findings and, where appropriate, refining the detailed content of the programme, and
    - the programme's results must be capable of simple aggregation with those of any other providers of the programme in order to allow a sector-wide evaluation of procurement capability to be assessed.

- Annual reports must be produced which contain anonymised findings showing (a) areas of high performance and areas where improvement is needed (b) progress against improvement opportunities identified in previous reports and (c) key trends over time. The provider of the programme must submit these reports to the Scottish Ministers within three months of the end of each financial year.

Value for money in new build affordable housing programme

The value for money in new build affordable housing programme will contain the following features:

- A value for money assessment of all new build affordable housing projects delivered through the Affordable Housing Supply Programme based on data relating to cost, quality and time – with the 'quality' element of the assessment including technical measures (such as the energy efficiency of the homes), compliance with Housing for Varying Needs standards, and any accreditations and awards given to projects. Data on individual projects will require to be input into a value for money assessment within 90 business days of each project having been certified as complete by the project architect/ supervising officer and having been approved by the local authority for occupation, and this data should only be available for other organisations to view once corresponding official statistics on housing completions have been published.

- An assessment of customer satisfaction in all new build affordable housing projects delivered through the Affordable Housing Supply Programme, which must be carried out within nine months to 15 months of all of the homes having been occupied. The provider of the programme should approach all householders to take part in this assessment, and should use its all reasonable endeavours to achieve at least a 40% response rate.

- The programme will be based on the principles of benchmarking, shared best practice and continuous improvement. Accordingly:

  - participation must be accessible to all RSLs and local authorities which are delivering new build affordable housing through the Affordable Housing Supply Programme

  - RSLs and local authorities must be actively involved in reviewing the findings and, where appropriate, refining the detailed content of the programme, and

  - the programme's results must be capable of simple aggregation with those of any other providers of the programme in order to allow a sector-wide evaluation of value for money to be assessed.

- Annual reports must be produced which contain anonymised findings showing (a) areas of high performance and areas where improvement is needed (b) progress against improvement opportunities identified in previous reports and (c) key trends over time. The provider of the programme must submit these reports to the Scottish Ministers within three months of the end of each financial year.

Annex H

Checklist

Information required	From whom	How	When
Grant settlement form – acquisitions	All grant recipients	Through the HARP system	Within 14 days of grant payment
Completed affordable housing investment benchmarks calculator for social rented projects and mid-market rented projects, and completed cost monitoring information for all projects containing automatic fire suppression systems and/ or zero direct emissions heating (regardless of tenure)	All grant recipients, where applicable	Through the HARP system	As part of the tender application process, where applicable

Information required	**From whom**	**How**	**When**
Housing tender return for all new build projects	All grant recipients, where applicable	Through the HARP system	As part of the tender application process, where applicable
Statement demonstrating commitment to Fair Work First	All grant recipients	Through the HARP system	As part of the tender application process
Confirmation that a short statement is on the grant applicant's website highlighting its commitment to advancing Fair Work First	All grant recipients	Through the HARP system	As part of the tender application process
Information on the measures that the grant applicant will take to embed fair working practices in its organisation	All grant recipients	Through the HARP system	As part of the tender application process

Information required	From whom	How	When
Confirmation of (a) the date that the project is expected to start on site and (b) the date when project is expected to complete	All grant recipients	In writing	When accepting the grant offer
Confirmation of the provider that the grant recipient has chosen to work with on the procurement improvement programme	RSLs only	As part of the grant acceptance process	When accepting the grant offer
Confirmation of the actual date of works commencement on site	All grant recipients	In writing	Within seven days of works starting on site

Information required	From whom	How	When
Notification of any unforeseeable and unavoidable cost over-runs, together with an initial estimate of cost	All grant recipients	In writing	Immediately they become apparent, with due diligence then being expected to have been undertaken before any formal request is submitted for additional grant funding
Statement of compliance with the conditions of the grant	All grant recipients	Through submitting the appropriate schedule within the grant offer letter	Within three months of the end of each financial year within which grant has been paid
Notification of project completion	All grant recipients	In writing	As soon as all of the homes in a project have been certified as complete by the project architect/ supervising officer and approved by the local authority for occupation

Information required	**From whom**	**How**	**When**
Copy of the completion certificate	All grant recipients	Through the HARP system or via email	Immediately following the above notification of project completion
Confirmation that a Fair Work First survey has been completed	All grant recipients	Through submitting the appropriate schedule within the grant offer letter	As soon as all of the homes in a project have been certified as complete by the project architect/ supervising officer and approved by the local authority for occupation
Confirmation of the provider that the grant recipient has chosen to work with on the value for money in new build affordable housing programme	RSLs and local authorities delivering new build projects only	Through submitting the appropriate schedule within the grant offer letter	As soon as all of the homes in a project have been certified as complete by the project architect/ supervising officer and approved by the local authority for occupation

Information required	From whom	How	When
SmartSurvey completed	RSL subsidiaries and local authority arms-length external organisations	Through completing the online SmartSurvey	When mid-market rent tenants collect the keys or have access to a property, and for every new let or subsequent let of the property
Confirmation that the grant recipient has participated in the procurement improvement programme	RSLs only	Through submitting the appropriate schedule within the grant offer letter	Within two years of the date of acceptance of the grant offer, and every two years after that
Confirmation that the grant recipient has participated in the value for money in new build affordable housing programme	RSLs and local authorities delivering new build projects only	Through submitting the appropriate schedule within the grant offer letter	Within 18 months of all of the units in the project having been certified as complete by the project architect/ supervising officer

Information required	From whom	How	When
Confirmation of any change of provider that the grant recipient has chosen to work with on the procurement improvement programme	RSLs only	In writing	Within 10 business days of the RSL formally deciding to change provider