

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 29 August 2019

## Edinburgh Living: Progress Update

Executive/routine	Routine
Wards	All
Council Commitments	<a href="#">1, 6, 10</a>

### 1. Recommendations

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- 1.1 It is recommended that the Housing, Homelessness and Fair Work Committee:
  - 1.1.1 notes the progress made with the growth of the Edinburgh Living Limited Liability Partnerships (LLPs) in 2019 and the strong pipeline of housing acquisitions secured through the Council's house building programme; and
  - 1.1.2 agrees to receive a report in two Committee cycles on the strategy for procuring new homes on private sector land.

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## Edinburgh Living: Progress Update

### 2. Executive Summary

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- 2.1 Following approvals from the Council and Scottish Government, the Edinburgh Living LLPs are operational. Demand for mid-market rent homes is high against the background of an increasing population and high private sector rents. Edinburgh Living has a strong pipeline of homes to acquire for market and mid-market rent over the next four years through the Council's housebuilding programme.
- 2.2 In order for Edinburgh Living to operate at scale, a framework for engaging with developers to secure housing built on private sector land is being developed and will be reported to committee in two cycles. This will help accelerate housing development and contribute to the delivery of the 20,000 affordable homes commitment.
- 2.3 The target market for Edinburgh Living is households on low to moderate incomes and raising the profile of the mid-market rent tenure as a sustainable option for working homeless households is a key piece of ongoing work.

### 3. Background

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- 3.1 On [17 September 2015](#), the City of Edinburgh Council agreed to enter into a partnership with Scottish Futures Trust (SFT) to accelerate housebuilding through the acquisition of homes for market rent and mid-market rent.
- 3.2 This proposal formed part of the housing programme in the Edinburgh and South East Scotland City Region Deal in 2017. This included Scottish Government consent for the City of Edinburgh Council to on-lend up to £248 million to two LLPs, one for market rent and one for mid-market rent, for the purpose of delivering a minimum of 1,500 homes in Edinburgh.
- 3.3 £16.1m in Scottish Government grant funding has also been secured through City Region Deal to support Edinburgh Living to acquire over 700 mid-market rent homes contributing to the Council's commitment to deliver 20,000 new affordable homes.
- 3.4 On [18 January 2018](#), the Housing and Economy Committee agreed that the Council could enter into agreements with SFT to establish two LLPs for mid-market and

market rent. The Council's stake in the mid rent LLP is 99.999% and 99% in the market rent LLP.

- 3.5 The same Committee agreed, in principle, that homes developed by the Council within mixed tenure developments for market rent and mid-market rent could be transferred to the LLPs on vacant possession, subject to agreement by the Finance and Resources Committee.
- 3.6 This report was referred to the City of Edinburgh Council on [1 February 2018](#) to confirm the appointment of elected members and an Executive Director to represent the Council on the LLPs' Corporate Body, alongside a Director from SFT.
- 3.7 In [June 2018](#) and [December 2018](#), the Finance and Resources Committee agreed homes constructed as part of the Council's mixed tenure housebuilding programme would be transferred on completion to the Edinburgh Living mid-market rent LLP in the financial years 2018/19 and 2019/20 respectively.
- 3.8 In December 2018, a contract was awarded to Lowther Homes, part of the Wheatley Group, to provide day to day Management and Maintenance services to the Edinburgh Living LLPs. Lowther Homes has significant experience in the day to day management of homes for market and mid-market rent.
- 3.9 The Edinburgh Living mid-market rent LLP purchased its first 22 homes in January 2019.

## **4. Main report**

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- 4.1 The Edinburgh Living LLPs are now operational and homes are in management at Clermiston and Hailesland. Updates through business bulletins have been provided to the Housing and Economy Committee over the last 18 months, in line with what was agreed as part of the Edinburgh Living governance structure. This report provides a more substantial progress update and overview of the delivery pipeline into 2020.

### **Progress Update and Demand**

- 4.2 The Council's approach to tackling housing need in the city, includes a commitment to deliver 20,000 new affordable homes through its own housebuilding programme and with external partners.
- 4.3 The Council's housebuilding programme is delivering homes primarily for social rent but within mixed tenure developments which include housing for sale, mid-market rent and market rent. The Council currently has around 1,000 homes under construction as part of the mixed tenure Council house building programme and around 3,000 in design development across mixed tenure sites.
- 4.4 It is anticipated that Edinburgh Living will have purchased around 300 homes by April 2020 all built through the Council's housebuilding programme. Over the next year the pipeline of purchases for Edinburgh Living includes sites across the city,

ensuring that good quality housing options across a number of tenures are being delivered in areas people want to live.

- 4.5 New homes for market and mid-market rent will be completed over the next 12 months in Pennywell, Royston, Drumbryden, Craigmillar and North Sighthill. An outline programme to December 2020 is provided at Appendix 1.
- 4.6 The demand for mid-market rent as a tenure has been evidenced in recent developments. For example, the National Housing Trust (NHT) development at Western Harbour attracted around 42 applications per property and Edinburgh Living's own development at Clermiston attracted 80 notes of interest within the first three days of advertising.
- 4.7 Private sector rents have risen year on year since 2010 which has increased both the need for and popularity of mid-market rent homes to those on low to moderate incomes. The average private rent in Edinburgh increased by 47% from £752 per month in Quarter 3 in 2010 to £1,108 per month in Quarter 3 in 2018.
- 4.8 Feedback from tenants at the new developments has been positive, particularly in relation to the size of homes, the standard of the development and the professional service received from Lowther Homes.
- 4.9 Management performance is monitored on a monthly basis through reporting and a regular contract meeting. Lowther Homes also attend the Edinburgh Living Senior Management Team meeting quarterly as part of the contract management approach. Rent collection is being managed well with minimal arrears over the first six months of operation.

#### **Impact on Homelessness**

- 4.10 Given the current level of private rents, mid-market rent also offers a viable opportunity for working households accessing the Council's homelessness services. These households may have been made homeless or are at risk of homelessness but bring in an income that will allow them to successfully sustain a mid-market rent tenancy in the long-term.
- 4.11 Housing and Homelessness services officers have been working together and with the EdIndex Board to raise the profile of the mid-market rent tenure as a housing option for working homeless households. The Council is continuing to work with Edinburgh Living's letting agent, Lowther Homes, to directly signpost clients to homes being delivered through Edinburgh Living. This approach is also being developed with other mid-market rent housing providers in the city. A proportion of Edinburgh Living homes are targeted at this client group.
- 4.12 In February the Council agreed to provide funding for a private sector homelessness team. Once fully established, this team will play an important role in providing further support for working homeless households to access mid rent housing in the city, including Edinburgh Living homes, where it is a viable housing option for their circumstances.

## **Accelerating the Delivery of Homes**

- 4.13 The Council's housebuilding pipeline offers a healthy supply of homes for the Edinburgh Living LLPs to purchase over the next few years. However, to meet the Council's ambition for Edinburgh Living to operate at scale, accelerate housebuilding in the city and support the development of housing on brownfield sites, a strategy is required to further increase the number of homes available for Edinburgh Living to purchase, beyond the current pipeline.
- 4.14 In [January 2018](#), a report to this committee highlighted that in addition to the Council's own housebuilding pipeline, there were also likely to be opportunities for Edinburgh Living to acquire homes directly from market developers. Under the governance structure of the LLPs, the Council has the responsibility to identify homes for the LLPs to purchase.
- 4.15 A strategy is currently being developed to enable the Council to engage with the private sector on Edinburgh Living's behalf. The aim is to develop a framework to ensure that homes purchased by the LLPs are delivered in well-designed, well-connected, sustainable communities and offer a high level of quality and financial viability for the LLPs.
- 4.16 Recent discussions with developers with access to their own land supply indicates that there is an appetite to work with the Council and Edinburgh Living in the delivery of new homes and further market testing will be carried out as part of the strategy development.
- 4.17 The Council and/or Edinburgh Living could purchase new build completed homes 'off the shelf' from private developers, however, opportunities to do so, at a price that would be affordable to Edinburgh Living, are likely to be limited. In this acquisition strategy the Council and Edinburgh Living would also not be able to exercise control over specification and design of the homes.
- 4.18 Should the Council wish to specify requirements for the homes to be constructed by the private developers, an Official Journal of the European Union (OJEU) compliant process will be required to engage with private developers to enable quality developments to be brought forward that meet the requirements of the Council and Edinburgh Living.
- 4.19 The proposed strategy and timescales for inviting bids from private sector developers will be reported to committee in two cycles with financial approvals sought thereafter from Finance and Resources Committee.

## **5. Next Steps**

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- 5.1 Two reports will be considered by Finance and Resources Committee in August 2019 and December 2019, to agree further purchases from the Council's housebuilding pipeline in 2020/21.

- 5.2 A report will be brought to this committee in two committee cycles on the strategy for procuring new homes on private sector land.

## **6. Financial impact**

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- 6.1 The recommendations within this report do not carry a direct financial impact.
- 6.2 Edinburgh Living purchases are funded through lending from the Council and, for mid-market rent homes, an element of Scottish Government grant. Consent has been granted by Scottish Ministers allowing the Council to lend to Edinburgh Living.
- 6.3 The loans from the Council to the LLPs are based on a 40-year annuity repayment structure, similar to a mortgage. Repayments are made to the Council by Edinburgh Living on a six monthly basis through the net rental income generated from letting homes.
- 6.4 Prior to purchase, a report to Finance and Resources Committee sets out the borrowing required by the LLPs and an assurance that the homes being purchased have met a financial viability test that ensures they are capable of generating a sustainable income stream that can cover current and future running costs and repayment of the loan.
- 6.5 Edinburgh Living purchases homes from the Council in return for a capital receipt to the Housing Revenue Account.
- 6.6 Financial risk to the General Fund (GF) in the event of LLP default is mitigated by the Council having first ranking security on the homes after repayment of Scottish Government Grant provided for the mid-market rent LLP.

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

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- 7.1 The LLPs have a key role to play in delivering the Council's housing strategy and commitment to deliver 20,000 homes. The development of the LLPs will also have a positive impact on the local economy, through creating opportunities for local businesses as well as jobs in construction.
- 7.2 The governance approach was agreed by the Housing and Economy Committee in [January 2018](#) and ratified by Council the following month. It is based on the following principles:
- 7.2.1 The LLPs are made up of two partners, the City of Edinburgh Council and SFT.
- 7.2.2. The day to day management of the LLPs is delivered by a Senior Management Team made up of senior officers of the Council and a senior officer from SFT. The LLPs are governed by the two Members, the Council and SFT, and meet as a Corporate Body represented by four elected members, the Executive Director of Place and a Director from SFT.

- 7.2.3 Reports will be delivered to the Housing, Homelessness and Fair Work Committee and the Governance, Risk and Best Value Committee providing updates on the operations of the LLPs.
- 7.3 New build homes are built to high standards in terms of energy efficiency and sustainability. There will be a strong emphasis on providing homes that are cheap to heat and affordable to manage for tenants.
- 7.4 Community benefits secured through housing contracts and the management and maintenance contract can enhance the local environment.

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

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- 8.1 [Accelerating House Building – referral from the Health, Social Care and Housing Committee, City of Edinburgh Council, Thursday 17 September 2015](#)
- 8.2 [21<sup>st</sup> Century Homes – Housing Development at Fountainbridge and Meadowbank, Health Social Care and Housing Committee, Tuesday 19 April 2016](#)
- 8.3 [City Housing Strategy Update, Health, Social Care and Housing Committee, Tuesday 13 September 2016](#)
- 8.4 [City Deal – Proposal for New Housing Partnership with Scottish Futures Trust, Housing and Economy Committee, Thursday 02 November 2017](#)
- 8.5 [City Deal – New Housing Delivery Partnership Implementation, Housing and Economy Committee, Thursday 18 January 2018](#)
- 8.6 [City Deal – New Housing Delivery Partnership Implementation – Referral from the Housing and Economy Committee, City of Edinburgh Council, 01 February 2018](#)
- 8.7 [Annual Treasury Strategy 2017-18 - referral from the Finance and Resources Committee, City of Edinburgh Council, Thursday 16 March 2017](#)
- 8.8 [Annual Treasury Strategy 2018-19, City of Edinburgh Council, Thursday 15 March 2018](#)
- 8.9 [Edinburgh Living: Management, Maintenance and Letting Services – Award of Contract Under Delegated Authority, Finance and Resources Committee, Thursday 11 October 2018](#)

## **9. Appendices**

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- 9.1 Appendix 1 – Edinburgh Living Delivery Programme (mid-market and market rent homes acquired or currently under construction)

# APPENDIX 1

DELIVERY PROGRAMME – PROJECTS ON SITE			
PROJECT	Homes	2019	2020
Clermiston	22		
Hailesland Place	11		
Greendykes G	56		
North Sighthill	88		
Royston	22		
Dumbryden Phase 1	19		
Pennywell TC	52		
Craigmillar TC	139		
Pennywell Phase 3	97		
Totals	506		