

## Strategic Housing Investment Plan (2012-17)

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### Health, Social Care & Housing Committee

11 October 2011

#### 1 Purpose of report

- 1.1 To approve, for consultation with key partners, the key elements of the Strategic Housing Investment Plan (SHIP) 2012-17, which are set out in this report and, thereafter, submission to the Scottish Government.
- 1.2 This report highlights that 1,558 new affordable homes will be approved in 2011/12. This is the first time that the number of annual approvals for affordable housing has almost matched the need for 1,660 new affordable homes per year.

#### 2 Summary

- 2.1 1,558 new affordable homes for rent and sale will be approved for construction in Edinburgh in 2011/12. This will generate a total of £296 million of direct and indirect investment including £174 million of public and private grants and loans directly in new housing. This will lead to a further £122 million for the wider economy and will support an estimated 2,180 jobs in construction and related industries and services.
- 2.2 The Council is required to submit the SHIP to the Scottish Government for approval. The SHIP sets out the Council's strategy for securing the land and investment required to support the construction of new affordable homes in the city and meet the challenge of sustaining the delivery of homes over the lifetime of the plan. It is updated annually. This report highlights the key elements of the 2012-17 SHIP. These are:
  - Accelerate the construction of homes on sites secured through the Affordable Housing Planning Policy (AHP).
  - Expand opportunities to bring forward sites in both public sector and private ownership.
  - Use direct subsidy to maximise the number of new affordable homes in the city.
  - Continue to expand the development of new investment models and funding sources.

- Explore the potential for expanding the development of Council house-building.
  - Maximise the contribution of the SHIP to supporting local economic development, creating local jobs and supporting training and employment opportunities for young people.
- 2.3 The contribution of key partners, including housing associations, house-builders, funders and private and public sector landowners is critical to the successful delivery of the SHIP. They will be formally consulted on the draft SHIP before submission to the Scottish Government.

### **3 Main report**

- 3.1 The Council is required to submit the SHIP to the Scottish Government for approval each year. It is anticipated that new guidance on developing the SHIP will be produced by the Scottish Government by the end of October and the deadline for submissions will be pushed back from November 2011 to February 2012. The SHIP sets out the Council's strategy for securing the land and investment required to support the construction of new homes in the city and meet the challenge of sustaining the current level of approvals for new homes over the lifetime of the plan.
- 3.2 The South East Scotland Housing Needs and Demand Assessment (2010) (HNDA) indicates that 16,600 new affordable homes are needed over 10 years. Overall the HNDA shows that 38,000 new homes are required in the city during this period.
- 3.3 Currently 1,212 affordable homes are under construction in the city. A further 1,558 homes are approved to begin construction on site by April 2012. This will be the largest number of new homes approved since the Council took responsibility for managing housing association development funding and is the first time the number of approvals for new affordable homes has come close to the estimated annual need for new affordable housing of 1,660 affordable homes per year. The investment of £174 million will support approximately 2,180 jobs in construction and related industries and will lead to a further £122 million being generated for the wider economy. The SHIP is an increasingly important element of the Council's Economic Resilience Plan.
- 3.4 RSLs have submitted proposals which show that they could deliver up to 3,000 new affordable homes by March 2017, if public sector subsidy were to be available at the same level as 2011/12. This alone would not sustain the current level of new home approvals at around 1,550 a year.
- 3.5 More land would need to be brought into actual development and assuming that direct public subsidy is more likely to decrease rather than increase, the use of new investment models to maximise other forms of public and private sector investment will need to be expanded further.

### **Land for housing**

- 3.6 The number of affordable homes delivered on AHP sites has been steadily increasing since it was introduced. The use of AHP sites needs to be sustained and accelerated where possible. Historically AHP sites were only brought forward when developers had started the development of private market housing. The recent decline of private market house-building means that this approach is likely to be less effective in the medium to long term.
- 3.7 This risk can be managed in two ways. Firstly the Council and its partners can work with developers to secure investment for the development of entire sites or develop the AHP part of the site in advance of private house building. The Council is already doing this successfully in a number of developments.
- 3.8 Secondly the Council can work with public sector partners to explore different ways of bringing public sector land into development using new investment models and securing both new affordable homes and badly needed capital investment into other public services.
- 3.9 This would involve the Council or other public sector bodies providing sites for market and affordable housing development and sharing the value generated by these developments rather than securing payments “up front”. This clearly involves a degree of risk sharing between public sector landowners and the housing developer. Committee is asked to request a report from the Directors of Services for Communities and City Development outlining the opportunities and risks to the Council of this approach.

### **Investment**

- 3.10 RSLs have indicated that they could bring forward a further 3,000 homes during the SHIP period. Around £480m would be required to support this programme. This would include £200 million of direct public subsidy. Around half of these homes would be for social rent.
- 3.11 This, however, would deliver around 600 new homes each year over the next five years, significantly less than the 1,558 approved in 2011/12. The objective for the SHIP period is to maintain approvals at this level, as shown in Appendix 1.
- 3.12 In order to sustain the development of new affordable housing in the city, the development of new investment models, which are less reliant on public subsidy, will need to continue and, where possible, expand. New investment models are based on affordable borrowing from public and private funding sources. They need to be supported by realistic rental income streams and/or the generation of a capital receipt rather than rely on direct public subsidy. Support for new investment models and maximizing the use of new funding streams, such as the Innovation and Investment Fund, will be essential to maintain the number of new affordable homes under construction.
- 3.13 Continued development of new affordable housing in the city would also require an expansion of the Council house building programme and the development of the investment model for the Housing Revenue Account (HRA) business plan.

This could include exploring the potential to use funding from institutional investors like pension funds and different forms of bond or equity financing.

- 3.14 Securing investment for housing creates and sustains jobs in the local economy. Given the scale of investment in affordable housing there is significant potential to maximise the impact of this investment on the development of education, training and employment opportunities for young people. Realising these opportunities will form part of discussions with our key partners on how to take the SHIP forward.

### **Affordable Housing Tenures**

- 3.15 In the last five years just over 2,200 social rented homes have been built. It is anticipated that declining public subsidies and the rising cost of private finance will mean that the number of social rented homes that can be built will reduce to 1,600 over the next five years – significantly short of the 8,300 affordable homes that would be required to meet the need for affordable housing in the city or sustain this year's level of approvals.
- 3.16 On 24 May 2011, Committee noted that consultation was taking place with partners regarding the mix of different tenures supported by the SHIP. Previously the mix was 70% social rent and 30% other tenures. This year it is anticipated that the mix delivered by RSLs will be closer to 50% social rent and 50% other tenures.
- 3.17 The AHP Practice Note currently states “there has been a long-held aspiration that, where sufficient public subsidy is available, there will be a majority of social rented units within the AHP contribution, and where possible an aspirational mix of 70:30 will be achieved between social rented units and other approved affordable housing tenures”. This is no longer sustainable.
- 3.18 Feedback from the consultation undertaken as part of the development of the city housing strategy is that while the case for increased levels of subsidy for social rented homes still needs to be made, it would be perverse to stop the development of other affordable tenures where these can meet some of the housing needs and demands in the city and create much needed investment and jobs to the local economy.
- 3.19 The aim of the SHIP should therefore be to maintain the current level of social rented housing and maximise the overall number of affordable homes of all tenures developed in the city. The numbers and proportion of affordable housing tenures delivered each year will be monitored and reported to Committee.

### **Consultation**

- 3.20 The contribution of key partners, including RSLs, house-builders, funders and private and public sector landowners is critical to the successful delivery of the SHIP. They will be formally consulted on the draft SHIP before submission to the Scottish Government.

## **4 Financial Implications**

- 4.1 Investment approved in new affordable homes in 2011/12 will generate almost £296 million in direct and indirect investment and support approximately 2,180 jobs. The Council has already made commitments to make £76 million of general fund borrowing available to partners to support new house-building in the city.
- 4.2 The capacity of the Council to build more homes is being assessed as part of the HRA Business Plan process.

## **5 Equalities Impact**

- 5.1 All new planning consents for affordable housing will be based on 2010 Building Regulations and provide increased standards in terms of accessibility. This means that they are suitable for people with a range of housing needs.
- 5.2 Consideration has been given to the relevance of the Equalities Act 2010. A pre-assessment has been carried out in relation to this report and the score has been calculated as zero, therefore a full Equalities Impact Assessment (EqIA) is not required.

## **6 Environmental Impact**

- 6.1 The environmental impact arising from the building of affordable housing will be assessed and addressed through the City Housing Strategy and planning process. The Council is aiming to achieve Ecohomes excellent standard for new homes delivered through the 21<sup>st</sup> Century Homes for Edinburgh Programme.

## **7 Conclusions**

- 7.1 A record number of affordable homes have been approved for construction in Edinburgh in 2011/12. Current plans estimate that around 3,000 affordable homes could be funded under existing housing association programmes if the level of direct public subsidy available to housing associations does not decline.
- 7.2 To sustain the development of new affordable housing at the level achieved in 2011/12 the SHIP needs to set out a strategy which seeks to maximise the private and public sector land used for affordable housing development and build on the initial success of new investment models for affordable housing.
- 7.3 If successful, this strategy will mean more affordable homes will be built but that the actual number of new social rented homes may stay the same or decline, if public subsidy reduces.
- 7.4 Housing development is a major contributor to economic resilience and generates significant investment for the Edinburgh economy and supports local employment.

## 8 Recommendations

8.1 It is recommended that Committee:

- a) agree consultation on the key elements of the SHIP set out in paragraph 2.2;
- b) seek a report from the Directors of Services for Communities and City Development outlining the opportunities and risks to the Council of using new investment models to release Council land to support new housing development; and
- c) note that the numbers and proportion of affordable housing tenures delivered each year will be monitored and reported to Committee.

**Mark Turley**  
Director of Services for Communities

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Appendices	1 - Affordable Housing Approvals and Housing Needs Assessment (HNDA) Estimate of Demand
Contact/tel/Email	Elaine Scott Investment Manager 529 2277
Wards affected	All
Single Outcome Agreement	Supports National Outcome 2 – “We realise our economic potential with more and better employment opportunities for our people”.  Supports National Outcome 10 - “We live in well designed sustainable places where we are able to access the amenities and services we need”.

Report to Health, Social Care & Housing Committee on 5 October 2010; "Strategic Housing Investment Plan (2011-2016)

Report to Health, Social Care and Housing Committee on 24 May 2011; "Scottish Government Innovation & Investment Fund".

Report to Health, Social Care & Housing Committee on 24 May 2011; "Investment in Affordable Housing: Review of 2010/11".

Report to Finance & Resources Committee on 30 August 2011; "National Housing Trust - Procurement Completion".

Report to Health, Social Care & Housing Committee on 11 October 2011; "City Housing Strategy 2011-2017".

Report to Health, Social Care & Housing Committee on 11 October 2011; "Scottish Government Innovation & Investment Fund".

**Appendix 1 – Strategic Housing Investment – New Home Approvals/Housing Needs Requirement**

