

Housing, Homelessness and Fair Work Committee

10.00am, Thursday 3 June 2021

Affordable Housing Policy Update – referral from the Planning Committee

Executive/routine

Wards

Council Commitments

1. For Decision/Action

- 1.1 The Planning Committee has referred a report on the Affordable Housing Policy Update to the Housing, Homelessness and Fair Work Committee for information.

Andrew Kerr

Chief Executive

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Referral Report

Affordable Housing Policy Update

2. Terms of Referral

- 2.1 On the 19 May 2021, the Planning Committee considered a report which provided an update on the Affordable Housing Policy (AHP) performance in 2019/20 and 2020/21 and the use of commuted sums to support the delivery of new affordable homes over the same period.
- 2.2 The report also set out minor changes to the AHP Practice Note set out in Appendix 1 to the report, which aimed to provide more clarity to assist developers to understand what was expected at an early stage when developing proposals for affordable homes.
- 2.3 The Planning Committee agreed:
 - 1) To approve the minor updates to the Affordable Housing Policy (AHP) Practice Note set out in Appendix 1 to the report.
 - 2) To note that the AHP was consistently delivering onsite affordable homes on nine out of 10 sites of 20 homes or more.
 - 3) To note that a further 1,354 affordable homes were approved in 2019/20 – 2020/21 on sites secured through the AHP. A further 652 affordable homes were completed through the AHP over the same period.
 - 4) To note the use of commuted sums, as set out in paragraph 4.7 of the report, to support the delivery of 195 affordable homes on five sites across the city.
 - 5) To refer the report to the Housing, Homelessness and Fair Work Committee for its information.
 - 6) To call for an assessment of all homes delivered by this policy in the last three years to be reported back to Committee within two cycles, and that this assessment should in particular examine the number of Low Cost Home Ownership (LCHO) and Mid Market Rent (MMR) homes (subsidised and unsubsidised) delivered, whether the number of each category delivered was consistent with the Council's housing need and demand assessment, and whether a further assessment to the Council's Affordable Housing Policy was required as a result of that assessment.

3. Background Reading/ External References

3.1 [Webcast - Planning Committee - 19 May 2021](#)

4. Appendices

4.1 Appendix 1 – Report by the Executive Director of Place

Planning Committee

2.00pm, Wednesday, 19 May 2021

Affordable Housing Policy Update

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 It is recommended that Planning Committee:
 - 1.1.1 Approves the minor updates to the Affordable Housing Policy (AHP) Practice Note set out in Appendix 1;
 - 1.1.2 Notes that the AHP is consistently delivering onsite affordable homes on nine out of 10 sites of 20 homes or more;
 - 1.1.3 Notes that a further 1,354 affordable homes were approved in 2019/20 - 2020/21 on sites secured through the AHP. A further 652 affordable homes were completed through the AHP over the same period;
 - 1.1.4 Notes the use of commuted sums, as set out in paragraph 4.7, to support delivery of 195 new affordable homes on five sites across the city; and
 - 1.1.5 Refers this report to Housing, Homelessness and Fair Work Committee for information.

Paul Lawrence

Executive Director of Place

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Report

Affordable Housing Policy Update

2. Executive Summary

- 2.1 The Affordable Housing Policy (AHP) provides an important source of land to support the delivery of the new supply of affordable housing. This report provides an update on AHP performance in 2019/20 and 2020/21 and the use of commuted sums to support the delivery of new affordable homes over the same period.
- 2.2 The report also sets out minor changes to the AHP Practice Note set out in Appendix 1, which aims to provide more clarity to assist developers to understand what is expected at an early stage when developing proposals for affordable homes.

3. Background

- 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 a 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 following ten years. The AHP is an important delivery mechanism to meet this commitment. Prior to its introduction, the high demand for housing land in the city meant that affordable housing developers were often outbid by private housing developers and failed to acquire suitable land for affordable housing.
- 3.3 On [7 August 2019](#), Planning Committee noted an AHP Delivery report. This set out the strong performance of the AHP, with 3,828 onsite affordable homes being secured between 2013 and 2018. Nine out of ten planning applications of 20 or more homes resulted in onsite delivery of affordable homes.
- 3.4 On 23 March 2020, the UK went into national lockdown in response to the Covid-19 pandemic. In Scotland, construction work was temporarily halted between 6 April 2020 and 16 July 2020. Construction work has recommenced but physical distancing measures on construction sites remain in place.

- 3.5 On [14 January 2021](#), Housing, Homelessness and Fair Work Committee approved the Strategic Housing Investment Plan (SHIP) 2021-26. This SHIP set out a pipeline of 10,036 affordable homes which could be approved for site start, with 11,370 anticipated completions between 2021 and 2026.

4. Main report

AHP Delivery in 2019/20 and 2020/21

- 4.1 Affordable housing delivery across the city continues to be strong; at the end of March 2021 there were over 2,400 affordable homes under construction on 37 sites. However, performance in 2020/21 has been affected by the impact of Covid-19, national lockdown and subsequent mitigating measures such as social distancing on construction sites.
- 4.2 The number of new affordable homes that completed in 2020/21 was 1,087 of which 141 or 13% were enabled by the AHP. This compares to 1,443 affordable home completions in 2019/20, of which 511 or 35% were enabled by the AHP. The decline in numbers in 2020/21 is attributed to lockdown impacting on construction timescales, with major projects such as Salamander Street (199 homes) and Waterfront Plaza (82 homes) amongst others now due to complete in 2021/22.
- 4.3 The number of new affordable home approvals enabled by the AHP continues to increase. Of the 1,930 new affordable homes approved in 2019/20, 621 or 32% were enabled through the AHP. Of the 1,285 new affordable homes approved in 2020/21, 733 or 57% were enabled through the AHP. This compares to just over 500 new affordable homes enabled by the AHP each year in 2017/18 and 2018/19.
- 4.4 There are significant new approvals expected in 2021/22. Sites such as West Craigs (almost 300 affordable homes delivered by Dunedin Canmore) and Edinburgh Park (160 affordable homes delivered by Home Scotland) are likely to be brought forward as part of the Affordable Housing Supply Programme (AHSP), supported with grant funding and have been directly enabled by the AHP.

Consents

- 4.5 There were 32 developments of 20 homes or more that were consented in 2019/20 and 2020/21, and all but three have or will deliver onsite affordable housing. This means that the AHP is still consistently delivering onsite affordable homes on nine out of 10 sites of 20 homes or more.

Committed Sums

- 4.6 Onsite provision of affordable housing is the highest priority for the AHP and officers seek to secure this for all sites of 20 units or more. Where there are exceptional reasons to not deliver on site affordable housing a commuted sum can be agreed. Commuted sums are calculated based on land value, and in line with the national Planning Advice Note, the amount of the sum is assessed independently by the

District Valuer. Over the last two years the Council has received commuted sums which average £48,000 per affordable home.

- 4.7 Since 2013 more than £6.190 million has been received in commuted sums. £1.853 million in commuted sums was received between 2019/20 and 2020/21.
- 4.8 To date, £2.275 million has been spent to support the delivery of 478 affordable homes. The Council has used £1.214 million in 2019/20 and 2020/21 to support the delivery of 195 affordable homes. This is set out in Table 1. The average amount of commuted sums that was required to support new affordable homes was just over £6,200 per home.

Table 1: Commuted Sums Used to Support Affordable Housing in 2019/20 and 2020/21

Project	Homes	Ward	Amount	RSL
Ford's Road – Westwood Town Houses	14	Sighthill/ Gorgie	£0.147m	LAR Housing Trust
Fountainbridge Block L (2nd payment)	19	City Centre	£0.244m *	Dunedin Canmore Housing Association
Fountainbridge	113	Fountainbridge/ Craiglockhart	£0.349m	City of Edinburgh Council
Ferrymuir Gait	32	Almond	£0.270m	Link Group
Viewforth (Former Boroughmuir High School)	17	Meadows/ Morningside	£0.204m	Link Group
Total:	195		£1.214m	

**second payment on this site, £0.400m total.*

- 4.9 The remaining balance (approximately £3.915 million) will be used to support the delivery of affordable housing in the same or adjacent ward to the principal development site, where possible. Sums must be used within ten years. There is over £0.4m already committed to support affordable housing at Shrubhill and Gylemuir Road.

AHP Guidance

- 4.10 The Council's planning guidance on 'Affordable Housing' sets out how the provision of affordable housing within planning proposals will be assessed. The detailed implementation of the Council's affordable housing policy is set out in the Affordable Housing Practice Note at Appendix 1. This was last updated in February 2020, as part of the annual review of planning guidance.
- 4.11 A recent review of this Practice Note has identified further minor updates that would provide more clarity as to how the AHP is implemented. The changes are intended to be helpful in assisting developers to understand what is expected at an early stage of developing proposals for a site. For example, one update is to highlight the importance of developers having early engagement with Registered Social Landlords (RSLs). The changes generally reflect current expectations and practice

relating to affordable housing provision and are sufficiently minor that no consultation is required

- 4.12 One of the proposed updates removes the reference to Golden Share (GS) homes having a purchase price set at 80% of market value in ‘perpetuity’. GS is a low-cost home ownership tenure where the purchase price is fixed at 80% of market value, as set out in their title deeds. GS homes are made available to people who could not afford to purchase the property at full market value.
- 4.13 Current guidance states that GS properties can have a value of up to £214,796, which is roughly 80% of average house prices in Edinburgh. House price inflation means that the affordability of GS homes in perpetuity can no longer be guaranteed, as house prices are increasing more quickly than incomes. The heated housing market has resulted in properties which were well within the GS threshold at initial purchase, increasing in value over time and exceeding the GS threshold on resale.
- 4.14 It is recommended that for resales of GS homes which have a market value of £265,000 or higher (evidenced by an independent Home Report), the Council should seek repayment of the GS discount (20% of market value) from the seller when the home is sold. For a property with value of £265,000, the repayment to the Council would be £53,000. The sum repaid would be used to support the delivery of on-site affordable housing, in the same way as commuted sums.
- 4.15 In rare instances it may be difficult or not be possible to sell a home at market value. For example, if the only properties in an area that have been sold are GS, this can skew their perceived value. In these rare instances, and only with evidence that market sale is not generating interest from buyers, the Council may consider resales of GS homes that exceed the threshold. These changes will be reflected in the ‘Sellers Guide to Golden Share’ as published on the Council website.
- 4.16 It is recommended that Committee approves the minor updates to the AHP Practice Note set out in Appendix 1.

5. Next Steps

- 5.1 Reporting on the AHP will be provided annually to Planning Committee and Housing, Homelessness and Fair Work Committee.
- 5.2 Further changes to AHP may be considered as part of the preparation of future guidance to support relevant policies in the City Plan 2030.

6. Financial impact

- 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

- 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 RSLs place community engagement at the centre of housing development projects and go far beyond statutory planning requirements.
- 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, energy efficient, safer and cleaner communities. It contributes 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.
- 7.5 The changes to Golden Share policy are as a result of feedback from GS owners who have sold their homes.

8. Background reading/external references

- 8.1 [Strategic Housing Investment Plan 2021/26](#), Housing, Homelessness and Fair Work Committee, January 2021.
- 8.2 [Affordable Housing Policy Delivery](#), Planning Committee, 7 August 2019
- 8.3 [Guidance on the delivery of Affordable Housing, February 2019](#)
- 8.4 [Annual Review of Guidance](#), Planning Committee, February 2020.

9. Appendices

- 9.1 Appendix 1 - Changes to Affordable Housing Policy Guidance.

Appendix 1: Changes to Affordable Housing Policy Guidance

Page / Section	Proposed Edits	Reason for Update
4	<p>Delete text:</p> <p>“This practice note is not planning guidance but it provides further information explaining how the policy and guidance is implemented by Services for Communities Department.”</p>	To better reflect current Council structure.
4 / Section 1 (after last bullet point)	<p>Add:</p> <ul style="list-style-type: none"> • “Applicants should also engage with RSLs at an early stage and prior to submitting a planning application. The affordable housing provider may have specific requirements in relation to the design and specification of homes. Wherever possible, affordable housing should comply with the Scottish Government’s Housing for Varying Needs criteria, particularly where subsidy is to be secured.” 	To encourage applicants to engage with RSLs, as well as, the Council at an early stage.
4 / Section 1, Affordable Housing Statement	<p>Add to:</p> <p>“Confirmation of the proposed mix of approved affordable housing tenures and the RSL identified to deliver affordable housing.”</p>	To inform applicants that Affordable Housing Statements should identify likely affordable housing tenures. This is to make sure that the delivery of higher priority tenures is being considered by the applicant at an early stage.
5 / Section 2 (after land transfer delivery option)	<p>Add:</p> <p>“2. Transfer of built units to an RSL or the Council. Following early engagement with an RSL or the Council, the developer builds the affordable housing units as an integral part of the development. These units would then be transferred (either as shells or as fully fitted units) to an RSL or the Council for onward management and maintenance.”</p>	This is a common approach to the delivery of affordable housing but it is not referenced within the current document.

5 / Section 3, Intermediate Rent (after last paragraph)	<p>Add:</p> <p>"Intermediate Rent is an affordable housing tenure that is suited to large 'Build-to-Rent' (BTR) developments that are financed by institutional Investors and will deliver new homes rapidly and at a scale that supports placemaking."</p>	To add reference to the approach to affordable housing for Build-to-Rent developments which was reported to Planning Committee in January 2020 .
6 / Section 3, Unsubsidised LCHO	<p>Change "To maximise the delivery of social rented homes, as evidenced in the latest Housing Needs and Demand Assessment any form of unsubsidised LCHO should not normally exceed 20% of the overall affordable housing provision, or 12 units, whichever is the lesser." to:</p> <p>"A limited number of affordable homes delivered as unsubsidised LCHO may be acceptable if there is a clear rationale for not delivering higher priority affordable housing tenures. Any form of unsubsidised LCHO should not normally exceed 20% of the overall affordable housing provision, or 12 units, whichever is the lesser."</p>	To reiterate to applicants that a clear rationale for providing a lower priority tenure should be demonstrated. The document already states that applicants should clearly identify how their proposals have been designed to allow for on-site delivery by an RSL in the first instance.
6 / Section 3, Unsubsidised LCHO (1) Golden Share	<p>Delete:</p> <p>"The purchase price is set at 80% of market value in perpetuity, the market value being set by an independent or district valuer to the satisfaction of the Council.</p>	House price inflation means that the affordability of Golden Share in perpetuity can no longer be guaranteed, as house prices are increasing more quickly than incomes.
6 / Section 3, Unsubsidised LCHO (1) Golden Share	<p>Add to:</p> <p>"The purchase price should not exceed £214,796, and properties approaching this value are expected to be 3 bedroom. Estimated sales values will be required to be submitted during the planning application for review."</p>	To inform applicants that estimated sales values will be required to demonstrate that Golden Share is a viable affordable housing tenure.
6 / Section 4, Commuted Sums	<p>Add to:</p> <p>"The commuted sum is a financial sum, paid by a developer to the Council. The Council shall utilise the commuted sum towards the provision of affordable housing within 10 years of payment."</p>	To reflect the use period for commuted sums that is within the model legal agreement.
7 / Section 4, Commuted Sums	<p>Add to:</p> <p>"Land value would be based on a DV Independent valuation. The developer will be required to cover the costs incurred by the Council to carry out</p>	To inform applicants of the requirement.

	this valuation.”	
7 / Section 5, Consolidation	<p>Add to:</p> <p>“Consolidation: On smaller developments of between 20 and 50 flats, it is likely an RSL will want to consolidate ownership of the affordable homes within a single stairwell. Proposals should be designed taking this into account, along with RSL design standards, to allow for on-site delivery to be achieved. Affordable homes with three or more bedrooms should be on the ground floor where practical.”</p>	To inform applicants the preference is for larger units to be on the ground floor so that they are more suited to families with better access to outdoor space.
7 / Section 5, 4)	<p>Add to:</p> <p>“Viability for the developer / open book – If a developer wishes to demonstrate that their development contains exceptional costs which make the affordable housing contribution non-viable on-site, then a full assessment of costs will be required based on an “open book” approach i.e. the developer will be expected to make all of the relevant cost information available to the Council and/or relevant partner housing association. The developer will be required to cover the costs incurred by the Council to carry out this assessment.”</p>	To inform applicants of the requirement.
7 / Section 5, 6)	<p>Delete text:</p> <p>“Major developments, Planning Permission in Principle (PPP) applications and phased developments”</p>	To clarify that the section of the document which follows applies to PPP applications and phased developments rather than every major development.
7 / Section 5, 6) (after first paragraph)	<p>Add:</p> <p>“Prior to the submission of relevant detailed matters, the applicant should engage with the Council and RSLs to identify the affordable housing provision and approach to delivery. The proposed approach should be explained within a further Affordable Housing Statement submitted for consideration and approval as part of relevant applications for the Approval of Matters Specified in Conditions.”</p>	To inform applicants that for PPP applications the detailed information that would normally be sought for a full application should be provided as part of relevant applications for the Approval of Matters Specified in Conditions.
7 / Section 5, 6)	<p>Delete text:</p> <p>At the point where Committee consider the application the department is content to seek a commitment that 25% of the units will be approved</p>	To clarify that affordable housing is secured through a legal agreement rather than conditions attached to a

	<p>affordable housing tenures. This reflects recent experience in Edinburgh where, on occasion, an RSL has experienced difficulty in delivering a specifically defined tenure (explicitly contained within the planning consent) when other approved affordable tenures would have been more viable.</p>	<p>planning consent that specifically define tenure. The model legal agreement has appropriate flexibilities in place to deal with any difficulties that arise from delivering tenures identified at planning application stage.</p>
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