

Housing and Economy Committee

10.00am, Thursday, 7 June 2018

Affordable Housing Supply Programme Annual Report

Item number	7.11
Report number	
Executive/routine	Routine
Wards	All
Council Commitments	

Executive Summary

In 2017/18 the Council working in partnership with housing associations has accelerated the delivery of affordable housing to support the delivery of 20,000 affordable homes over ten years. A record 1,500 homes were approved for social rent, mid market rent and low-cost home ownership and a 20% increase on the average approvals achieved over the last five years.

The strong performance is due to work that has taken place over a number of years to acquire sites, develop new investment models and deliver cost efficiencies. A strong pipeline programme underpins the main programme enabling sites to be brought forward to take up additional funding. Due to the strength of the pipeline programme, the Council secured an additional £9.3 million in grant funding in 2017/18.

This level of acceleration needs to be maintained in order to meet the target of building 20,000 affordable homes over the next ten years. Council officers will continue to work with Scottish Government to secure additional resources in 2018/19 and greater certainty regarding the funding that will available from 2021/22.

Affordable Housing Supply Programme Annual Report

1. Recommendations

- 1.1 It is recommended that Housing and Economy Committee:
- 1.1.1 Notes the strong performance in delivering affordable homes and the additional £9.3 million in grant funding secured in 2017/18;
 - 1.1.2 Notes the current resource planning assumptions for the Affordable Housing Supply Programme (AHSP);
 - 1.1.3 Agrees that officers continue to work with Scottish Government to secure additional resources in 2018/19 and greater certainty regarding future funding; based on the strong pipeline programme; and
 - 1.1.4 Agrees to increase the commitment to deliver homes for older people and people with particular needs from 3,000 to 4,500 homes over the next 10 years.

2. Background

- 2.1 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 10 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.
- 2.2 On 24 August 2018, the Council agreed [the Programme for the Capital - The City of Edinburgh Council Business Plan 2017-22](#), including a commitment to deliver 20,000 affordable homes over the next 10 years.
- 2.3 On 20 July 2017, the [Heads of Terms](#) for the South East Scotland City Region Deal were announced. These included a range of measures to support the delivery of new homes, including grant funding for affordable housing, as well as, 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 £16 million capital grant to enable the Council to establish two new limited liability partnerships with Scottish futures Trust to deliver around 1,500 homes for mid market and market rent.
- 2.4 On 2 November 2017, Housing and Economy Committee approved the submission of the [Strategic Housing Investment Plan](#) 2018-2023 (SHIP) to the Scottish

Government. The SHIP sets out a detailed plan to deliver the first phase of the Council's commitment.

- 2.5 On 22 March 2018, Housing and Economy Committee approved actions set out in the [Delivering Land for Affordable Housing](#) report to secure land and increase control over the pace of housing development. Actions include increased engagement with private land owners, exploring the potential for re-provisioning industrial estates, a review of the Affordable Housing Policy and establishing a public sector land and property group.

3. Main report

- 3.1 Work is well underway to accelerate the delivery of affordable housing in the city. The affordable house building programme is improving people's lives, regenerating large areas of the city, providing jobs and supporting the growth of the city.
- 3.2 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, as confidence in the development pipeline grows.
- 3.3 Around 1,500 affordable homes were approved in 2017/18 for social rent, mid market rent and low-cost home ownership; a 20% increase on the average approvals achieved over the last five years. Appendix 1 shows approvals and completions of affordable housing, broken down by tenure type, over the last five years.
- 3.4 New affordable homes are being developed by the Council, housing associations and private developers on sites across the city. Around, 2,200 homes are currently under construction across 35 sites, as shown in appendix 2.
- 3.5 Most new affordable homes are delivered through the Council's Affordable Housing Supply Programme (AHSP), funded by Scottish Government Grant and let to people in the greatest housing need. Around 70% of social rented homes, that become available for let, are allocated to homeless people.
- 3.6 In 2017/18 Scottish Government allocated the Council £29.115 million in grant funding, however, due to the strong pipeline programme the Council has developed in partnership with housing associations, an additional £9.3 million was secured in January 2018, increasing the overall 2017/18 programme to £ 38.415 million. This funding was spent in full by the end of March. This was a 33% increase on the original funding allocation. The programme also approved over 1,000 homes, a 30% increase on the previous year. In addition to this, over 600 new affordable homes were completed in 2017/18; a 24% increase on the previous year.
- 3.7 Around 20% of the homes approved in 2017/18 were specifically designed for older people and those with complex needs. This includes amenity and supported housing, fully wheelchair accessible and veteran housing.

- 3.8 The original commitment was to ensure that 3,000 of the 16,000 new affordable homes were integrated with health and social care services, to meet the needs of older people and people with complex physical and health needs over the next 10 years. Now that the commitment has been increased to 20,000 homes it is recommended that this specific target be increased to 4,500 over the same period. The delivery of homes for specific needs are monitored through the Strategic Housing Investment Plan (SHIP).
- 3.9 The SHIP assumes that around half of the annual approvals (1,000 homes) will come from the grant funded programme, with the remainder expected to be delivered with limited or no subsidy. This includes homes delivered through the National Housing Trust, the Council's new Limited Liability Partnership, Local Affordable Rent (LAR) Housing Trust and the More Homes Scotland Mid Market Rent Invitation scheme. In addition to this there will also be unsubsidised homes for low cost home ownership, delivered directly by developers through Affordable Housing Policy contributions.
- 3.10 Scottish Government's Resource Planning Assumptions (RPAs) are only available for three years. This reflects a 20% increase on the previous three years. The table below sets out the RPAs until 2020/21, with the assumption that funding levels are maintained in years four and five. The table also sets out the additional grant funding that would be required to continue to approve a minimum of 1,000 homes, based on a 70% social rent, 30% mid market rent tenure split.

Table 1: Grant Funding Allocation

Year	SG Resource Planning Assumptions (£M)	Funding already committed (£M)	Funding for new approvals (£M)	Additional funding required to approve 1,000 homes a year
2018/19	£41.27	£30.60	£10.67	£18.73
2019/20	£42.10	£25.20	£16.90	£17.90
2020/21	£45.10	£0.00	£45.10	£14.90
2021/22	£45.10	£0.00	£45.10	£14.90
2022/23	£45.10	£0.00	£45.10	£14.90
Total	£218.67	£55.80	£162.87	£81.33

- 3.11 Homes take around 19 months from approval to completion. Grant funding is paid out on completion. As a result, the funding commitment for homes approved in previous years is carried forward. At the beginning of 2018/19 there was a carry

forward commitment of £55 million, £30.6 million of which will be paid out in 2018/19 and £25.2 million in 2019/20.

Options to maximise delivery

- 3.12 Edinburgh already consistently delivers homes significantly below the national benchmark. The Council's mid market programme is delivered without subsidy from AHSP and its social rent is 10% below benchmark. Housing associations are also efficiently delivering homes across all tenures at around 7% below benchmark. Innovative funding initiatives such as, the Wheatley Bond and Places for People 1,000 Homes programme, have helped drive these efficiencies.
- 3.13 This efficiency is increasingly under threat. Edinburgh has seen a 10% increase on the average construction costs over the last five years. Cost reduction is therefore key, whether through innovative funding models or procurement efficiencies. Reducing the cost of land would also have a significant impact. The [Delivering Land for Affordable Housing](#) report, approved by Committee in March 2018, sets out a plan for bringing more land into the control of the public sector through acquisitions, partnership working and use of statutory powers.
- 3.14 Edinburgh has an ambitious 10 year commitment, a strong pipeline and clear evidence of delivery through a year on year accelerated approvals programme. In order to develop a robust delivery plan, it requires greater certainty of funding levels from government over a longer term.
- 3.15 In July 2017 the City Region Deal Heads of Terms Agreement was signed. It includes a commitment to build on the £125 million that government has already committed to support the regional affordable housing programme between 2018/19 and 2020/21.
- 3.16 The work initiated through City Region Deal is expected to continue through 2018, with the priority being to secure greater certainty over the future funding that Scottish Government could make available to accelerate affordable housebuilding across the city region.

4. Measures of success

- 4.1 The commitment to deliver 20,000 affordable homes over the next 10 years 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

- 5.1 Grant funding is paid out on completion. As a result, the funding commitment for homes approved in previous years is carried forward. At the beginning of 2018/19 there was a carry forward commitment of £55 million; £30 million of which will be paid out in 2018/19 and £25 million in 2019/20.
- 5.2 The strong pipeline means that the programme could spend an additional £81.3 million over the next five years, if funding was made available.

6. Risk, policy, compliance and governance impact

- 6.1 One key strategic risk to delivery of the 20,000 homes commitment is the availability of grant funding through AHSP to deliver projects. Section 3.10, identifies an additional grant requirement of £81.3 million over the next five years to approve around 1,000 homes each year, in order to deliver the current commitment.
- 6.2 Another key strategic risk to delivery of 20,000 homes is the availability of land. The [Delivering Land for Affordable Housing](#) report, approved by Committee in March 2018, set out actions that will be taken to secure land and increase control over the pace of housing development. Progress with delivering land for affordable housing will be reported in the annual SHIP update in November 2018.
- 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 City Housing Strategy (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 annual update is provided to Committee.

7. Equalities impact

- 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 Increased access to affordable housing and well-designed, safer and cleaner communities will contribute to improved health, reduce fuel poverty and provide 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.

8. Sustainability impact

- 8.1 Priority is given to developing homes on brownfield sites and therefore reducing pressure on Edinburgh's green belt.
- 8.2 New homes are built to high standards in terms of energy efficiency and sustainability.

9. Consultation and engagement

- 9.1 All developing housing associations are involved in the production of the SHIP which sets out the affordable housing pipeline over the next five years.
- 9.2 All Local Authorities working across the Edinburgh and South East Scotland City Region produce SHIPs which outline the collaborative measures being undertaken to accelerate new housing delivery. This includes working together to identify and unlock sites suitable for affordable housing development to address the housing crisis facing the region.
- 9.3 Council Officers meet regularly with the Chief Executives and Development Directors of the developing housing associations in the city to discuss opportunities and challenges of delivering 20,000 affordable homes.
- 9.4 Council officers meet monthly with Scottish Government to monitor progress on the AHSP and when setting its annual delivery programme.

10. Background reading/external references

[City Housing Strategy Update – Housing and Economy Committee 02 November 2017](#)

[Strategic Housing Investment Plan \(SHIP\) 2018-23 – Housing and Economy Committee 02 November 2017](#)

[City Deal Heads of Terms Agreement – July 2017](#)

[Edinburgh Economy Strategy – Housing and Economy Committee, 18 January 2018](#)

Paul Lawrence

Executive Director of Place

Contact: Elaine Scott, Housing Services Manager

E-mail: elaine.scott@edinburgh.gov.uk | Tel: 0131 529 2277

11. Appendices

Appendix 1 - Approvals and completions by tenure over the last five years.

Appendix 2 - Affordable homes under construction.

Appendix 3 - Average housing costs per tenure, in relation to income.

Appendix 1 – Approvals and completion by tenure over the last five years

All approvals by tenure	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Social rent	333	263	445	405	462	1,908
Mid Market Rent*	704	754	271	476	673	2,878
Low Cost Home Ownership**	338	420	451	427	340	1,976
Total	1,375	1,437	1,167	1,308	1,475	5,287

All completions by tenure	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Social Rent	375	263	217	283	227	1,365
Mid Market Rent*	584	430	351	410	444	2,219
Low Cost Home Ownership**	326	362	490	483	295	1,956
Total	1,285	1,055	1,058	1,176	966	4,574

Please note figures included homes funded through Council Tax Discount Fund for Scottish Veteran housing and Mortgage to Rent schemes

**Mid Market Rent homes include homes funded through the Affordable Housing Supply Programme, Council House Building Programme, National Housing Trust and LARS Housing Trust.*

***Low Cost Ownership includes Shared equity funded through the AHSP, Scottish Government's Open Market Shared Equity and Golden Share.*

c.2,200 homes currently under construction on 35 sites



Reducing inequality through affordable housing

- Redeveloping brownfield land
- Public realm
- Mixed communities
- Employment and job opportunities
- Achieving wider health & Social Care objectives
- Homes for older people & those with complex needs

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

^a Rent only; does not include council tax, or service charges etc.

^b Average Gross Disposable Income per head in Edinburgh is £21,226³.

^c The average private market rent across all homes is £1,037 per month².

^d Estimated market rent of 2 bed homes to be provided by the Council's new housing partnership

¹ 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.

² Private Rent is based on latest Citylets data for rented properties in 2017 Q2
www.citylets.co.uk/research/datahub

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