

# Housing and Economy Committee

10.00am, Thursday, 2 November 2017

## Strategic Housing Investment Plan (SHIP) 2018- 2023

<b>Item number</b>	7.4
<b>Report number</b>	
<b>Executive/routine</b>	Executive
<b>Wards</b>	All
<b>Council Commitments</b>	

### Executive Summary

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The purpose of this report is to seek approval for the Strategic Housing Investment Plan (SHIP) for 2018/19-2022/23 prior to its submission to the Scottish Government. The SHIP sets out a detailed plan to deliver the first phase of the Council's commitment to build 20,000 affordable homes over the next ten years. It also begins to identify the delivery of around 3,000 affordable homes and integrated health, care and support services for people with complex physical and health needs.

It outlines a programme over the next five years which would deliver nearly 8,000 homes. Of the 5,218 homes that form part of the Affordable Housing Supply Programme nearly 70% are for social rent with the remainder being for mid market rent and low cost home ownership. The Council will work with partners, including Scottish Government, to bring forward development of sites currently identified for development beyond the SHIP period; in order to deliver the Council's commitment of 10,000 homes in five years.

The strong history of partnership working and award winning housing development means that work is already well under way to achieve these ambitious commitments, with over 2,000 affordable homes under construction on 33 sites in the city. This is the largest SHIP ever put forward to Committee for approval.

## Strategic Housing Investment Plan (SHIP) 2018- 2023

### 1. Recommendations

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It is recommended that Housing and Economy Committee:

- 1.1 Approve submission of the Strategic Housing Investment Plan 2018- 2023 to the Scottish Government.

### 2. Background

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- 2.1 Local authorities are required to submit an annual Strategic Housing Investment Plan (SHIP) to the Scottish Government. The purpose of the SHIP is to:
  - 2.1.1 Set out investment priorities for affordable housing;
  - 2.1.2 Demonstrate how these will be delivered;
  - 2.1.3 Identify the resources required to deliver these priorities; and
  - 2.1.4 Enable the involvement of key partners.
- 2.2 In January 2016, the Council approved the ambitious Housing Revenue Account (HRA) Budget Strategy 2016/17 to 2020/21. Within that Strategy the Council had committed to delivering 8,000 new affordable homes over the next ten years. This commitment was subsequently matched by housing associations partners to deliver a joint commitment of 16,000 homes; including around 3,000 affordable homes for older people and others with care and support needs.
- 2.3 Following the formation of the capital coalition this target was further increased to 20,000 homes, with 10,000 being delivered over the next five years. This clearly demonstrates Edinburgh's commitment to support the Scottish Government's target to deliver 50,000 affordable homes by 2021.
- 2.4 On 20 July 2017, the Heads of Terms for the South East Scotland City Region Deal was announced. This includes a range of measures to support the delivery of new homes, including grant funding for affordable housing, support for local authorities on a risk sharing basis to deliver infrastructure for strategic housing sites. Consent was also granted to Edinburgh to on-lend up to £248m and an additional one-off £16m capital grant to enable the Council to establish a new partnership to deliver 1,500 homes. A separate report to this committee sets out the business model and governance arrangements for the new partnership as well as the contribution it will make to delivering the Council's 20,000 homes commitment.

- 2.5 Through the City Region Deal, Governments have agreed to work with regional partners to maximise the potential of public sector land and property to deliver new homes and to build on the recently committed additional £125m between 2018/19-2020/21 to support the regional partners' ten-year affordable housing programme.

### 3. Main report

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#### Context

- 3.1 Edinburgh is one of the most highly pressured housing markets in the country. Falling incomes and rising housing costs in the private market and an insufficient number of new affordable homes are the main drivers of poverty and inequality in the city. Demand currently outstrips supply resulting in rents that are not affordable to people on low and moderate incomes. The latest Housing Need and Demand Assessment (HNDA2) states there is demand for between 38,000 and 46,000 new homes in Edinburgh over ten years; over 60% of these homes need to be affordable. Appendix three sets out the average housing costs per tenure, in relation to the average income in the city.
- 3.2 There is high demand across all housing types. In 2016/17 there was an average of 167 bids for every social rented home advertised through the common housing register. Social rented homes are let to those in highest housing need, including homeless people and people who are in hospital and unable to return to their existing home.
- 3.3 The Council continues to maximise the number of social rented homes that can be delivered through Scottish Government grant funding. This has included working with housing associations to keep grant levels below Scottish Government benchmarks to maximise the number of affordable homes that can be delivered. Significant work has also been done with housing associations and Government partners to maximise the amount of social rent being progressed in future years of the programme and align it with Scottish Government targets of 70% Social Rent; 30% mid rent.
- 3.4 In addition to providing social rented housing for those in highest housing need, the Council works in partnership with housing associations and private developers to build affordable homes for working households who cannot afford to buy or rent a home in Edinburgh's pressured housing market. The average house price is six times the average gross annual earnings in the city, making it least affordable city in Scotland to buy a home. The average monthly private rent in Edinburgh is over £1,000 and it is projected that rent will account for 45% of the average income by 2020.
- 3.5 Over the past five years, the Council has supported the delivery of more than 2,000 mid rent homes that are targeted at households with incomes of less than £39,000. This has included on lending of around £100 million from the General Fund to Limited Liability Partnerships to purchase 1,000 homes from private developers. The Council's innovative mid rent programme is one of the main mechanisms

available to the Council to support the local economy by providing affordable housing for key workers, young graduates and others contributing to the growth of the city. Mid market rent requires on average around 38% less grant than a home let at social rent levels. The introduction of mid market since 2010 has aided the Council in driving more value for every pound of Scottish Government grant provided. Over the last five years Edinburgh has consistently delivered homes requiring grant at least 8% below benchmark on average across the whole programme.

### **Current delivery**

- 3.6 Work is well underway to accelerate the delivery of affordable housing in the city. Each year, following submission to the Scottish Government, the SHIP is used by the Council to set the Affordable Housing Supply Programme (AHSP) which is the Scottish Government's grant funding programme for new affordable homes.
- 3.7 The 2017/18 AHSP has an affordable approvals target of 1,001 homes. To date, this is the largest number of homes identified for approval through the programme and is a 42% increase on last year. In addition to this there are over 2,000 homes currently under construction on 33 sites across the city. See Appendix 1 for details.

### **SHIP Outputs**

- 3.8 The SHIP 2018-2023 aims to help all residents on low to moderate incomes to access the right type of housing to meet their needs. The SHIP 2018-2023 has identified a pipeline of 7,454 affordable homes that could be approved for site start and 7,935 potential completions, with delivery strongest in the first three years. This is due to greater levels of certainty around delivery timescales in the earlier years. The SHIP is reviewed annually and will be increased to meet the 10,000 target, as confidence in the development pipeline grows.
- 3.9 The approvals are split into three categories:
  - 3.9.1 5,218 homes delivered through Affordable Housing Supply Programme;
  - 3.9.2 2,088 homes delivered through the Council's Limited Liability Partnerships; and
  - 3.9.3 148 homes delivered through Scottish Government Mid Market Rent Invitation scheme.
- 3.10 The 5,218 homes that have been identified to be approved through the AHSP require grant of £272.662m, or £54.532m per year on average.
- 3.11 The majority (69%) of the 5,218 AHSP approvals are for social rent, with the remaining split between mid market rent (27%) and low cost home ownership (4%). This is in line with Scottish Government targets for delivery of social rented homes.
- 3.12 The table below provides a summary of the projected outputs and funding requirements of the AHSP projects identified in the SHIP.

**Table 1 Summary – AHSP**

YEAR	HOMES APPROVED	HOMES STARTED	HOMES COMPLETED	GRANT REQUIREMENT (£M)	SG RESOURCE PLANNING ASSUMPTIONS (£M)
2018/19	1,729	1,266	609	£71.231	£37.269
2019/20	1,594	1,428	945	£62.020	£42.117
2020/21	1,166	1,644	1,583	£50.213	£45.147
2021/22	669	1,550	1,414	£58.541	£45.147*
2021/23	60	593	1,087	£30.657	£45.147*
<b>TOTAL</b>	<b>5,218</b>	<b>6,481</b>	<b>5,638</b>	<b>£272.662</b>	<b>£214.827</b>

*\*RPA only known for the next three years; years four and five assume grant levels remain static.*

- 3.13 The remaining 2,236 homes will be delivered through innovative funding schemes that require little or no grant. This includes the Council's two new Limited Liability Partnerships (LLP) to be set up with Scottish Futures Trust to own and manage housing for market and mid market rent. The SHIP includes the potential approval of 2,088 homes over the next five years through these LLPs; with over 60% of the homes being for mid market rent. This is an increase in the 1,500 homes identified in the "New Housing Partnership and Delivery" report, which are being delivered through a new grant funding stream of £16.1m from the Scottish Government. The additional 588 homes identified in the SHIP will be funded through the AHSP. The remaining 148 homes will be delivered through more homes Scotland mid market rent scheme which offers loan financing to organisations who can deliver homes without grant subsidy. A more comprehensive breakdown of innovative funding mechanisms is set out in Appendix 2.

### **Challenges**

- 3.14 In June this year the Scottish Government announced long term resource planning assumptions which provided certainty over forward funding until 2020/21. For Edinburgh this was on average of £41.511m, an increase of around £10m on the previous year. This is welcomed, however, should this level of funding be maintained there will be an annual funding shortfall of around £14m required to deliver the current commitments set out in the SHIP.
- 3.15 In order to achieve the Council's affordable house building target of delivering 2,000 homes a year (1,400 through AHSP grant funding and 600 from non-grant funded sources) £74m of grant funding will be required annually. The programme therefore requires almost double the funding currently set out in Scottish Government's three-year resource planning assumptions. It is, therefore, essential to continue the work initiated through City Region Deal, to secure an uplift in grant funding in years four and five of the SHIP and greater certainty in future years.
- 3.16 The Council also needs to work pro-actively with the Scottish Government and with public and private landowners and developers to maintain a pipeline of sites and new developments. The Affordable Housing Policy can go some way to securing land for affordable homes, but as these sites are developer-led they can impose

limitations in the type and tenure of housing and lead to delays in delivery as developers seek to secure the maximum return for their initial investment. There is therefore a requirement to develop rather than dispose of Council land and to purchase additional public and private sector sites. The Council may also have to explore interventionist techniques to unlock stalled sites.

- 3.17 The development pipeline and long term housing strategies developed at city and city region level can deliver certainty to construction related businesses operating within the region enabling them to invest in innovation to be incorporated into the construction process, such as offsite manufacturing to meet ambitions to significantly speed up the delivery of new homes. This can generate new jobs and skills and can lead to industrial growth through increased manufacturing output, whilst also addressing some of the concerns regarding supply of adequately skilled labour.
- 3.18 The City Region Deal will see the Scottish Government invest up to £25m in an Integrated Regional Employability and Skills Programme. This programme is being designed to reduce skills shortages and gaps, and boost the flow of individuals from disadvantaged groups into the good career opportunities that will be generated through the City Region Deal investment. Collaboration between public, private and construction industry professionals, combined with City Region Deal investment, can help to increase the supply of skilled construction sector workers needed across the city region.
- 3.19 Coinciding with collaborative working across the region, within Edinburgh a whole Council approach needs to be adopted to ensure the housing development process runs as efficiently as possible from beginning to end. The identification and release of land is also essential, as is the commitment from Scottish Government to increase grant allocation in line with delivery targets.

## **4. Measures of success**

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- 4.1 The SHIP sets out a strategy for delivering almost 8,000 affordable homes by 2022/23. This would:
  - 4.1.1 Generate additional investment in the local and national economy;
  - 4.1.2 Develop strategically important sites in the city;
  - 4.1.3 Deliver additional council tax revenue for Council services; and
  - 4.1.4 Deliver new accessible homes, built to meet the needs of older and disabled people

## **5. Financial impact**

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- 5.1 The SHIP notes that grant funding of £272.662m is required to approve 5,218 new homes. This is significantly above the £214,827m that would be received, should

funding levels continue at the same level of the final year of the long term resource planning assumptions announced in June this year.

## **6. Risk, policy, compliance and governance impact**

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- 6.1 One key strategic risk to delivery of the SHIP is the availability of funding to deliver projects. Section 3.14, identifies an annual average shortfall of £14 million to deliver the current commitments set out in the SHIP.
- 6.2 Another key strategic risk to delivery of the SHIP is the availability of land. The “Affordable Housing Policy” section of the main report, identifies that 3,155 homes, or 42% of the total number of approvals are to be provided on AHP land. These are sites which are developer-led and not in the control of affordable housing delivery partners and therefore present a risk to the overall delivery timetable.
- 6.3 Under the Housing (Scotland) Act 2001, Local Authorities are required to have a Local Housing Strategy (called the City Housing Strategy in Edinburgh). The affordable housing priorities of the City Housing Strategy (CHS) are delivered through the SHIP.
- 6.4 The CHS is reviewed annually. This ensures the strategic housing priorities and work streams continue to reflect changes to policy and legislation, economic changes, financial pressures and wider Council priorities. An update is provided to Committee.
- 6.5 Guidance on SHIP completion was issued by the Scottish Government in July 2017.

## **7. Equalities impact**

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- 7.1 The Equalities Impact Assessment (EIA) concludes that the SHIP should have a positive impact on tackling inequality through investment in new affordable homes for people on low to medium incomes.
- 7.2 The SHIP contributes to the public sector equality duty and advances equality of opportunity. It will increase access to affordable housing and well-designed, safer and cleaner communities. It will contribute to improved health by increasing the supply of good quality homes, reducing fuel poverty and providing homes which are physically accessible.
- 7.3 The majority of new build properties delivered by the Council and its housing association partners are accessible for people of limited mobility, meaning particular needs housing requirements can often be met through allocation of a standard general needs property.
- 7.4 Each year the Council allocates and spends around £500,000 on adaptations through the AHSP to enable housing association tenants to remain in their own homes and to live independently. In addition to this, the Council funds adaptations to Council homes through the HRA.

- 7.5 A successful partnership has been established between the Scottish Veterans Garden City Association (SVGCA) and the Council and housing association delivery partners. The Council seeks to identify opportunities to provide at least 150 new homes for disabled veterans over the next ten years.

## **8. Sustainability impact**

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- 8.1 The SHIP seeks to maximise delivery of homes on brownfield sites, reducing pressure on Edinburgh's green belt. New homes are built to high standards in terms of energy efficiency and sustainability.

## **9. Consultation and engagement**

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- 9.1 All developing housing associations have been involved in producing the SHIP and will be prominent in delivering the housing projects contained within.
- 9.2 Local Authorities working across the Edinburgh and South East Scotland City Region all produce SHIPs which outline the collaborative measures being undertaken to accelerate new housing delivery. This includes working together to identify and to unlock sites suitable for affordable housing development to address the housing crisis facing the region.
- 9.3 The Edinburgh Affordable Housing Partnership has established a health and social care sub group and the Chair of this sub group is the housing representative on the Strategic Planning Group. A workshop is being held on 27 September to progress work on establishing how the 3,000 homes will be delivered. A focus of this workshop is to consider how the homes identified in the SHIP can be designed to support specialist housing needs. This is part of the ongoing consultation and liaison between Health and social Care and housing association delivery partners.

## **10. Background reading/external references**

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- 10.1 [Housing Revenue Account \(HRA\) Budget Strategy September 2017](#)
- 10.2 [Edinburgh Partnership Board 17 March 2016 – report on Building 16,000 affordable homes and low cost homes in Edinburgh over the next ten years](#)
- 10.3 [Housing investment to support health and social care priorities – Health, Social Care and Housing Committee 19 April 2016](#)
- 10.4 [Housing Improvement Programme: Delivering the Budget Strategy in 2016/17 – Health, Social Care and Housing Committee 21 June 2016](#)
- 10.5 [Investment and Regeneration in Edinburgh – Next Steps – Economy Committee 28 June 2016](#)
- 10.6 [The Edinburgh and South East Scotland City Region \(ESESCR\) Deal – The City of Edinburgh Council 30 June 2016](#)

- 10.7 [Guidance on the Preparation of Strategic Housing Investment Plans \(SHIP\) July 2017](#)
- 10.8 [City Housing Strategy Update – Health, Social Care and Housing Committee 13 September 2016](#)

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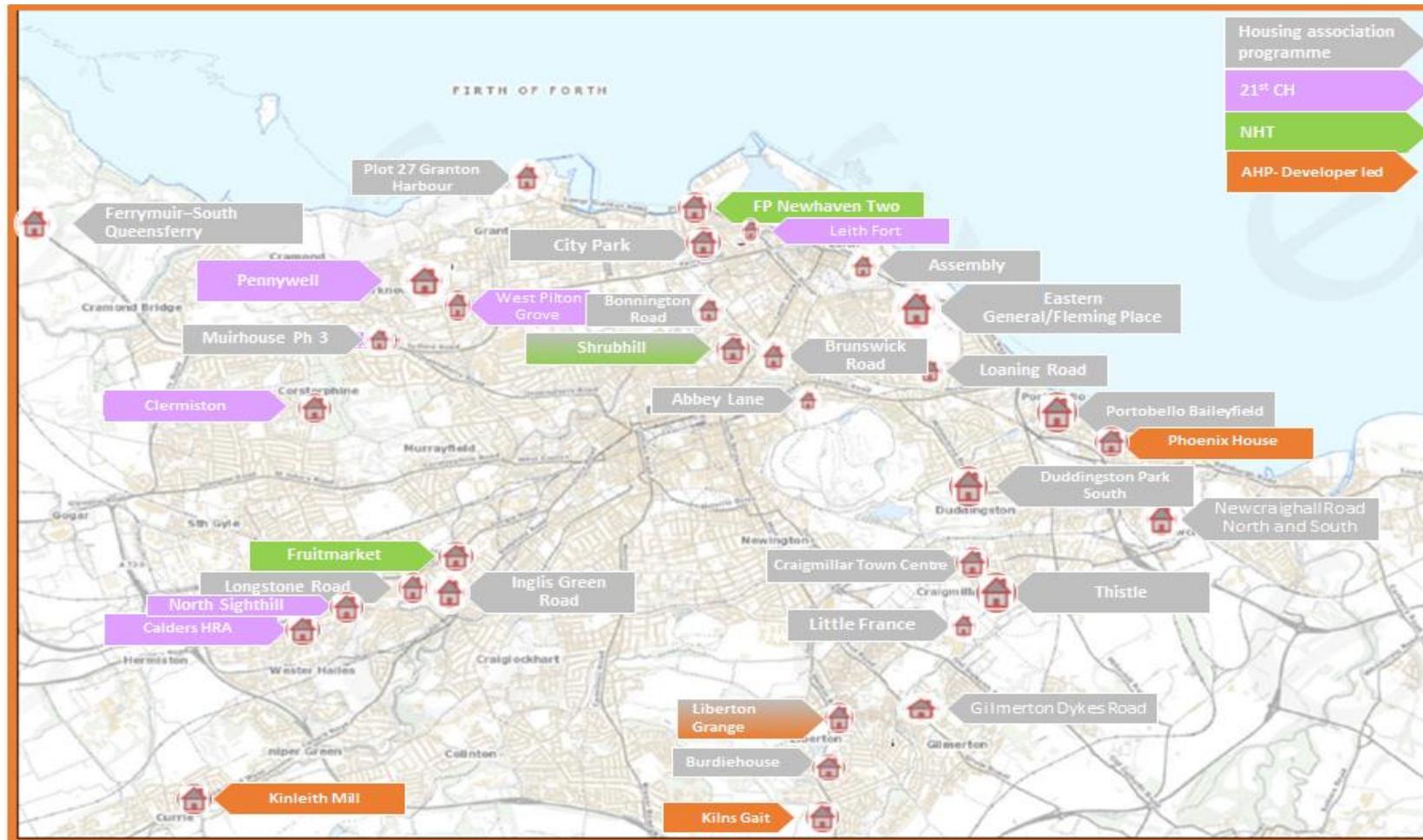
## **11. Appendices**

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- 1 – Affordable homes under construction
- 2 – Strategic Housing Investment Plan 2018/19 – 2022/23
- 3 - Average housing costs per tenure, in relation to income

## Appendix 1 - Affordable homes under construction

2,200 homes currently under construction on 33 sites



# **Strategic Housing Investment Plan 2018/19 – 2022/23**

# Index

1. Summary
2. Strategic Context
3. Means of Delivery
4. Carbon Emissions and Energy Efficiency
5. Consultation and engagement
6. Equalities impact
7. Conclusion

## 1. Summary

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The Strategic Housing Investment Plan (SHIP) sets out the approach by the City of Edinburgh Council and our housing association partners to investing in affordable housing in the city over a five-year period.

This SHIP outlines a programme which would deliver nearly 8,000 completed homes over the next five years. Of these, there are around 6,000 homes which require £272m of grant funding through the Scottish Government's Affordable Housing Supply Programme (AHSP). The remaining 2,000 homes are being delivered through innovative funding schemes which either do not require grant, or do so at significantly reduced levels.

## 2. Strategic Context

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Edinburgh is one of the most highly pressured housing markets in the country. Falling incomes and rising housing costs in the private market and an insufficient number of new affordable homes are the main drivers of poverty and inequality in the City. Demand currently outstrips supply resulting in rents that are not affordable to people on low and moderate incomes. The latest Housing Need and Demand Assessment (HNDA2) states there is demand for between 38,000 and 46,000 new homes in Edinburgh over ten years; over 60% of these homes need to be affordable.

There is a high demand for social rented housing in the city. Over 21,000 people in the city are registered for social rented housing through Edindex, the Council's common housing register. In 2016/17 there was an average of 167 bids for every social rented home advertised through Edindex.

Mid market rent is also in high demand. There has been over 6,000 notes of interest for the 600 mid market homes already completed through the National Housing Trust initiative. Almost 2,000 people have also noted interest in mid market rent homes through the Edindex application process.

The percentage of households living in private rented sector has doubled from 13% in 2001 to 27% in 2015, making it the second largest tenure in the city after home ownership. The average monthly private rent in Edinburgh is over £1,000. It is projected that rent will account for 45% of average income by 2020. There is consequently a clear need for quality, secure private rented homes that provide value for money to tenants.

Edinburgh's average house price is six times the average gross annual earnings in the city, making it least affordable city in Scotland to buy a home. There is also a need to help first time buyers to get on the property ladder.

In response to this, the Council in partnership with housing associations, set out an ambitious strategy to deliver 16,000 affordable homes over the next ten years, a target which has recently been increased by the newly formed Council, to 20,000 homes. This clearly demonstrates Edinburgh's commitment to support the Scottish Government's target to deliver 50,000 affordable homes by 2021.

Affordable housing providers play a significant role in supporting health and social care priorities, through the development of accessible, easy to heat homes. The Council's

housing strategy aims to commit up to £300m to support the delivery of around 3,000 affordable homes and integrated health, care and support services for people with complex physical and health needs.

The Strategic Housing Investment Plan sets out an accelerated affordable house building programme that seeks to provide affordable housing to all residents on low to moderate incomes over the next five years.

**Affordable Housing Partnership - Supporting Council Priorities**

The recent commitment to provide 20,000 affordable homes builds upon a strong foundation of partnership working between the Council and our developing housing associations partners. Our strategy is to build much needed new affordable homes and to provide a range of innovative services to reduce social and economic inequalities for our tenants. This commitment goes a long way beyond the building of new homes; providing a framework for future investment and joint working with partners which is closely aligned with the Council’s strategic goals set out in the *City Housing Strategy 2018* and more widely in *The Programme for the Capital: The City of Edinburgh Council Business Plan 2017-22*. Figure 1 below illustrates the range of commitments, outputs, services and projects undertaken by housing association partners.

**Figure 1 Housing Association Services and the Council Business Plan**



**Supporting Regional priorities - Edinburgh and South East Scotland City Deal**

The housing crisis outlined above affects not only Edinburgh but also neighbouring Local Authorities as rising inequality and cost of living impacts on households in other parts of the region. Over the last 18 months, as part of the Edinburgh and South East Scotland City Region Deal process, colleagues from across the region worked collaboratively to develop an ambitious set of housing proposals to address this. The proposals included infrastructure funding to unlock strategic sites, additional grant, a longer-term grant funding commitment

to aid strategic planning, ministerial consent to on-let to new housing companies and the set-up of a regional land commission to ensure best use of the public-sector estate.

The heads of terms announced on 20 July 2017, supported some of these proposals. The Scottish Government has offered support to local authorities on a risk sharing basis to deliver infrastructure for strategic housing sites. Consent was granted to Edinburgh to on-let up to £248m and an additional one-off £15m capital grant to enable the Council to establish a housing delivery vehicle to deliver 1,500 homes. Both Governments have agreed to work with regional partners to maximise the potential public sector land and property to deliver new homes.

Scottish Government have agreed to work on the next phase of the programme and the associated funding profile beyond 2020/21 to achieve agreed outcomes over the next 10 years.

The city region will continue to collaborate to develop and deliver the city region deal housing programme. The regional housing partnership provides a unique opportunity to share resources, learning and thinking across six local authorities. The aim is to unlock the major challenges of; accessing land, funding infrastructure and to drive innovation in the supply chain required to accelerate the delivery of new homes.

### 3. Key Outputs

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#### **Development of the SHIP**

The core purpose of the SHIP is to set out strategic investment priorities for affordable housing over a five-year period. The SHIP provides the basis for the development of agreed Strategic Local Programme Agreements (SLPA) between local authorities and the Scottish Government. The SLPAs set out the programme of housing projects that will be funded over the next three years. This is reviewed and updated annually to ensure delivery remains on track.

Each year, following submission to the Scottish Government, the SHIP is used by the Council to draft SLPAs in partnership with all local delivery partners and for final agreement with the Scottish Government. These individual programmes will combine to form the grant funded Affordable Housing Supply Programme (AHSP) for the city.

The 2017/18 AHSP has an affordable approvals target of 1,001 homes. This is the largest number of homes identified for approval through the programme to date and is a 42% increase on last year. In addition to this there are currently over 2,000 affordable homes under construction on 33 sites across the city.

#### **Prioritisation**

Projects have been selected for inclusion in the SHIP on the following basis:

- The tenure mix; priority is given to social rent in line with Scottish Government targets.
- Development of brownfield sites.

- Sites within the Local Development Plan (LDP) which have been identified as land for housing.
- Deliverability considerations such as site ownership, planning status and delivery timetable.

Housing type, such as family housing, whilst a priority for the city is not considered in the core criteria, but is determined on an individual project basis in consultation with local communities and housing management colleagues. Furthermore, Planning Design Guidance advises that 20% of the total number of homes delivered on sites of 12 or more should be designed for growing families.

## Key Outputs

The SHIP has identified a pipeline of 7,454 affordable homes that could be approved and 7,935 potential completions over the next five years. The approvals are split into three categories:

- 5,218 homes delivered through Affordable Housing Supply Programme (AHSP)
- 2,088 homes delivered through the Council's Limited Liability Partnerships (LLPs)
- 148 homes delivered Scottish Government Mid Market Rent Invitation scheme

The AHSP is the Scottish Government's grant funding programme for new affordable homes and is managed by the Council. The 5,218 homes that have been identified to be approved through the AHSP require grant of £272.662m, or £54.532m per year on average.

Of the 5,218 AHSP homes proposed for approval, 69% are for social rent, 27% for mid market rent and 4% for low cost home ownership. This is in line with Scottish Government targets for delivery of social rented homes. Table 1 provides a summary of the projected outputs and funding requirements of the AHSP projects identified in the SHIP.

**Table 1 Summary – AHSP**

YEAR	HOMES APPROVED	HOMES STARTED	HOMES COMPLETED	GRANT REQUIREMENT (£M)	SG RESOURCE PLANNING ASSUMPTIONS (£M)
2018/19	1,729	1,266	609	£71.231	£37.269
2019/20	1,594	1,428	945	£62.020	£42.117
2020/21	1,166	1,644	1583	£50.213	£45.147
2021/22	669	1,550	1414	£58.541	£45.147*
2021/23	60	593	1087	£30.657	£45.147*
<b>TOTALS</b>	<b>5218</b>	<b>6481</b>	<b>5638</b>	<b>£272.662</b>	<b>£214.827</b>

*\*RPA only known for the next three years; years four and five assume grant levels remain static.*

The SHIP identifies a number of specialist housing projects which match the joint outcomes shared between Health, Housing and Social Care. There are three specialist housing projects identified in the SHIP, delivering 165 homes, which are all designed for older people and a further 319 properties specifically designed as wheelchair accessible homes. As projects are closer to completion all partners will work towards identifying further opportunities to provide specialist housing.

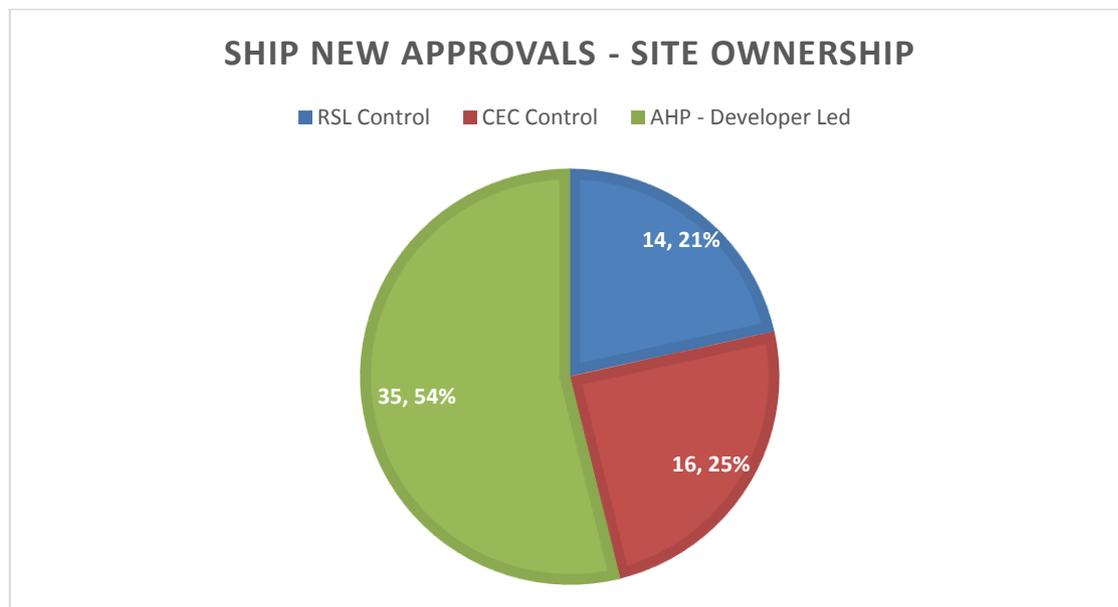
The remaining 2,236 homes will be delivered through innovative funding schemes that require little or no grant, the detail of which is set out in the following section.

### Land supply

A total of 65 new sites are included in the SHIP. Priority is given to Brownfield sites. Of the 65 new sites contained within the SHIP, 40 (or 62%) are on brownfield land and 24 (38%) is on greenfield land. Almost all the homes being developed on greenfield sites are private developer-led through the Affordable Housing Policy.

A quarter (16), of the 65 new sites identified in the SHIP are being delivered by the Council's own house building programme, with the remaining 50 sites to be taken forward by housing association partners. However, the majority of the sites taken forward by housing association partners are in control of the private sector as they are being delivered through the affordable housing policy. The paragraph below on Affordable Housing Policy and **Figure 2** outlines this in more detail.

**Figure 2 – SHIP New Approvals**



Three sites are not supported in principle by the Local Development Plan policies and at this stage do not have a planning consent. However, these sites have been included in the SHIP as they have been identified by a housing association partner as having housing potential. Should they receive planning consent then it is important the affordable housing provision is secured.

## 5. Means of Delivery

### 20,000 Homes Delivery

In June this year The Scottish Government announced long term [resource planning assumptions](#) which provided certainty over forward funding until 2020/21. For Edinburgh

this was on average of £41.511m, an increase of around £10m on the previous year. This is welcomed, however, should this level of funding be maintained there will be an annual funding shortfall of around £14m required to deliver the current commitments set out in the SHIP.

However, as Table 1 demonstrates, approvals and associated funding requirements slowdown in years four and five of the SHIP. This has been the standard pattern for the SHIP since it was first introduced. In general, years one to three contain sites which partners have both knowledge of, and confidence in their ability to deliver and this begins to tail off in later years.

In order to achieve the Council's affordable house building target of delivering 2,000 homes a year (1,400 through AHSP grant funding and 600 from non-grant funded sources) £74m of grant funding will be required annually. This assumes a programme that will deliver a tenure split of 70% social rent and 30% mid market rent, which is in line with Scottish Government targets. The programme therefore requires almost double the funding current set out in Scottish Governments three-year resource planning assumptions.

### **Affordable Housing Policy**

The Affordable Housing Policy is a planning policy which ensures that 25% of homes on all housing sites with 12 homes or more, are required to be affordable. This is an important delivery mechanism and contributes 59% of AHSP sites funded through the SHIP. The Council's own house building programme uses land secured either from its own assets or by acquisition on the open market. For housing associations, the AHP is a vital to ensuring land supply with 3,155 homes, or 78% of their programme being delivered on AHP land. The AHP will also deliver a number of homes for low cost ownership, which will be negotiated on a site by site basis.

### **Innovative funding mechanisms**

The Council works with partners to identify opportunities for innovation to deliver affordable housing without using funding provided through the AHSP, examples of which are provided below.

#### National Housing Trust (NHT)

NHT provides a delivery mechanism for mid market rent homes in partnership with councils and developers. The Council has committed over £100m for the development of eight NHT developments in Edinburgh, which will deliver close to 1,000 affordable homes. NHT projects have been supported by Council investment through on-lending of over £100m and Scottish Government capital and revenue guarantees. There are no further NHT approvals within the lifetime of this SHIP, but the remainder NHT completions are identified within the SHIP.

#### The Council's New Limited Liability Partnership

On 17 September 2015, the Council agreed to establish arm's length companies to own and manage housing for market and mid market rent. The Council is working with the Scottish Futures Trust to establish two Limited Liability Partnerships.

As part of Edinburgh and South East Scotland City Region Deal, a financing and funding package was agreed, comprised of consent to on-lend up to £248m and an additional one-off £15m capital grant to enable the Council to establish a new housing company. This will deliver a minimum of 1,500 homes at mid-market rent and competitive market rent levels. The SHIP includes the potential approval of 2,088 homes over the next five years, over 60% of which will be for mid market rent. This is an increase in the 1,500 homes identified in the “New Housing Partnership and Delivery” report, which are being delivered through a new grant funding stream of £16.1m from the Scottish Government. The additional 588 homes identified in the SHIP will be funded through the AHSP.

#### Local Affordable Rent (LAR) Housing Trust

LAR Housing Trust is a charity backed by the Scottish Government, which has plans to build around 1,000 mid-market rent homes across Scotland. LAR is now an active member of the Council’s delivery partnership and can take forward both AHP and market sites without the requirement for grant. LAR is supported in Edinburgh and while there are no new projects identified in the SHIP, they are close to securing opportunities to deliver homes in the City. It is anticipated that by the time next year’s SHIP is completed, LAR will be in a position to identify new projects.

#### More Homes Scotland – Mid Market Rent Invitation scheme

The [More Homes Scotland](#) MMR offer was released by the Scottish Government in February 2016 and offers loan financing to organisations who can deliver mid market rent homes without the need for grant. There is currently one project identified in the SHIP that seeks to deliver 148 mid market rent homes.

#### **Maximising land supply**

The scale and ambition of achieving the 20,000 homes should not be underestimated. In order to reach the 20,000 homes target a wider strategic partnership approach needs to be adopted that looks at a wide range of issues, including accessing land.

It is clear that public land, owned by the Council, has a major role to play in delivering housing growth and wider regeneration. A dual strategy of securing land from both public sector sites and through acquisition of sites from the open market is key to accelerate the programme of affordable house building. Strategic partnership with NHS and other public sector landowners will also be critical in achieving this goal.

The Edinburgh and South East City Region Deal provides a unique collaboration opportunity that can aid the acceleration the region’s rate of economic performance by a twin focus on innovation and inclusive economic growth. Following the [heads of terms](#) announced on 20 July 2017, the city region housing partners have expressed a desire to continue to build on this regional collaboration, including a strategic use of public sector land and property.

The Council also needs to work pro-actively with the Scottish Government and with public and private landowners and developers, to maintain a pipeline of sites and new developments. The AHP can go some way to securing land for affordable homes, but as these sites are developer-led they can impose limitations in the type and tenure of housing and lead to delays in delivery as developers seek to secure the maximum return for their

initial investment. There is therefore a clear need to directly secure land to enable delivery partners to accelerate affordable housing delivery. The Council may have to explore interventionist techniques to unlock stalled sites.

### **Homes to meet complex needs**

It is important to note that the majority of new build properties funded through the AHSP are designed to meet the generous space requirements of the Housing for Varying Needs Standard. Many properties delivered through the AHSP are therefore accessible for people of limited mobility, meaning particular needs housing requirements can often be met through allocation of a standard general needs property.

#### Adaptations

It may be that slight modifications to existing designs and layouts are required to allow people to remain in their own homes and to live independently. Adaptations will continue to be a strategic housing investment priority. Each year the council allocates and spends around £500,000 on adaptations through the AHSP.

#### Working with Disabled Veterans

A successful partnership has been established between the Scottish Veterans Garden City Association (SVGCA) and the Council and housing association delivery partners. The Council seeks to identify opportunities to provide at least 150 new homes for disabled veterans over the next ten years. The SHIP will be the tool for developing housing associations to identify suitable homes to meet the needs of disabled veterans.

## **4. Carbon Emissions and Energy Efficiency**

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Energy efficiency standards are in place for new affordable housing in Scotland. All new developments are required to meet the Building Regulations, which contain stringent targets for energy efficiency. The Council requires affordable housing developments to have a low environmental impact and to contribute to the wider equality objective of eradicating fuel poverty. Housing association and Council house building partners are working to sustainability principles which promote local material sourcing, recycling, insulation standards, and renewable energy. It is expected that all SHIP partners will continue to follow these principles. The environmental impact of individual projects is assessed through the planning process.

## **5. Consultation and engagement**

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There is a strong partnership approach to delivering new build affordable housing in the city. This is evidenced by the joint and ambitious commitment to deliver 20,000 homes over the next ten years. To ensure delivery of this pipeline of projects the SHIP is kept under constant review through continuous discussion with partners at regular meetings, working groups and forums. The projects are refined and revised throughout the year, to ensure a high number of quality sites are selected for inclusion in the SHIP.

Regular meetings are held with RSL development directors and chief executives to ensure the efficient and effect delivery of the programme and alignment of strategic objectives.

The Edinburgh Affordable Housing Partnership has established a health and social care sub group and the Chair of this sub group is the housing representative on the Strategic Planning Group. A workshop was held in September 2017 to progress work on establishing how the 3,000 homes will be delivered. A focus of this workshop was to consider how the homes identified in the SHIP can be designed to support specialist housing needs. This is part of the ongoing consultation and liaison between Health and Social Care and housing association delivery partners.

## **6. Equalities impact**

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The Equalities Impact Assessment (EIA) concludes that the SHIP should have a positive impact on tackling inequality through investment in new affordable homes for people on low to medium incomes.

The SHIP contributes to the public sector equality duty and advances equality of opportunity. It will increase access to affordable housing and well-designed, safer and cleaner communities. It will contribute to improved health by increasing the supply of good quality homes, reducing fuel poverty and providing homes which are physically accessible.

## **7. Conclusion**

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There is a significant shortfall of affordable housing in Edinburgh and that is why the Council and housing associations are working in partnership to significantly increase the number of new affordable homes in the city. This has been further strengthened with the coalition's commitment to increase this target to 20,000 homes over the next ten years. The strong history of partnership working and award winning housing development means that work is already well under way to achieve these ambitious commitments, with over 2,000 affordable homes under construction on 33 sites in the city.

The SHIP sets out the approval of almost 8,000 homes over the next five years, with delivery strongest in the first three years. This is due the reducing levels of certainty around planning, land and delivery timetables in later years of the SHIP. The SHIP is reviewed annually and will be increased to meet the 20,000 target, as confidence in the development pipeline grows.

The delivery of this ambitious programme is not without its challenges. A whole Council approach needs to be adopted to ensure the housing development process runs as efficiently as possible from beginning to end. The identification and release of land is also essential, as is the commitment from Scottish Government to increase grant allocation and provide greater certainty regarding future levels of funding.

## Appendix 3 Average housing costs per tenure in relation to income

The table below sets out the average cost (rent) of living in a two bedroom flat in Edinburgh. It sets out the ratio of expenditure against the average gross disposable income.

Tenure	Average housing cost <sup>a</sup> (2 Bedroom flat)		Ratio of Income to Housing Cost <sup>b</sup>
	Monthly	Annual	
Social Rent <sup>1</sup>	£394.92	£4,739.00	22.35%
Mid Market Rent <sup>1</sup>	£590.00	£7,080.00	33.40%
New Housing partnership market rent <sup>d</sup>	£787.75	£9,452.95	44.6%
Private Market Rent <sup>2c</sup>	£950.00	£11,400.00	53.77%

<sup>a</sup> Rent only; does not include council tax, or service charges etc.

<sup>b</sup> Average Gross Disposable Income per head in Edinburgh is £21,226<sup>3</sup>.

<sup>c</sup> The average private market rent across all homes is £1,037 per month<sup>2</sup>.

<sup>d</sup> Estimated market rent of 2 bed homes to be provided by the Council's new housing partnership

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<sup>1</sup> Social Rent and Mid Market Rent are based on average rent for two-bedroom flats advertised through Key to Choice and RSLs' websites in 2017/18.

<sup>2</sup> Private Rent is based on latest Citylets data for rented properties in 2017 Q2  
[www.citylets.co.uk/research/datahub](http://www.citylets.co.uk/research/datahub)

<sup>3</sup> Office of National Statistics  
<https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/datasets/regionalgrossdisposablehouseholdincomegdhbylocalauthorityintheuk>