

# City of Edinburgh Council

10.05am, Thursday, 8 February 2024

## Glenarm Place, Western Harbour, Edinburgh – Proposed Acquisition of Completed Homes – referral from the Finance and Resources Committee

Executive/routine  
Wards

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred a report on the proposed acquisition of completed homes at Glenarm Place, Western Harbour, Edinburgh, to the Council for approval of prudential borrowing.

**Dr Deborah Smart**  
Executive Director of Corporate Services

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# Referral Report

## Glenarm Place, Western Harbour, Edinburgh – Proposed Acquisition of Completed Homes – referral from the Finance and Resources Committee

### 2. Terms of Referral

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2.1 On 25 January 2024, the Finance and Resources Committee considered a report which provided details of an opportunity to acquire 118 new build flatted homes within the development at Western Harbour and sought approval for their acquisition on completion, on the terms and conditions outlined in the report by the Executive Director of Place.

2.2 The purchase would take place subject to availability of Scottish Government funding equating to £9,941,000 from the Affordable Housing Supply Programme with the remainder being made up from a combination of prudential borrowing based on future rental income and reserves drawdown.

#### 2.3 Motion:

- 1) To approve the purchase of 118 new build flatted homes within the Western Harbour Development, from CCG, subject to completing due diligence and on the terms and conditions outlined in the report by the Executive Director of Place.
- 2) To refer the report to the City of Edinburgh Council for approval of prudential borrowing.

- moved by Councillor Watt, seconded by Councillor Dalgleish

#### Amendment

- 1) To approve the purchase of 118 new build flatted homes within the Western Harbour Development, from CCG, subject to completing due diligence and on the terms and conditions outlined in the report by the Executive Director of Place.
- 2) Notes at 8.5 the reference to further work which may be required to bring these and other completed home purchases to Scottish Government standards for social housing such as ESSH2 and in such areas as accessibility, space standards and to meet the net zero aspirations of this Council.

- 3) Therefore requests that close consideration is given to how such work might be shaped and the possible funding expectations that will be required. And requests a separate report to Finance and Resources and Housing, Homelessness and Fair Work Committees which outlines these issues in principle and provides support to further future decision-making for similar initiatives.

- moved by Councillor Macinnes, seconded by Councillor Biagi

In accordance with Standing Order 22(13), the amendment was accepted as an addendum to the motion.

### **Decision**

To approve the following adjusted motion by Councillor Watt:

- 1) To approve the purchase of 118 new build flatted homes within the Western Harbour Development, from CCG, subject to completing due diligence and on the terms and conditions outlined in the report by the Executive Director of Place.
- 2) To refer the report to the City of Edinburgh Council for approval of prudential borrowing.
- 3) To note at 8.5 in the report by the Executive Director of Place the reference to further work which might be required to bring these and other completed home purchases to Scottish Government standards for social housing such as ESSH2 and in such areas as accessibility, space standards and to meet the net zero aspirations of this Council.
- 4) To therefore request that close consideration be given to how such work might be shaped and the possible funding expectations that would be required. And requests separate report to Finance and Resources and Housing, Homelessness and Fair Work Committees which outlined these issues in principle and provides support to further future decision-making for similar initiatives.

2.4 The report sets out capital expenditure of £30,850,000 inclusive of tax and fees. It is assumed that this cost will be partially offset by grant of £6,804,000 in relation to the purchase of social housing and a capital receipt of £11,460,000 from the sale of 46 mid-market homes to Edinburgh Living. This results in a net cost of £12,586,000, which can be contained within the HRA capital budget, as set out in the report on the HRA business plan, elsewhere on this agenda.

2.5 Over a 30-year period, the associated loans charges total £22.9m and comprise principal repayments of £12.6m and interest of £10.3m, based on an interest rate of 4.25% as assumed in the HRA business plan. This equates to an annual cost of £763,445 which can be met by rent from the 72 social homes of £373,205, with the balance being met within the provision for new build social rent housing in the HRA business plan.

2.6 There is a risk that in the current high-interest environment the 46 mid-market homes will be unaffordable to Edinburgh Living. Should it not be possible to sell the

homes, it is proposed that the HRA would retain them, with the shortfall in capital receipt met by further borrowing funded by either:

- (i) leasing to the general fund for use as temporary accommodation, generating an annual saving to the general fund of £0.29m when compared to the cost of bed and breakfast accommodation; or
- (ii) conversion homes to social housing to generate rental income, supplemented by further rent increases and/or reprioritisation of the HRA capital programme.

### **3. Background Reading/ External References**

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3.1 Finance and Resources Committee – 25 January 2024 - [Webcast](#)

3.2 Minute of the Finance and Resources Committee – 25 January 2024

### **4. Appendices**

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Appendix 1 – Report by the Executive Director of Place

# Finance and Resources Committee

10.00am, Thursday, 25 January 2024

## Glenarm Place, Western Harbour, Edinburgh – Proposed Acquisition of Completed Homes

Executive/routine  
Wards

Routine  
13 - Leith

### 1. Recommendations

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- 1.1 That the Finance and Resources Committee Approve the purchase of 118 new build flatted homes within the Western Harbour Development, from CCG, subject to completing due diligence and on the terms and conditions outlined in this report.

**Paul Lawrence**

Executive Director of Place

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## Glenarm Place, Western Harbour, Edinburgh – Proposed Acquisition of Completed Homes

### 2. Executive Summary

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- 2.1 An opportunity has arisen to acquire 118 new build flatted homes within the development at Western Harbour. This report seeks approval to acquire the 118 flats, on completion, on the terms and conditions outlined in the report.
- 2.2 This purchase will take place subject to availability of Scottish Government funding equating to £9,941,000 from the Affordable Housing Supply Programme. The remainder will be made up from a combination of prudential borrowing based on future rental income and reserves drawdown.

### 3. Background

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- 3.1 Edinburgh needs more homes of all tenures, with greatest demand being for affordable homes. The latest Housing Need and Demand Assessment (HNDA3) states there is demand for between 36,000 and 52,000 new homes in Edinburgh between 2021 to 2040; between 24,000 to 35,000 of these homes need to be affordable. Lack of affordable housing is impacting on the ability of the city to address homelessness and is also a barrier to economic growth.
- 3.2 On 5 November 2023, the City of Edinburgh Council declared a Housing Emergency. On [5 December 2023](#), Housing, Homelessness and Fair Work Committee approved the strategy for purchasing land and homes to meet affordable housing need and support action to tackle the emergency. The report noted that the strategy, for the coming year, will continue to focus on seeking land opportunities for building directly, purchasing suitable completed new build homes from the private sector and working with landowners on partnering opportunities on strategic sites.
- 3.3 An opportunity has arisen to acquire 118 flats within the Western Harbour masterplan from CCG Homes Limited (CCG), on which work has commenced with completion due in late 2025.
- 3.4 The development forms part of a wider masterplan which, in total, will provide 1,600 homes, primary school and a community park. Several apartment blocks and the

school have already been completed. The location is shown on the plan at Appendix 1.

- 3.5 CCG are currently a contractor on the Council's own housebuilding framework and have delivered over 400 homes for the Council to date.

## 4. Main report

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- 4.1 The proposal represents an opportunity to acquire 118 flats, within part of the wider Western Harbour Development. The acquisition will provide additional affordable homes within the Leith ward, supplementing the Council's own housebuilding programme in an area of the city where the Council's landholdings, suitable for direct delivery, are limited.

- 4.2 The flats will be developed in three blocks providing predominantly apartment style accommodation with some colony units.

- 4.3 The housing can be summarised as follows:

Type	Ave Size	No of Homes
1 bed apartment	54 sq m	42
1 bed colony (gf)	52 sq m	3
2 bed apartment	70 sq m	47
2 bed colony (gf)	77 sq m	1
3 bed apartment	96 sq m	16
3 bed colony (duplex)	98	9
Undercroft car spaces		76

- 4.4 CCG has provided a full specification of the homes. Heating will be provided via a communal air source heat pump and a full sprinkler system will be included.

- 4.5 A 10-year National House Building Council (NHBC) warranty will be provided for each home on completion. In addition, a full package of collateral warranties from the design team, the main contractor, and any sub-contractor with design responsibility, will be provided on completion.

- 4.6 The net purchase price of the homes is £30,850,000 (including Land and Buildings Transaction Tax (LBTT) and fees) which will be payable on completion, as set out in the financial impact section below.

- 4.7 The combined purchase price of each home reflects an average bulk purchase discount of 5.0%. The Council instructed one of its framework property consultants, Jones Lang LaSalle, to review the proposal in the context of the original asking

price for homes within development at the time of marketing. The conclusion is that the proposed purchase price, which reflects a discount level of 5.0% for units which will not be completed until late 2025, in blocks which would be easily managed by the purchaser, represents an attractive incentive to acquire, in a single transaction.

- 4.8 The Council will be entitled, during the construction period, to review Project Manager's regular reports and request specific areas of quality assurance in connection with any aspect of the development.
- 4.9 To ensure that the homes are completed to the agreed specification, a building surveyor will inspect the development prior to Practical Completion. There will be an opportunity to refer the matter to a third-party determination if the Council do not agree that Practical Completion has been reached. Homes will not be purchased without provision of a Completion Certificate provided by the City of Edinburgh Council Building Standards Service.
- 4.10 A defects rectification period will be put in place to allow the Council to report defects and to provide CCG the opportunity to carry out any repairs.

## **5. Next Steps**

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- 5.1 Following approval of the terms by Committee, Legal Services will be instructed to progress with the completion of the purchase of the properties.
- 5.2 Completion of the contract will be subject to legal due diligence and inspection of the homes prior to completion.

## **6. Financial impact**

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- 6.1 The cost of the purchase will be £30,850,000, including tax (plus fees). The purchase will be funded by a combination of borrowing, reserves and £9,941,000 of grant funding.
- 6.2 The total grant breaks down as follows:
  - 6.2.1 Social Rent (72 Units) – £6,804,000; and
  - 6.2.2 Mid-Market Rent (46 Units) - £3,137,000.
- 6.3 This is based on benchmark grant levels of £94,500 (Social Rent) and £68,200 (Mid-Market Rent) per unit.

## **7. Equality and Poverty Impact**

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- 7.1 The purchase of homes in Newhaven will have a positive impact on equality and poverty through the provisions of good quality, energy efficient affordable housing.
- 7.2 It is considered that this decision does not meet the requirements to undertake a full Integrated Impact Assessment.



## **8. Climate and Nature Emergency Implications**

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- 8.1 The impacts of this report have been considered in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties and the outcomes are summarised below.
- 8.2 Modern Building Standards will result in less energy demand for heating. The new homes will be developed with a communal air source heat pump.
- 8.3 The location of the homes is close to sustainable mass transport links including the Newhaven tram stop, and major bus routes to the city centre. The site is also located within walking distance to a major supermarket.
- 8.4 The location of the homes is also within a short walk or cycle to the wider cycle network, providing off road routes to the city centre and major employment hubs.
- 8.5 Homes will not achieve net zero carbon at the time of purchase as homes although the heating system will be low carbon electric heat pumps. Homes will need to be improved along with existing stock at the appropriate time. Given the current levels of sustainability specification this will require limited intervention in comparison to older stock.

## **9. Risk, policy, compliance, governance and community impact**

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- 9.1 Ward members have been made aware of the recommendations of this report.
- 9.2 The strategy to deliver homes through this route was agreed by the Housing, Homelessness and Fair Work Committee in December 2022, updated in December 2023.
- 9.3 Public consultation on the development of the homes took place as part of the planning process, including local exhibitions. Feedback was considered as part of the planning approval.
- 9.4 A planning consent for 938 homes in 2019, with 25% of homes being affordable. The homes being delivered through the purchase will be in addition to the overall affordable housing numbers on the site in the wider masterplan area.

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

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- 10.1 [Housing Land Strategy Report](#) – Housing Homelessness and Fair Work Committee, 5 December 2023.

## **11. Appendices**

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Appendix 1 – Location plan [to follow]

Appendix 2 – List of homes to be purchased.

Appendix 2

Apartment list

Accommodation			Size	
Unit Number	Type	Number of Bedrooms	Approx sqft	Approx sqm
1	Apartment	3	976	90.6
2	Apartment	2	729	67.7
3	Apartment	2	714	66.3
4	Apartment	3	997	92.6
5	Apartment	1	561	52.1
6	Apartment	2	708	65.8
7	Apartment	1	705	65.5
8	Apartment	2	708	65.8
9	Apartment	3	996	92.6
10	Apartment	1	561	52.1
11	Apartment	2	708	65.8
12	Apartment	1	706	65.6
13	Apartment	2	708	65.8
14	Apartment	3	996	92.6
15	Apartment	1	561	52.1
16	Apartment	2	708	65.8
17	Apartment	1	702	65.3
18	Apartment	2	711	66.1
19	Apartment	3	997	92.6
20	Apartment	1	561	52.1
21	Apartment	2	708	65.8
22	Apartment	1	702	65.3
23	Apartment	2	711	66.1
24	Apartment	2	727	67.6
25	Apartment	3	997	92.6
26	Apartment	2	708	65.8
27	Apartment	2	708	65.8
28	Apartment	1	561	52.1
29	Apartment	2	832	77.3
30	Apartment	2	707	65.7
31	Apartment	2	708	65.8
32	Apartment	1	561	52.1
33	Apartment	2	832	77.3
34	Apartment	2	707	65.7
35	Apartment	2	708	65.8
36	Apartment	1	561	52.1
37	Apartment	2	832	77.3
38	Apartment	2	707	65.7
39	Apartment	2	708	65.8
40	Apartment	1	561	52.1
41	Apartment	2	832	77.3
42	Colony (GF)	2	832	77.3
43	Colony (Duplex Upper)	3	1067	99.2
44	Colony (Duplex Upper)	3	1053	97.9

45	Colony (Duplex Upper)	3	1053	97.9
46	Colony (Duplex Upper)	3	1053	97.9
47	Colony (GF)	1	555	51.6
48	Colony (Duplex Upper)	3	1053	97.9
49	Colony (Duplex Upper)	3	1053	97.9
50	Colony (GF)	1	555	51.6
51	Colony (Duplex Upper)	3	1053	97.9
52	Colony (Duplex Upper)	3	1053	97.9
53	Colony (GF)	1	558	51.9
54	Colony (Duplex Upper)	3	1065	99.0
55	Apartment	3	1005	93.4
56	Apartment	2	845	78.5
57	Apartment	1	558	51.9
58	Apartment	3	995	92.4
59	Apartment	2	838	77.8
60	Apartment	1	561	52.1
61	Apartment	2	708	65.8
62	Apartment	1	711	66.1
63	Apartment	2	708	65.8
64	Apartment	2	838	77.8
65	Apartment	1	561	52.1
66	Apartment	2	708	65.8
67	Apartment	1	711	66.1
68	Apartment	2	708	65.8
69	Apartment	2	846	78.6
70	Apartment	1	561	52.1
71	Apartment	2	708	65.8
72	Apartment	1	711	66.1
73	Apartment	2	708	65.8
74	Apartment	2	707	65.6
75	Apartment	3	1123	104.3
76	Apartment	3	1060	98.5
77	Apartment	3	1124	104.4
78	Apartment	2	706	65.6
79	Apartment	3	994	92.4
80	Apartment	1	558	51.8
81	Apartment	2	826	76.7
82	Apartment	1	561	52.1
83	Apartment	1	560	52.1
84	Apartment	1	560	52.1
85	Apartment	1	561	52.1
86	Apartment	1	561	52.1
87	Apartment	2	829	77.0
88	Apartment	1	561	52.1
89	Apartment	1	560	52.1
90	Apartment	1	560	52.1
91	Apartment	1	561	52.1

92	Apartment	1	561	52.1
93	Apartment	2	829	77.0
94	Apartment	1	561	52.1
95	Apartment	1	560	52.1
96	Apartment	1	560	52.1
97	Apartment	1	561	52.1
98	Apartment	1	561	52.1
99	Apartment	2	829	77.0
100	Apartment	3	990	92.0
101	Apartment	2	705	65.5
102	Apartment	3	1117	103.8
103	Apartment	1	561	52.1
104	Apartment	3	1027	95.4
105	Apartment	2	825	76.6
106	Apartment	1	562	52.3
107	Apartment	1	561	52.1
108	Apartment	2	760	70.6
109	Apartment	2	724	67.2
110	Apartment	1	559	51.9
111	Apartment	2	826	76.8
112	Apartment	1	561	52.1
113	Apartment	1	562	52.2
114	Apartment	2	760	70.6
115	Apartment	2	724	67.2
116	Apartment	1	559	52.0
117	Apartment	2	714	66.4
118	Apartment	3	1155	107.3