



**PESTLE
Analysis
March 2023**

INTRODUCTION

The operating environment in which the Waverley Housing Business Plan 2021-26 was to be actioned was expected to be a period of significant change. The Coronavirus pandemic which had such an adverse effect on everyone's lives, both economically and socially is substantially in the past however, recovery from the pandemic has been unpredictable both in scale, and pace. 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 political landscape at both UK and Scottish Parliaments have been unpredictable, with a number of ministerial changes at the head of each Government. The leadership election to identify a new First Minister in Scotland concludes on 27th March 2023. Irrespective of the outcome it is expected that the Scottish Government's commitment to investment in social housing will continue. 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. On the downside, analysis of the Scottish Budget confirms that the headline Housing Supply budget line of £489 million incorporates a 17.5% drop from the £605 million assigned to it in the previous year's budget. The overall Affordable Housing Supply Programme budget decrease is less at 9.5%, with a total of £752 million available. On 21st December 2022 SFHA and Scottish Gov't reached agreement on the approach to rent setting in the social housing sector beyond 2023/24. The announcement confirmed that Scottish Government anticipates there will be no restrictions on rent setting in the social housing sector from 1 April 2023.

ECONOMIC IMPACTS

When Waverley Housing wrote the PESTLE Analysis to support the 2021-26 Business Plan it anticipated that there would be a post-COVID economic bounce, but recognised it would be difficult to predict when that might happen, which sectors would benefit most, and how that would feed through to earned income particularly for low waged working families. The Business Plan also anticipated that any economic recovery would create challenges as industry sectors gear up, at the same time, and return to normal working creating logistics problems which in turn, fed through to price increases, particularly in construction materials and tender prices.

Correctly the Business Plan predicted that those circumstances would bring inflationary pressures, but perhaps not at the scale or pace which has been experienced. Then the rate of Consumer Price Inflation (CPIH) stood at 1% now CPIH stands at 10.1%. Following the 2023 Budget, the UK Gov't predicts inflation will be at 2.9% by the end of the year, with an average of 7% over the course of 2023. The Waverley Housing Financial Plan has incorporated a series of inflationary assumptions which it is hoped are consistent with predicted trends.

The Bank of England 'Bank Rate' currently sits at 4%, when drafting the Waverley Housing Business Plan it sat at 0.75% 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 current borrowings are fixed.

Where greater uncertainty existed, was in respect of the cost of borrowings in relation to the regeneration of Upper Langlee. The 'all-in' rate for the proposed loan of 'up to £10M' is 5.45% (4% plus a margin of 1.45% on variable loans). The market trends in social housing contract pricing is upward however, it is anticipated that there will be a further review of the grant threshold in the Affordable Housing Supply Programme.

SOCIAL

The cost-of-living crisis has impacted disproportionately on those most vulnerable in society and is having an impact on Waverley Housing tenants. The Local Housing Strategy recognises that the region is an area that already has higher than average levels of fuel poverty and the cost of living crisis will only make this more challenging. Through a combination of property improvements and support for individual tenants e.g., Fuel Poverty and Welfare Benefit Support, Waverley Housing is committed to ensuring that tenants live in warm homes, no matter their circumstances.

Scottish Borders Council is in the process of developing a Housing Need and Demand Assessment for the period 2023-2028. Local authorities are required through legislation to develop a Housing Need and Demand Assessment on a five-yearly cycle, providing an evidence base for housing policy decisions in Local Housing Strategies and land allocation decisions in Development Plans.

The Scottish Borders Council Plan for 2023-2028 includes commitments to building Empowered Vibrant Communities, part of which cites the intention to deliver good quality homes that meet the needs of the community and considers the wider infrastructure issues and vehicle dependency across the region when planning new build housing. There is a further commitment in the Good Health and Wellbeing section of the plan to ensure the provision of the right homes, in the right locations, which are affordable and meet people's needs, and within the Strong Inclusive Economy – Transport and Infrastructure Section, there is a desire to maximise opportunities for housing and housing development to help unlock the region's economic potential and supporting the delivery of homes in town centres, including empty homes and shops as part of the focus on regenerating town centres. There is an associated activity area in the commitment to develop a Local Heat & Energy Efficiency Strategies (LHEES) that sets out how we will decarbonise buildings across the region, entering LHEES delivery phase in 2024 and to work with partners and key regional stakeholders to develop a delivery plan to retrofit of domestic housing, which builds on current retrofit schemes.

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 expansion 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. Hybrid working is now well established, 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 Management Team continues to review the company's cyber security provisions, and is investing in new systems and procedures which provide maximum protection whilst also enabling speedy recovery, should an incident occur. The governance arrangements have benefitted from the technological changes, and the Board are now fully engaged through virtual means. The return to physical meetings is welcomed however, the Board is 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. Waverley Housing managed to maintain continuity of service during the pandemic by introducing enhanced risk assessments, operational guidance and control measures.

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. There is no anticipated change in the compliant status of the Waverley Housing Engagement Letter, issued by the Scottish Housing Regulator.

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 an annual basis.