



PESTLE
Analysis
May 2021

INTRODUCTION

The operating environment in which the Waverley Housing Business Plan 2021-26 will be actioned is expected to be a period of significant change. The Coronavirus pandemic has had an adverse effect on everyone's lives, both economically and socially and the recovery from the pandemic will be unpredictable in scale and pace. However, the 2021-26 Business Plan heralds a time of huge opportunity. The demand for housing of all tenures, is likely only to grow, and affordable housing will play a crucial part, in meeting that demand. The move to Net Zero is now firmly established, and again, social housing will be in the vanguard of the decarbonisation agenda. The undernoted narrative attempts to identify the PESTLE influences which will be relevant in delivering the Waverley Housing Business Plan 2021-26.

POLITICAL LANDSCAPE

The recently concluded Scottish Parliamentary Election, has provided a degree of certainty over the future of government in Scotland. Given the outcome of the election, it is reasonable to assume that there will be a push, for a further Independence Referendum during the new parliamentary term. Housing to 2040 commits the Scottish Government to providing affordable homes across Scotland, particularly homes for social rent. Housing to 2040 sets a new ambition to deliver 100,000 affordable homes by 2031/32 which will make an important contribution to tackling child poverty, and to end homelessness. Housing to 2040 is also expected to play a key role in helping Scotland's economy to recover from the COVID-19 pandemic, by supporting a total investment package of around £16 billion and 12,000 to 14,000 jobs each year[1]. Brexit negotiations are now concluded with the UK-EU Trade and Cooperation Act regulating the flow of trade between the UK and the EU. The EU Settled Status Scheme ends in 2021.

ECONOMIC IMPACTS

The economic impacts of the Coronavirus Pandemic have been felt across the world, and whilst there is an anticipated 'bounce', it is difficult to predict when that will happen, which sectors will benefit most, and how that will feed through to earned income particularly for low waged working families. However, any economic bounce will also create challenges as industry sectors gear up, at the same time, and return to normal working. The impact of Brexit, in its early stages, appears to be creating logistics problems, which are feeding through to price increases, particularly in construction materials. There may be some element of EU countries grappling with a return varying levels of economic activity, but it is clear that shortages, and availability issues, are creating a "highest bidder" scenario.

These circumstances are likely to bring inflationary pressures. The rate of Consumer Price Inflation (CPIH) currently stands at 1%. Inflation is a measure of how much the prices of goods and services have gone up over time however, as a result of the lockdown restrictions caused by the Coronavirus pandemic, the CPIH has been revised to include a smaller number of comparable items than those collected before the first lockdown. The UK Gov't continues to have a target of 2% annual inflation. This is important for our tenants and is a measure of how they might reasonably expect, the cost of living to increase. It is likely that both Covid-19 and Brexit will have an adverse impact upon both the price and availability, of goods with a little less, but nonetheless upward pressure on services.

The Bank of England 'Bank Rate' currently sits at 0.75% with the next review scheduled for December 2019. The 'Bank Rate' determines the interest rate which the Bank of England pays to commercial banks that hold money with it and directly influences the rates those banks charge to borrow money. The majority (70%) of Waverley Housing's borrowings are fixed. However, interest rate rises cannot be discounted.

Where greater uncertainty exists, is in respect of the cost of borrowings in relation to the regeneration of Upper Langlee however, it is hoped that there may be some increase in the grant thresholds as part of a refreshed Affordable Housing Supply Programme. This will be factored into the risk management planning programme and will be monitored and reported to the Waverley Housing Board.

Waverley Housing continues to explore and pursue commercial contract opportunities where they are considered complementary to existing business, and which are anticipated to be income and profit generating. The Eildon Day to Day Repairs and

Void Maintenance Contract and the Scottish Borders Council Homeless Repairs Contract have both been significantly affected by the pandemic however, Trades Team activity is now gearing up again and it is expected that contract performance will pick up quickly

SOCIAL

Recent analysis suggests the Scottish Borders needs to achieve a net inward migration rate of around 400/500 economically active residents, each year, if it is to maintain current levels of economic activity. This is considered a stretch target and particularly in terms of the available supporting infrastructure in housing, transport and digital connectivity.

Unfortunately, for many people living in social housing, poverty is a reality and for families both in and out of work, financial pressures continue to grow. The data reported to the Board of Waverley Housing shows clear correlation between families on Universal Credit and arrears of rent. Whilst this has stabilised, there is little to suggest that future economic prosperity will be more widely shared.

The last Housing Need and Demand Assessment in the Scottish Borders identified a requirement for between 4,000 and 7,000 new households, of all types, over the next 20 years. However, these figures are dependent upon accurate estimates of population growth and particularly achievement of the targets for economically active inward migration.

During the last decade, population growth has consistently been revised downward with housing need and demand now expected to be at the lower end of the requirement. The introduction of a National Planning Framework is likely to require national housing targets to be built into regional spatial strategies however, the HNDA will continue to inform the former SES Plan 1 and until the National Performance Framework is in place. Households headed by people aged 65-74 are expected to increase by over 20% and those headed by someone aged 75 is expected to grow by over 90%.

TECHNOLOGICAL

Waverley Housing continues to invest in new systems and new technology, to support the active management of services to tenants. Given the anticipated demographic changes, it is entirely reasonable that greater demand for technological adaptations, intended to support independent living will be required. These are likely to involve an expansions of telecare services and sensory provision to detect changes in circumstances or condition.

However, it is important to recognise that there are a significant number of people who, for a range of reasons, are unable to access the full range of technology enabled services. Poverty and the cost of data availability feature alongside poor digital skills and partial broadband coverage as significant inhibitors to greater digital participation. Waverley Housing needs to consider this when proposing exclusively, digitally enabled services.

Having been the victim of a cyber-attack during 2020, the company continues to review, and update existing systems and procedures to ensure adequate protections are in place against future cyber-attacks. As the world emerges from the Coronavirus pandemic, Waverley Housing will, like many other businesses, seek to utilise technology to support the way in which it works. More home working is anticipated, and greater levels of interaction across virtual platforms will be needed to support this. It is crucial that these platforms are safe and secure. The governance arrangements have benefitted from the technological changes, and the Board are now fully engaged through virtual means, and are now operating in a virtually paperless environment.

LEGISLATION & REGULATION

Managing health and safety is a business-critical function. Waverley Housing recognises that it has a legal duty of care towards protecting the health and safety of its employees and others who may be affected by the company's activities. The Coronavirus pandemic has brought additional focus, on the need to safeguard tenants and staff, during the crisis, and steps have been taken to introduce enhanced risk assessments, operational guidance and control measures. The company has followed all statutory guidance issued by Scottish Gov't in relation to working practices during the pandemic, and will continue to do so.

The overall responsibility for health and safety rests at the highest management level. However, it is the responsibility of every employee to co-operate in providing a safe place of work, and all employees have a legal duty to ensure their own safety and the safety of others (for example, colleagues, visitors, contractors). The Company retains independent, external consultants to review the Health and Safety Handbook on an annual basis.

Waverley Housing continues to undertake a process of self-assessment against the Regulatory Requirements – Chapter 3 of the Regulatory Framework and Regulatory Standards of Governance and Financial Management. This is part of the process of submitting an Annual Assurance Statement. During the Coronavirus pandemic the company closely followed and adhered to all guidance issued by the Scottish Housing Regulator in relation to ensuring a Covid secure environment, whilst maintaining excellent governance, in the face of significant challenges.

ENVIRONMENTAL

The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 sets legally-binding “net-zero” targets for all greenhouse gases by 2045, and identifies how all aspects of society including the design, development, maintenance and heating of social housing will need to change if those targets are to be met. Housing to 2040 notes that, the total investment required from public and private sources to decarbonise Scotland's domestic and non-domestic buildings, is estimated to be in the region of £33 billion over the period to 2045 and is likely to support around 24,000 jobs each year as investment reaches its peak in the late 2020s.

Nearly all of Waverley Housing Stock meets the current Energy Efficiency Standard for Social Housing (ESSH1). The challenge will be to achieve ESSH2 by the required date of 2032, at reasonable cost. The 2019 Act embeds the principles of a Just Transition, which means reducing emissions in a way which tackles inequality and promotes fair work, at the heart of Scotland’s approach to reaching net-zero. Crucial in achieving a Just Transition will be understanding how to maximise the economic and social opportunities from meeting emissions reduction targets, whilst managing the risks.

Waverley Housing recognises the need to review how it does business whilst attempting to reduce greenhouse gas emissions and prepare for the impacts of climate change. Affordable social housing plays an important role in improving energy efficiency, and tackling fuel poverty, however the challenge of reconciling energy efficiency and decarbonisation will not be easily achieved.

REVIEW FRAMEWORK

Where practicable, this analysis will be updated on a 6 monthly basis.