

# Planning Committee

**2.00pm, Wednesday, 7 August 2019**

## **Affordable Housing Policy Delivery**

<b>Executive/routine</b>	
<b>Wards</b>	All
<b>Council Commitments</b>	

### **1. Recommendations**

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- 1.1 It is recommended that Planning Committee:
  - 1.1.1 notes 3,828 onsite affordable homes have been secured through the Affordable Housing Policy (AHP) since January 2013, with nine out of ten planning applications of 20 or more homes resulting in onsite delivery of affordable homes; and
  - 1.1.2 notes the use of commuted sums, as set out in paragraphs 4.12 – 4.16, to support delivery of 283 affordable homes on five sites across the city.
  - 1.1.3 refers this report to the Housing, Homelessness and Fair Work Committee for information.

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## Affordable Housing Policy Delivery

### 2. Executive Summary

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- 2.1 Delivery of affordable housing requirements secured through the Affordable Housing Policy has seen onsite housing provided in nine out of ten planning applications of 20 or more homes.
- 2.2 The AHP provides an important source of land to support the delivery of the Council and Registered Social Landlords (RSLs) 20,000 homes target. The majority (71%) of the RSL house building programme is delivered on AHP land.
- 2.3 Commuted sums are accepted on sites of less than 20 units in line with Policy. They are also accepted when the Council and RSLs consider onsite delivery unviable. Commuted sums are used to support the delivery of affordable housing within the same or adjacent ward of the principal development. This report details the updated position on commuted sums.

### 3. Background

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- 3.1 In 2000, Edinburgh was the first local authority to introduce an AHP in Scotland. The [AHP](#) is a planning policy which ensures that 25% of homes on all housing sites with 12 homes or more, are required to be affordable. The policy requires private housing developers to transfer a proportion of housing site/land to affordable housing providers for affordable housing use.
- 3.2 On [24 August 2017](#), Council approved its five-year business plan. The plan sets out an objective to build 20,000 new affordable homes in the city over the next ten years.
- 3.3 On [1 November 2018](#), Housing and Economy Committee approved the Strategic Housing Investment Plan (SHIP) 2019/24. This SHIP outlines a programme over the next five years which would deliver nearly 10,500 homes. This is the largest SHIP ever put forward, which identifies an acceleration from both the Council and RSL partners in delivery of affordable housing. The SHIP assumes the AHP will provide land for over half of the sites to be delivered through the Affordable Housing Supply Programme (AHSP).

- 3.4 The Council publishes Affordable Housing Guidance and Practice Note. Since its introduction, the AHP guidance has been reviewed in 2002, 2006 and 2013. On [27 February 2019](#), Planning Committee approved minor changes to the guidance to improve clarity for developers over the interpretation of AHP. This included the prioritisation of affordable housing tenures and removal of tenures that are no longer fit for purpose; the consolidation of RSL homes on smaller sites and a quantum of the number of low-cost home ownership delivered on each site. It also introduced an Affordable Housing Statement as part of the planning application which aims to ensure that engagement and consideration of affordable housing provision is undertaken by the developer at the earliest opportunity.

## 4. Main report

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- 4.1 Work is well underway to accelerate the delivery of affordable housing in the city and deliver the Council's commitment of 20,000 affordable homes over 10 years. As referenced in 3.3 above, on [1 November 2018](#), Housing and Economy Committee approved the largest ever SHIP (2019/24); setting out a programme over the next five years which would deliver nearly 10,500 homes.
- 4.2 The first two years of the commitment saw a record 3,150 homes approved and 2,266 homes completed for social rent, mid-market rent and low-cost home ownership. Due to the strength of the pipeline programme, the Council has also secured an additional £21m in grant funding from Government over the last two years. Appendix 1 also highlights the number of homes currently under construction across the city.
- 4.3 The AHP is an important delivery mechanism to meet the 20,000 affordable homes target. It was introduced, in part, in response to the high demand of housing land in the city, where affordable housing developers, were often outbid by private housing developers and failed to acquire suitable land for affordable housing developments in the open market.
- 4.4 The Council's own house building programme uses land secured either from its own assets or by acquisition on the open market. For RSLs, the AHP is vital to ensuring land supply, with the 2018 SHIP identifying the majority (71%) of their programme being delivered on AHP land. RSLs also bring forward projects on land either in their own ownership or purchased on the open market. The Policy has been successful in delivering mixed tenure communities and providing affordable housing in diverse areas across the city.

### **Delivery to date**

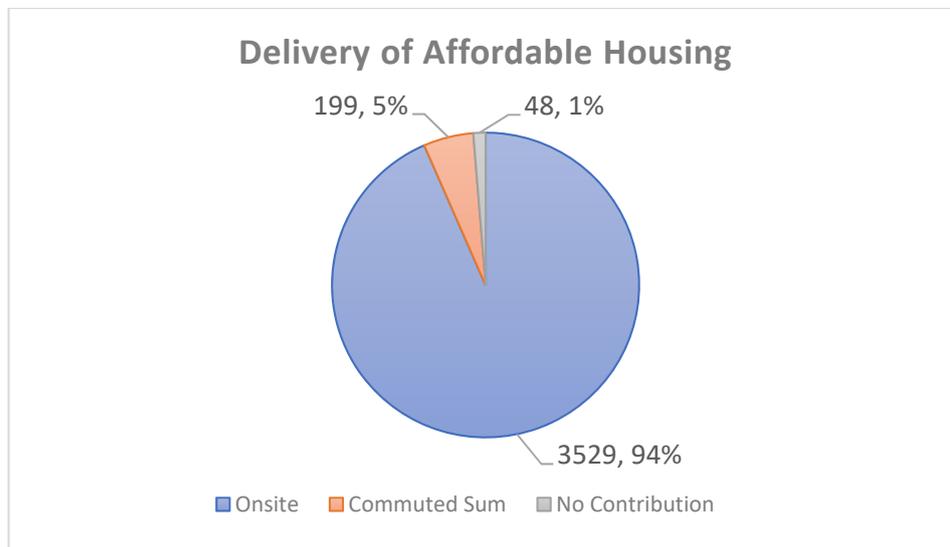
- 4.5 There are currently 2,296 affordable homes under construction on 38 sites across the city, as set out in Appendix 1. Over half of the sites (21) are being taken forward as a result of the AHP. Since 2013 there have been 1,997 completions on land secured through the AHP. This is around 60% of the total number of completions delivered through the AHSP.

**Table 1: Affordable Housing Supply Programme Completions since 2013**

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Total
<b>Completions Secured on AHP Land</b>	517	271	268	193	184	564	<b>1,997</b>
<b>Total Grant Funded Completions</b>	591	546	527	471	623	690	<b>3,448</b>

- 4.6 Onsite provision of affordable housing is the highest priority for the AHP and officers seek to secure this in all instances. In February 2019, revisions to the AHP Guidance were approved by Planning Committee. This includes the requirement for developers to provide an affordable housing statement to demonstrate the steps they have taken to achieve onsite provision of social rent, the highest priority housing need in the city. This reflects Edinburgh’s 20,000 homes target; the Scottish Government’s affordable housing tenure split of 70% social rent and responds to the housing needs of Edinburgh’s most vulnerable citizens.
- 4.7 Since January 2013, Planning consent has been granted on 159 sites, over 20 units in size (15,310 homes). Under the Policy, there is a requirement for 25% (3,828 homes) to be provided as affordable; 3,529 affordable homes (93%) have been secured onsite.

**Figure 1: Onsite Delivery of AHP**



- 4.8 This means that nine out of ten planning applications, of 20 or more homes, have seen onsite affordable housing as the agreed delivery mechanism. There are only 12 applications (199 homes) where a commuted sum has been agreed.

## **Viability challenges**

- 4.9 The agreement of a commuted sum is only considered for sites with more than 20 homes where the possibility for onsite provision has been exhausted following detailed discussions with the Council's housing service. There are certain circumstances where it is more difficult to secure onsite provision, and these are explored in more detail below.
- 4.10 RSLs provide mid and social rent homes within tight financial margins and are dependent upon grant and relatively low rental income streams over long-term business planning periods. Therefore, when RSLs are presented with projects that places further burdens on their financial models, then delivery of onsite affordable homes becomes more problematic. In private led applications of 50 homes and below, the following factors have an impact on the viability of the development to support onsite RSL housing:
- 4.10.1 Listed building and conversions - construction costs associated with materials required for planning (i.e. conversions in conservation areas) are often higher than an RSL standard product.
  - 4.10.2 Consolidation of RSL housing within a single stair – RSLs seek ownership of an entire block of properties to enable them to meet their obligations for tenants with regards to arranging repairs and maintenance of common areas.
  - 4.10.3 Tenure blind – materials associated with creating tenure blind homes can increase costs.
- 4.11 RSLs build high quality homes and seek to incorporate a number of additional elements into the design of their buildings to meet the very high housing standards set by the sector. These standards include [Housing for Varying Needs](#) and [RSL own design Guides and specifications](#). Most grant funded affordable homes are developed to a silver sustainability standard with private housing for sale largely built to bronze standard. RSLs also provide specialist housing, to support people with a range of housing needs and house a high number of homeless applicants. Delivery of these objectives is challenging with selection of appropriate sites an important part of the process.

## **Commuted Sums**

- 4.12 Commuted sums are used to support delivery of sites identified in the SHIP which is approved annually by the Council's Housing and Economy Committee. Commuted sums can be packaged with available private funding and Scottish Government grant funding to enable a project with higher than normal infrastructure and development costs to proceed. Commuted sums can also be used to support the acquisition of land for affordable housing or to deliver a larger proportion of a site for affordable housing than might not otherwise be possible.

- 4.13 The lengthy and complex process of house building; alongside the requirement that commuted sums are allocated to projects in the same or adjacent ward, means that it is necessary to programme expenditure on commuted sums. Planning legislation allows for a period of time for commuted sums to be spent by the Council on the delivery of affordable housing. Older commuted sums are required to be used within five years, this has now been increased to ten years and payment is secured through a legal agreement.
- 4.14 Since 2013, £4,375,358 has been received in commuted sums. To date £1,063,278 has been spent to support the delivery of 283 affordable homes on five sites across the city. Table 2 below specifically references the use of commuted sums spent in the city to date. Appendix 2 shows the locations of commuted sums secured and where they have been used.

**Table 2: Commuted Sums Funding - Spent**

Project	Homes	Ward	Amount	Source		RSL	Site Progress
				Project	Ward		
Small Sites Programme (Clermiston)	44	Drum Brae/Gyle	£202,182	Ellersly Rd	Corstorphine/Murrayfield	CEC	Under Construction
Fountain-bridge Blck L	19	City Centre	£156,250	7c Devon Place	City Centre	DCHA	Under Construction
Pennywell Phase 4	8	Forth	£56,007	Queensferry, Kirliston	Almond	CEC	Under Construction
St Nicolas Court	12	Leith	£40,000	1-11 Dalgety Road,	Craigentinny/Duddingston	POLHA	Under Construction
Salamander Place	200	Leith	£606,356	117 Bellevue Rd, 132 McDonald Rd,	Leith Leith Walk	Link HA	Under Construction

- 4.15 The remaining balance (£3,312,080) will be used to support the delivery of affordable housing in the same ward of the principal development and should there be no suitable projects in the same ward, sums will be used in an adjacent ward. There is a strong pipeline of projects in the SHIP to be supported with commuted sum funding.
- 4.16 A further £2,192,131 has been secured through s75 arrangements but has yet to be collected by the Council as the relevant trigger point in the development process has yet to be reached.

## 5. Next Steps

- 5.1 An update on the AHP contribution to the Council's 20,000 affordable homes target will be included in the SHIP 2020/25 that will be considered by Housing, Homelessness and Fair Work committee in October 2019.

- 5.2 The AHP is due to be reviewed and reported as part of the development of the Edinburgh Local Development Plan 2 (LDP2) project. This will include consideration of the percentage of homes that should be affordable within developments.

## **6. Financial impact**

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- 6.1 The high cost of land in Edinburgh means that RSLs are not able to compete with private developers to purchase sites. The AHP requires private housing developers to transfer a proportion of sites for development of affordable housing.
- 6.2 Commuted sums are used to support the delivery of affordable housing by the Council and RSLs.

## **7. Stakeholder/Community Impact**

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- 7.1 The Policy has been successful in delivering mixed tenure communities and providing affordable housing in diverse areas across the city.
- 7.2 The Council and RSL partners place community engagement at the centre of housing development projects and go far beyond statutory planning requirements. For example, the Council's house building team has used the Place Standard on recent projects; a tool which identifies 14 themes around which structured consultation can be developed. It is intended that the Place Standard will support communities and the public and private sectors to work together to deliver high quality, sustainable places.
- 7.3 Affordable homes delivered through AHP are built to high standards and as such contribute to the public sector equality duty and advances equality of opportunity. Homes secured through the AHP 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.
- 7.4 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.

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

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- 8.1 Strategic Housing Investment Plan 2019/24, Housing and Economy Committee, [November 2018](#).
- 8.2 Innovative approaches to increasing housing supply, Housing and Economy Committee [30 August 2018](#).
- 8.3 [Guidance](#) on the delivery of Affordable Housing, February 2019.

## **9. Appendices**

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- 9.1 Appendix 1 – Homes under construction: 2,296 homes currently under construction on 38 sites.
- 9.2 Appendix 2 - Commuted sums secured and use 2013 - 2019

Appendix 1 – Homes under construction: 2,296 homes currently under construction on 38 sites



## Appendix 2 – Commuted sum secured and use 2013 - 2019

