

# Edinburgh and South East Scotland City Region Deal Joint Committee

**Tuesday, 3 September 2019**

## **Regional Housing Programme: Forward Work Programme**

**Item number**

### **Executive Summary**

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Since 2015, regional partners have delivered over 10,000 affordable homes completions with housing grant spend increasing from £70 million to £130 million over the same period. Affordable housing developers in the region have a strong track record in delivering affordable housing and fully utilising Scottish Government grant initially allocated to the region as well as additional grant funding that has been made available during the course of a financial year.

The combined Local Authority partner Strategic Housing investment Plans (SHIPs) reveal a potential regional affordable housing delivery pipeline of over 20,000 affordable homes over the next five years. This report seeks to identify potential next steps for regional collaboration to support the delivery of this programme and accelerate housing development across the region.

The regional housing programme; summarised in Table 1 of this report, is based on key feedback from regional housing partners and input received across workshops held in June 2019 with over 60 key stakeholders. The full report is detailed in Appendix 1.

#### **Andrew Kerr**

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Board

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## City Region Deal Checklist

Criteria	Details/Link to Document
<p><b>Contribution to City Region Deal commitments and Inclusive Growth Framework</b></p>	<p>Housing is fundamental to realising regional ambitions to accelerate <b>inclusive growth</b>. Increasing the supply of affordable and low-cost homes across the region is essential provide homes for key workers in the economy and for people on low to middle incomes. Unlocking the seven strategic housing sites identified in the HOTA and delivering innovative infrastructure solutions is essential to <b>remove existing physical barriers to growth</b>. The development pipelines created by the regional housing programme contributes significantly to the £1bn <b>programme of construction</b> planned across the city region deal programme. Regional partners will play an integral role in maximising community benefits for local people. Working with the Housing and Construction Innovation (HCI) Skills Gateway Programme <b>of targeted skills interventions</b> will be directed at widening access, addressing skills shortages and gaps including in the construction and house building sectors, and increase the flow of individuals from disadvantaged groups into career opportunities. Regional housing partners will seek to utilise the investment being made in data driven innovation (DDI) to deliver <b>social benefit through innovation</b> to local communities. <b>Community benefits through procurement</b> by integrating with the HCI Skills Gateway and IRES employer engagement and procurement that increases the value achieved from our collective investments.</p> <p>The regional housing work programme outlined in this report could deliver a potentially transformational housing programme that can accelerate the delivery of quality, sustainable homes across all tenures, capable of accommodating a diverse population and workforce. Achieving this ambitious housing programme can enable the regions economic success and reduce inherent inequalities.</p>
<p><b>Alignment, integration with, or dependence on, other City Region Deal activities</b></p>	<p>Interventions proposed within the Regional Housing Programme will provide support and integration to maximise the value realised from other City Region Deal investments and ambitions in Innovation, Transport and Skills and help drive the future growth of the regional economy.</p> <p>The outline regional housing work programme relates closely to the nature and location of major City Region Deal investment arising through the work of the Boards responsible for Transport, Data Driven Innovation and the Integrated Regional Employability and Skills programme.</p> <p>The regional housing programme can become a key driver to enable the regions growth ambitions.</p>
<p><b>Scale and regional distribution of expected outcomes, benefits, and leverage, from activity</b></p>	<p>The Regional Housing Partnership has two key strategic aims:</p> <ul style="list-style-type: none"> <li>• Achieve a step change in the supply of new homes across the South East of Scotland</li> <li>• Achieve a step change in innovation and inclusive growth in the housing &amp; construction sectors</li> </ul> <p>Delivering this programme will contribute significantly towards the Scottish Government’s target of building 50,000 new, affordable homes</p>

	<p>by 2021 and the future supply of new homes over the next 15 years of the City Region Deal.</p> <p>The City Region Deal document specifically identifies seven strategic sites for new housing: Blindwells (East Lothian); Calderwood (West Lothian); Dunfermline (Fife); Edinburgh's Waterfront (City of Edinburgh), Shawfair (Midlothian); Tweedbank (Scottish Borders); and Winchburgh (West Lothian). Taken together these sites are expected to deliver over 45,000 new homes, create 7,800 jobs and contribute over £10 billion to the wider economy.</p>
<b>Compliance with financial requirements and agreed expenditure profile</b>	The Regional Housing Board operates within the financial requirements and profile of the City Region Deal.
<b>Equalities Impact</b>	<p>Removing physical barriers to growth has been identified one of five key interventions in the Deal Document's Inclusive Growth Framework. The Regional Housing Programme will achieve the following positive impact on equalities:</p> <ul style="list-style-type: none"> <li>• A significant programme of house building will be targeted at increasing the supply of housing across all tenures to improve affordability.</li> <li>• New homes will integrate the latest technologies to reduce fuel poverty</li> <li>• The HCI Skills Gateway Programme will ensure that people, including those with protected characteristics, across the region have the skills to access construction jobs generated through the housing programme.</li> <li>• An agreed approach to City Region Deal Procurement will ensure that community benefit clauses will be used to target inclusive employment practices and other opportunities.</li> </ul> <p>Aligning closely with the HCI Skills Gateway Programme will ensure that people across the region have skills to access construction jobs generated through the housing programme and will address the gender imbalance in the industry.</p>
<b>Anticipated significant risks and mitigation measures</b>	<p><b>Risk - Resource</b> – to fully deliver the regional housing work programme and realise the regional ambition to deliver a step change in housing supply, inclusive growth and innovation in the construction sector.</p> <p><b>Mitigation - Resource Commitment</b> – partner commitment to lead workstreams can provide sufficient resource to driver forward the outline work programme.</p> <p><b>Risk - Investment</b> – required to accelerate delivery across the seven strategic sites.</p> <p><b>Mitigation – Business Case &amp; Collaboration</b> – Development of robust business cases can ensure that technical work and financial modelling has been undertaken which can help inform the approach to deliver the strategic site. Collaboration can help to provide resource, expertise and leverage investment to enable the right financial solution.</p>
<b>Alignment and fit with City Region Deal governance arrangement</b>	Housing is a major thematic element of the ESESCR Deal. This report outlines a regional housing work programme, based on regional partner and key stakeholder feedback, which can help drive forward commitments made in the Deal and work activity identified under the four key workstreams.

<b>PMO check</b>	All information provided.
<b>Government approval</b>	The Regional Housing Board is part of the City Region Deal governance arrangements already agreed by the Governments and City Region Deal partners.
<b>Partner sign-off</b>	The report was approved by the Regional Housing Partnership Group on 8 August 2019
<b>Advisory Board sign off</b>	The report was approved by the Regional Housing Board on 27 August 2019
<b>Executive Board sign off</b>	The report was approved by the City Region Deal Executive Board on 22 August 2019
<b>PMO Recommendation</b>	That Joint Committee approves the recommendations in this paper.

## Regional Housing Programme: Forward Work Programme

### 1. Recommendations

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It is recommended that the Joint Committee:

- 1.1 Approves the recommended work programme and next steps summarised in Table 1; and
- 1.2 Recognises that the regional housing programme forms an integral part of the emerging Regional Growth Framework.

### 2. Background

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- 2.1 In August 2018, all six local authority partners and both UK and Scottish Governments signed the [City Region Deal](#). This included housing as a major thematic element and included draft terms of reference for the establishment of a regional housing board. Two strategic aims were identified for the Regional Housing Programme:
  - Deliver a step change in innovation and inclusive growth in the housing and construction sectors;
  - Deliver a step change in the supply of new homes across the South East of Scotland.
- 2.2 On 1 March 2019, the City Region Deal Joint Committee [approved the establishment of a Regional Housing Board](#) and for a report to be developed on the Regional Housing Programme for the June or September meeting of the Joint Committee.
- 2.3 On 5 April 2019, the Regional Housing Board agreed to establish a series of parallel workstreams that, when taken together, will progress the work of the regional housing programme towards its aims. These work streams were agreed as:
  - Regional Affordable Housing Programme;
  - Strategic Sites;
  - Infrastructure and Land; and
  - Innovation and Skills.

- 2.4 On 29 May the Regional Housing Board agreed that regional partners would undertake a series of workshops to secure wider engagement and input to shape the work of the four key workstreams.
- 2.5 The Strategic Sites and Infrastructure and Land workshop was held on 14 June with the Affordable Housing, Innovation & Skills workshop taking place on 21 June 2019.
- 2.6 The two workshops were attended by over 60 key stakeholders with a wide variety of expertise relating to the workshop topics. Discussion at workshops was wide ranging and positive, with participants noting the benefits of holding regional scale engagement.
- 2.7 The main report will seek to outline the key feedback captured from the workshop attendees; identify potential key next steps; and outline a draft regional housing work programme. A high-level summary is provided below.

### 3. Main report

- 3.1 It is recommended that the proposed next steps for consideration outlined under each of the four workstreams form the basis of a regional housing work programme. Table 1 below aims to summarise the proposed work programme in relation to each of the four key workstreams.

*Table 1 – Regional Housing Work Programme Overview*

Workstream	Proposed Step	Summary
Affordable Housing Programme and Delivery	Develop a 20-year regional affordable housing delivery plan	<ul style="list-style-type: none"> <li>Outline vision, pipeline and deliver plan in collaboration with Scottish Government.</li> <li>Demonstrate the need for longer term commitment and certainty</li> <li>Outline opportunity to leverage wider private sector investment.</li> <li>Enable more effective planning for training, skills and employment requirements.</li> <li>Collaborate with innovation and skills workstream to explore: modern methods of construction; standardised house typologies; and new technologies, which can accelerate delivery of high quality, sustainable and future proofed affordable homes.</li> </ul>
	Partners to consider the amount and type of housing that is required to meet the needs of people across the region.	<ul style="list-style-type: none"> <li>Review the existing Housing Need and Demand Assessment 2 (HNDA2) and determine if it needs reviewing and updating.</li> <li>A new assessment could seek to gain detail and understanding of housing types needed now and, in the future, to respond to an ageing population and the requirements of people with varying and complex health needs.</li> <li>Partners to engage with Scottish Government to regarding NPF4 role with setting regional housing targets.</li> </ul>

	<b>Develop new investment and delivery models to unlock private and public sector sites and accelerate delivery of affordable housing</b>	<ul style="list-style-type: none"> <li>• Most affordable homes are delivered on sites secured from private developers through Affordable Housing Policy. New investment models; such as National Housing Trust and local authority variants, have accelerated development of housing for mid rent.</li> <li>• Collaborate to expand and develop the new housing partnership model approved through City Region Deal (Edinburgh Living)</li> <li>• Explore opportunities for new partnerships and joint ventures with public sector partners to develop sites and deliver a range of outcomes; including affordable housing</li> </ul>
<b>Innovation and Skills</b>	<b>Collaboration with Construction Scotland Innovation Centre, Offsite Solutions Scotland and Edinburgh Napier University</b>	<ul style="list-style-type: none"> <li>• To explore how the region can benefit from expertise in this field and to consider collaboration approaches and projects which can maximise the potential benefits of offsite construction.</li> </ul>
	<b>Understand regional building quality and sustainability standards.</b>	<ul style="list-style-type: none"> <li>• Undertake work to determine local authority, private developer and housing association existing quality and sustainability standards</li> </ul>
	<b>Research potential benefits of a standardised house typology linked to offsite construction.</b>	<ul style="list-style-type: none"> <li>• Consider a regional standardised house typology linked to offsite construction</li> </ul>
	<b>Identify potential demonstrator projects</b>	<ul style="list-style-type: none"> <li>• Working collaboratively with Government, agencies, industry and academia to develop demonstrator projects on regional sites. This could enable partners to test e.g. offsite manufacturing, highest sustainability and quality standards.</li> </ul>
	<b>Explore potential bid to the UK Government Industrial Strategy Challenge Fund and future funding opportunities.</b>	<ul style="list-style-type: none"> <li>• Project applications from 5 August 2019. Early engagement will take place with Construction Scotland innovation Centre to explore the possibility of a collaborative project.</li> </ul>
	<b>Link construction programmes, contractors and developers to HCI Skills Gateway programme</b>	<ul style="list-style-type: none"> <li>• Ensure that regional skills shortages are tackled, and employment opportunities are directed to communities within the city region and that individuals facing disadvantages in the labour market are targeted.</li> </ul>
	<b>Enhanced engagement with industry</b>	<ul style="list-style-type: none"> <li>• Hold annual regional and local industry engagement events to shape housing programmes and understand more fully industry capacity, the key challenges facing industry and opportunities for collaboration.</li> </ul>
<b>Strategic Sites</b>	<b>Develop a strong, ambitious regional vision across the seven sites</b>	<ul style="list-style-type: none"> <li>• Clearly articulate the seven strategic sites as economic drivers of change in the region.</li> </ul>
	<b>Undertake a social, economic and environmental impact assessment</b>	<ul style="list-style-type: none"> <li>• Outline investment opportunities; collective job creation; SME and supply chain opportunities; identify unique selling points to promote the region; and potential leverage further investment.</li> </ul>
	<b>Establish a strategic site lead officers meeting</b>	<ul style="list-style-type: none"> <li>• Share learning; best practice; models; and identify collaboration opportunities to leverage investment and resource.</li> </ul>
<b>Infrastructure &amp; Land</b>	<b>Form a Regional Infrastructure Forum</b>	<ul style="list-style-type: none"> <li>• Comprising local, regional and national partners and key infrastructure providers. It would seek to align through collaborative working a delivery plan for infrastructure that will enable, accelerate and support inclusive growth across the region, which is</li> </ul>

		developed and aligned alongside future national and regional development and infrastructure strategies and investment decisions.
	<b>Form project level multi-disciplinary working groups</b>	<ul style="list-style-type: none"> <li>Groups may be in addition to or instead of any regional infrastructure commission. They would operate at sub-regional level to find joined up shared solutions.</li> </ul>
	<b>Seek out and engage in regional pilots</b>	<ul style="list-style-type: none"> <li>Examples may include development of a regional charging levy, or local charging levies and/or Masterplan Consent Areas. Collaborative working on pilots with the Scottish Government to explore potential benefits.</li> </ul>
	<b>Form Regional and / or Local Land Commission(s)</b>	<ul style="list-style-type: none"> <li>Taking soundings from emerging work on a Edinburgh Land Commission, there may be scope to consider whether this model should and could be rolled out across the region, either separately for each local authority area.</li> <li>Key opportunities could be to identify the need for new sites for regionally significant public sector operations – e.g. in the seven regionally significant sites.</li> </ul>

### **Alignment to future local, regional and national plans**

- 3.2 The national, regional and local policy landscape across housing, planning, transport, environment and economy is currently fluid. It is crucial that the regional housing programme and overall City Region Deal partnership can not only respond to this change but also actively engaged to collaborate and contribute towards the process.
- 3.3 Work is being undertaken by City Region Deal partners to develop a Regional Growth Framework. This Framework aims to deliver greater alignment across economic development, housing, planning and transport under a set of simpler governance arrangements to deliver a streamlined approach to regional planning, housing, transport and economic development to manage growth and maximise regional inclusive growth outcomes.
- 3.4 The regional housing partners and the outline work programme identified in this report can play an integral in helping to inform and shape the emerging Regional Growth Framework.

### **Conclusion**

- 3.5 This report outlines an ambitious regional housing work programme shaped by local, regional and national partners with input from key stakeholders.
- 3.6 At present there is no dedicated resource to deliver the regional housing programme or the workstreams. Identification of resources will inform the future scale, ambition and deliverability of the Regional Housing Programme.
- 3.7 If resources are allocated to progress the work programme, it can accelerate the delivery and supply of new homes across the South East of Scotland and deliver a step change in innovation and inclusive growth in the housing and construction sectors. The Programme can help to accelerate the delivery of 45,000 homes

across the seven strategic sites and help to realise the 21,000 jobs associated with the overall City Region Deal.

## **4. Financial impact**

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- 4.1 The regional housing work programme outlined requires leadership, co-ordination and commitment of staff resource from regional partners to lead the four workstreams; further develop the outline work programme; and deliver the projects that will stem from the workstream and work programme activity.
- 4.2 At this stage the developing outline work programme does not have direct costs associated. However, a budget may be needed to carry out pieces of technical work associated with the regional housing work programme. At this point a budget allocation has not been made. It may be that this technical work links to the preparation of a Regional Growth Framework and/or work undertaken by the Transport Appraisal Board. The matter of technical work, and the resources required to deliver it, should be considered across the Deal to avoid duplication or inconsistencies.
- 4.3 The Scottish Government has committed a total of at least £65 million for Regional Housing: £15 million of capital grant for the City of Edinburgh Council to establish a new housing company with the Scottish Futures Trust and on-lend up to £248m; and at least £50 million of predominantly private sector loans to support strategic development sites across the region.
- 4.4 It is recognised that need for continued financial innovation and collaboration to develop new funding and delivery models. Further discussion is required with UK and Scottish Government to explore future housing and infrastructure funding and delivery options.

## **5. Equalities impact**

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- 5.1 The housing theme of the City Region Deal is an integral part of accelerating inclusive growth across the region. Removing physical barriers to growth has been identified one of five key interventions in the Deal Document's Inclusive Growth Framework. The Regional Housing Programme will achieve the following positive impact on equalities:
  - A significant programme of house building will be targeted at increasing the supply of housing across all tenures to improve affordability;
  - New homes will seek to reduce fuel poverty;
  - The Housing, Construction and Infrastructure (HCI) Skills Gateway Programme will ensure that people, including those with protected characteristics, across the region have the skills to access construction jobs generated through the housing programme; and

- An agreed approach to City Region Deal Procurement will ensure that community benefit clauses will be used to target inclusive employment practices and other opportunities.

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

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- 6.1 [Edinburgh and South East Scotland City Region Deal Document, August 2018](#)
- 6.2 [Regional Housing Board, Joint Committee Report 1 March 2019](#)
- 6.3 [Housing Construction and Infrastructure Skills Gateway Project Proposition Joint Committee Report 1 March 2019](#)

## **7. Appendices**

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- 7.1 Appendix: Regional Housing Programme: Forward Work Programme: Full Report

# Edinburgh and East of Scotland City Region Deal

## Appendix 1

### Regional Housing Programme: Forward Work Programme: Full Report

#### Item number

#### Executive Summary

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The combined Local Authority partner Strategic Housing investment Plans (SHIPs) reveal a potential regional affordable housing delivery pipeline of over 20,000 affordable homes over the next 5 years. This report seeks to identify potential next steps for regional collaboration to support the delivery of this programme and accelerate housing development across the region.

The regional housing programme; summarised in table 1 of this report, is based on key feedback from regional housing partners and input received across workshops held in June 2019 with over 60 key stakeholders.

## Regional Housing Programme: Forward Work Programme Full Report

### 1. Recommendations

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It is recommended that the Joint Committee:

- 1.1 Approve the recommended work programme and next steps summarised in Table 1; and
- 1.2 Recognise that the regional housing programme forms an integral part of the emerging Regional Growth Framework.

### 2. Background

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- 2.1 The Edinburgh and South East Scotland City Region Deal (ESESCR) Housing workstream was established in January 2016 to develop City Region Deal project proposals.
- 2.2 In August 2018, all six local authority partners and both UK and Scottish Governments signed the [final deal](#). This included housing as a major thematic element and included draft terms of reference for the establishment of a regional housing board, see Appendix 1 and 2. Two strategic aims were identified for the Regional Housing Programme:
  - Deliver a step change in innovation and inclusive growth in the housing and construction sectors;
  - Deliver a step change in the supply of new homes across the South East of Scotland.
- 2.3 On 1 March 2019, the ESESCR Deal Joint Committee [approved](#) the establishment of a Regional Housing Board and for a report to be developed on the Regional Housing Programme for the June or September meeting of the Joint Committee.
- 2.4 On 5 April 2019, the Regional Housing Board agreed to establish a series of parallel workstreams that, when taken together, will progress the work of the regional housing programme towards its aims. These work streams were agreed as:
  - Regional Affordable Housing Programme;
  - Strategic Sites;

- Infrastructure and Land; and
  - Innovation and Skills.
- 2.5 On 29 May the Regional Housing Board agreed that regional partners would undertake a series of workshops to secure wider engagement and input to shape the work of the four key workstreams.
- 2.6 The Strategic Sites and Infrastructure and Land workshop was held on 14 June with the Affordable Housing, Innovation & Skills workshop taking place on 21 June 2019.
- 2.7 The two workshops were attended by over 60 key stakeholders with a wide variety of expertise relating to the workshop topics. Discussion at workshops was wide ranging and positive, with participants noting the benefits of holding regional scale engagement. The organisation attendance list for these workshops is set out in Appendix 3.
- 2.8 The main report seeks to outline the key feedback captured from the workshop attendees; identify potential key next steps; and outline a draft regional housing work programme.

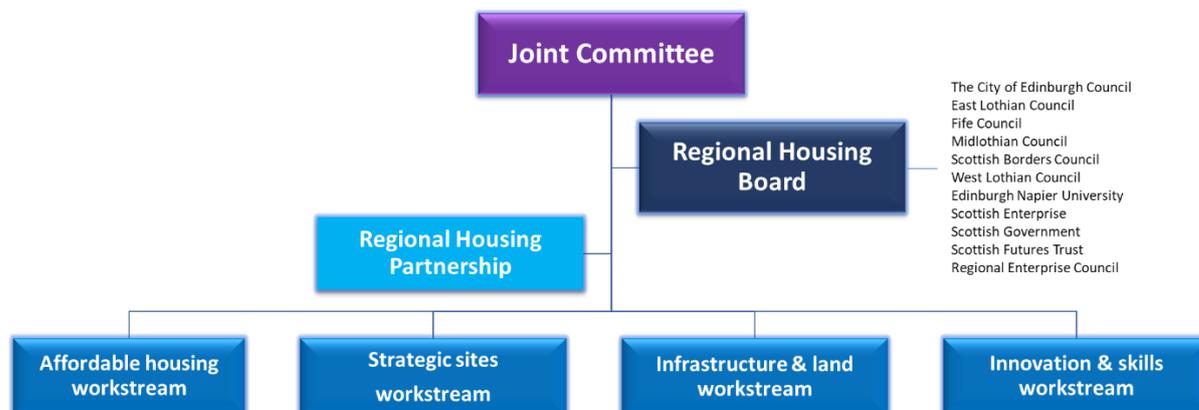
### 3. Main report

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#### City Region Housing Context

- 3.1 The Edinburgh and South East Scotland City Region is the fastest growing region of Scotland and the fifth fastest growing region in the UK. In the next 20 years it is projected that there will be a 40% increase in housing demand.
- 3.2 The 2015 [Housing Need and Demand Assessment 2](#) (HNDA 2) forecasts a housing need of between 138,000-201,000 homes by 2038. This would require an annual delivery average of between 5,000 and 7,500 homes per annum. Overall new build completions in the region have been under 5,000 homes per annum representing a 25% reduction against pre-recession averages of around 6,200 per annum.
- 3.3 The majority of need and demand identified in the HNDA2 is for affordable housing. Whilst the affordable need is considerable, SESplan is of the view that it is not possible to deliver the 4000 + affordable homes per annum that is required to meet demand.
- 3.4 In the four years between 2015/16 and 2018/19 regional partners have delivered over 10,000 affordable homes completions with housing grant spend increasing from £70m to £130m over the same period. This reflects the regions strong track record of delivery and ability to fully utilise Scottish Government grant initially allocated to them as well as underspend elsewhere nationally that is directed here.
- 3.5 The combined Local Authority partner Strategic Housing investment Plans (SHIPs) reveal a potential regional affordable housing delivery pipeline of over 20,000 affordable homes over the next 5 years.

3.6 The four key workstreams approved by the Regional Housing Board take a holistic approach to housing delivery and seeks to enable the accelerated delivery of housing and increase the supply of affordable homes across the region. The regional housing governance and workstreams are outlined in Figure 1 below.



**Figure 1** – Regional Housing Governance and Workstreams

3.7 The workstreams, although individual, are interrelated and interdependent. For example, infrastructure and land are crucial components of the delivery of the seven strategic sites and equally it will not be possible to deliver the strategic sites without essential infrastructure, skills and new innovative approaches to fund construction and infrastructure solutions.

3.8 The two workshops in June 2019 were designed to capture key feedback and input from key stakeholders across a range of sectors and technical disciplines. The next section of this report seeks to summarise the key comments received from participants before making suggestions for potential next steps for consideration for each workstream.

### **Affordable Housing, Innovation and Skills Workshop**

3.9 The purpose of the Affordable Housing, Innovation and Skills workshop was to: activate further collaborative working on affordable housing delivery; strengthen alignment with regional skills activity; and maximise potential innovation opportunities presented by the scale and pipeline of housing development across the region.

### **3.10 Summary of comments from workshop participants**

#### **Affordable Housing Programme and Delivery**

3.11 Discussion identified the importance of the other workstreams - Infrastructure and Land; Strategic Sites; and Innovation and Skills - to the future delivery of affordable housing across the region. As a result, the challenges and opportunities associated with affordable housing delivery are considered below in relation to the interrelationships with the other workstreams.

- 3.12 **Funding** - Attendees reflected during discussions that Scottish Government affordable housing grant allocations (RPAs) are not confirmed post 2021. This uncertainty over future funding is impacting on partners ability to effectively plan and develop medium and long term affordable housing development pipelines.
- 3.13 However, feedback also reflected that regional partners need to demonstrate the need for longer term commitment and more clearly articulate the case and evidence base for South East Scotland, to ensure that future grant allocations to the region are maximised to accelerate and increase the rate / volume of housing delivery.
- 3.14 There was recognition of the need for continued financial innovation and collaboration to develop new funding and delivery models which require reduced subsidy levels. Edinburgh Living and other Mid-Market Rent delivery models were cited as being able to deliver affordable housing, alongside social rent, to meet a significant housing need whilst requiring minimal grant subsidy from Government.
- 3.15 **Rising development costs** - Other feedback received highlighted that rising development tender costs were impacting the viability and deliverability of some sites. Several factors were cited as contributing towards increasing costs including:
- **Skills shortages** across construction and housebuilding sectors combined with difficulty of attracting new starts to the industry;
  - **Industry capacity to deliver** with participants citing examples of receiving limited interest in tenders and anecdotal evidence of SMEs and suppliers reporting that they will not take on further works due full order books;
  - **Availability and cost of building materials** with brick shortages reported across the UK. Most of the building materials used in the UK are imported e.g. over 80% of wood used in UK is imported. With high demand internationally and the reduced value of the sterling has led to increased costs of materials;
  - **The availability and control of land** was highlighted by some partners as a key factor on the rate of affordable housing delivery and being priced out of sites. Many partners are reliant on the private sector bringing sites forward; and
  - **Infrastructure** both as a barrier in physical and financial terms. The ability to secure the capital investment required to deliver transport, education and other infrastructure was highlighted as a key to unlocking housing sites.
- 3.16 Participants commented that work was required to consider an updated housing need and demand assessment for the region with a focus on housing type and tenure.
- 3.17 The climate emergency, Scottish Government's Climate Change Bill and target date of 2045 for reaching net-zero emissions was identified as both a future challenge and opportunity for the future delivery of housing. To reduce carbon and meet the highest quality and efficiency standards it was recognised that significant investment, innovation and collaboration will be required across all areas of the construction and housebuilding sectors.

### **Potential next steps for consideration - affordable housing workstream**

- 3.18 Develop a 20-year regional affordable housing delivery plan – partners will undertake work to develop a long term, 20-year regional affordable housing plan to demonstrate the need for longer term commitment and certainty from Government to enable accelerated delivery of affordable homes. This profile can be built up through projections based on SHIP information, historic trends, and track record of delivery. Collaboration with regional planning colleagues can demonstrate the region's growth requirements as well as the regions housing need and demand.
- 3.19 A 20-year plan can provide the catalyst for wider economic change, securing longer term funding commitment and certainty, is required to leverage in wider private sector investment, enable SMEs to increase capacity and provide the pipeline required to give confidence to offsite manufacturers to invest, scale up, drive efficiencies and reduce carbon emissions.
- 3.20 A long-term plan can contribute towards the transformation of the construction sector through with a focus on sustainable, modern methods of construction. It can also enable the Housing Construction and Infrastructure (HCI) Skills Gateway, school, colleges, universities and industry to more effectively plan for training, skills and employment requirements.
- 3.21 It is recommended that this work is developed in collaboration with Scottish Government to align to their ongoing work on the 2040 vision for housing in Scotland and to provide a strong case for the South East of Scotland for future Scottish Government housing priorities. This plan will also align to Scottish Governments work on National Planning Framework 4 (NPF4) as well as work being undertaken by regional partners on a Regional Growth Framework.
- 3.22 Partners will consider the amount and type of housing that is required to meet the needs of people across the region and clarify the requirement for a Housing Need and Demand Assessment 3 (HNDA3).
- 3.23 Partners will work to develop new investment and delivery models to unlock private and public sector sites and accelerate delivery of affordable housing.
- 3.24 Most affordable homes are delivered on sites secured from private developers through Affordable Housing Policy. New investment models such as; National Housing Trust and local authority variants, have accelerated development of housing for mid rent.
- 3.25 There is an opportunity to collaborate to expand and develop the new housing partnership model approved through City Region Deal (Edinburgh Living) and to explore opportunities for new partnerships and joint ventures with public sector partners to develop sites and deliver a range of outcomes and tenures including affordable housing.

## **Innovation and Skills**

- 3.26 **Skills** - There was recognition amongst workshop attendees that skills shortages pose a significant challenge to across the construction and housebuilding sectors and are linked to rising development costs. Demographic change and lack of new people coming into sector is a major concern for many attendees. There was concern expressed that many of the current skilled workers are ageing and close to retirement which could result in a sharp decline in workers in just a few years' time. This could lead to a further escalation of costs with skilled workers at a premium and stalled development sites. Further concerns were raised in relation to potential impacts of Brexit and loss of workers for more lucrative contracts in other parts of the UK.
- 3.27 During the workshop Professor Sean Smith, Edinburgh Napier University, presented an overview of work he is leading on the City Region Deal [funded](#), HCI Skills Gateway. The £5.8 million project takes an integrated regional approach to work with schools, colleges, universities and employers to enable disadvantaged groups to enter into the sector. This includes new short courses, upskilling and new programmes to meet skills and jobs needs. Alignment between the regional housing programme and the HCI Skills Gateway will be critical to help address some of the concerns raised by workshop participants.
- 3.28 Related to the issue of skills capacity was concern regarding industry capacity to deliver the homes and construction projects required now and particularly in the future, if partners do manage to accelerate housing delivery. However, it was recognised that although there was some representation from the construction and housebuilding sectors across the workshops, further engagement with industry is required to develop the regional housing programme and understand more fully the key challenges and opportunities for collaboration from an industry perspective.
- 3.29 **Innovation** - Construction Scotland Innovation Centre and Offsite Solutions Scotland presented to workshop attendees on the opportunities associated with modern methods of construction and offsite manufacturing as well as potential areas for collaboration.
- 3.30 Combined with current skills shortages, the climate emergency and rising development costs it is becoming increasingly clear that innovation is required to develop alternative approaches to finance and build new, sustainable homes. Key messages from those presenting and participants was that the scale and pipeline of housing development across the region presents a unique opportunity for innovation.
- 3.31 Participants commented that a factory-based environment provides a potentially safer more secure employment environment to attract future talent to work in the construction sector, particularly when it is linked to skills development, apprenticeships and the latest digital software and techniques used to precisely design and build manufactured housing. Such an approach can link to the wider IRES (Integrated Regional Employability and Skills) Programme and community benefits derived from the construction projects across the City Region Deal.

- 3.32 Participants reflected on the challenge faced by housebuilders on having to confront six local authorities all with six different:
- Sets of design guidance;
  - Housing types;
  - Planning and regulatory processes; and
  - Procurement frameworks
- 3.33 There was discussion about the benefits of considering of housing types and looking at aspects and components that might particularly lend itself to standardisation. This approach would lends itself to a manufacturing-based construction solution. It was considered that at a local and regional scale there is an opportunity to consider a standardised housing type including requirements of housing for varying needs. Through grouped procurement, costs can be driven down, and savings made across local authority boundaries.
- 3.34 From participant feedback it is clear that at a local and regional level there have been positive individual discussions with universities, national agencies and Government regarding the potentially transformational impact of adopting modern methods of construction and specifically offsite construction to deliver new homes and other buildings.
- 3.35 Construction Scotland Innovation Centre made participants aware that the UK Governments Industrial Strategy Challenge Fund (ICSF) is due to launch a new wave of funding in August 2019 which could provide an opportunity to convert positive discussions into a collaborative project. Potential sites are required if this opportunity is to be realised.

#### **Potential next steps for consideration - innovation and skills workstream**

- 3.36 Continued collaboration with Construction Scotland Innovation Centre, Offsite Solutions Scotland and Edinburgh Napier University – following on from workshop contributions there is an opportunity to engage with these organisations to explore how the region can benefit from expertise in this field and to consider collaborative approaches and projects which can maximise the potential benefits of offsite construction.
- 3.37 Collaborate to understand regional building quality and sustainability standards and research potential benefits of a standardised house typology linked to offsite construction – partners will undertake work to determine local authority and housing association existing quality and sustainability standards as well as aspirations to consider a regional standardised house typology linked to offsite construction. This work would engage housing development, planning and building standards teams to understand opportunities and challenges of pursuing a regional approach.
- 3.38 Identify potential demonstrator projects – working collaboratively with Government, agencies, industry and academia to develop demonstrator projects on regional sites. This could enable partners to test:
- construction methods e.g. offsite manufacturing;

- highest sustainability and quality standards;
- new technologies e.g. sensors and AI to help with assisted living; and
- future proofing of homes e.g. lifecycle costs and adaptability

- 3.39 Partners could consider the seven strategic sites as potential candidates.
- 3.40 Successful demonstration of this type of working could lead to mainstreaming of activity elsewhere within the city region, Scotland and UK.
- 3.41 Explore potential bid to the UK Government Industrial Strategy Challenge Fund - the transforming construction programme will be open to collaborative research & development and demonstrator project applications from 5 August 2019. Early engagement will take place with Construction Scotland Innovation Centre to explore the possibility of a collaborative project between industry, academia, government and one or more regional partners. Early consideration of potential sites will also be explored.
- 3.42 Regional partners to link construction programmes, contractors and developers to HCI Skills Gateway – this can ensure that regional skills shortages are tackled, and employment opportunities are directed to communities within the city region and that individuals facing disadvantages in the labour market are targeted and equipped with the necessary skills that they need to enable inclusive growth.
- 3.43 Enhanced engagement with industry - it is proposed that annual regional and local industry engagement events to shape housing programmes and understand more fully industry capacity, the key challenges facing industry and opportunities for collaboration.

### **Strategic Sites, Infrastructure and Land Workshop**

- 3.44 The purpose of the Strategic Sites, Infrastructure and Land workshop was to engage service and infrastructure providers on their plans for the delivery of infrastructure linked to ambitions set out for the City Region Deal area. The workshop aimed to explore high level opportunities and constraints associated with the seven strategic sites and delivery of infrastructure in the city region.

### **Summary of comments from workshop participants**

#### **Strategic Sites**

- 3.45 Discussion with participants identified the importance of the other workstreams to enable the delivery of the seven strategic sites - Blindwells, Calderwood, Dunfermline, Edinburgh's Waterfront, Shawfair, Tweedbank and Winchburgh, see appendix 4. The Strategic Sites Workstream aligns particularly closely to the Infrastructure and Land Workstream. Some of the key challenges and opportunities raised regarding the strategic sites features in the infrastructure and land section of the report.
- 3.46 The seven strategic sites were known to workshop participants reflecting that the sites are identified in SESplan as key areas of change and growth. However, it does also highlight that many of these sites have stalled and have failed to realise their

potential. Participants felt strongly that the collective transformational scale and impact of the seven strategic sites needs to be articulated. It was also commented that the social and economic impact should be reflected with these sites having the potential to deliver significant number of jobs and inclusive economic growth across the South East of Scotland.

- 3.47 Participants were asked to consider what the challenges and opportunities were for each of the sites and what key actions and/or interventions could be taken to drive delivery between now and next summer 2020. This proved challenging due to each partner being at a different stage of business case development. For example, in January 2019, Winchburgh was signed off to enable the delivery of 3,450 new homes in West Lothian, whilst, the City of Edinburgh Council is currently developing a Strategic Outline Business Case for Granton Waterfront and Fife Council is developing an Outline Business Case for Dunfermline. However, this did demonstrate that partners need to undertake further work to identify constraints, challenges, costs and investment required to deliver each of the sites. Beyond this, business case development is a key next step, needed to identify funding gaps, to enable engagement with the right stakeholders and agencies and to develop the right solutions. It also highlighted the importance of collaboration between lead officers to share lessons learned and experience of developing successful business cases.

#### **Potential next steps for consideration – strategic sites workstream**

- 3.48 Develop a strong, ambitious regional vision across the seven sites to clearly articulate the seven strategic sites as economic drivers of change in the region. There is an opportunity to develop a cohesive vision statement that is place based and captures the scale and opportunity of the seven sites, demonstrating the individual and collective impact for Scotland, highlighting the growth and success of the region as well as the need, demand, investment and innovation opportunities as well as benefits. The vision should explain why and how commitment from Government and national agencies is required to assist with the delivery of the sites and associated infrastructure. A consistent regional message should seek to leverage in further investment and support.
- 3.49 Undertake a social, economic and environmental impact assessment to underpin the regional vision across the seven sites and outline investment opportunities; collective job creation; SME and supply chain opportunities; and identify unique selling points to promote the region.
- 3.50 This may also consider the role these sites can play in accommodating the growth requirements needed in the region, for example, the public services, jobs, connections and amenities required to support a successful and inclusive city region economy.
- 3.51 Establish a strategic site lead officers group to share learning; best practice; models and technical work; and identify collaboration opportunities to leverage investment and resource.

## Infrastructure and land

- 3.52 This workshop ran an honest conversation about current approaches to, as well as future ambitions for, the approach to infrastructure planning and delivery. In advance of the workshop participants were asked to provide information on the national, regional and local infrastructure items relevant to enabling growth within their areas of interest. Not all participants completed these templates, but those that were provided gave a good backdrop for discussion. It may be beneficial to pursue the completion of these templates.
- 3.53 Currently, infrastructure providers pointed out that a variety of information sources are used to (i) anticipate and plan for future demand for infrastructure capacity and capital expenditure, (ii) to monitor development activity and actual demand, and (iii) to decide when to deliver infrastructure projects. Different infrastructure providers choose to deliver interventions in advance of, in parallel with (just in time) or after development takes place in accordance with their own requirements / obligations. However, in some cases a lack of information meant that providers were being reactive or acting incrementally to deliver sub-optimal solutions when upfront and comprehensive solutions would be preferred and more cost effective. There is a desire for integrated plans and a single point for information for all providers.
- 3.54 The infrastructure providers were aware of planning and delivery activities in their respective fields, but were less aware of others; it was the first time some had met to discuss shared opportunities, challenges and the scope for more collaborative working practice. Consequently, many participants felt the workshop offered a forum for a rounded discussion on infrastructure planning and delivery that should be continued. Some participants pointed out that this is a model being followed at national level and in other regions too e.g. Glasgow City Region and Greater Manchester. Opportunities that could present with such an approach could be as follows:
- Regional overview of infrastructure plans and investment decisions;
  - Regional forum for engagement with the [Infrastructure Commission for Scotland](#), [National Investment Bank](#) and other Scottish and UK wide infrastructure related initiatives;
  - Alignment with growth ambitions and collaboration between infrastructure providers;
  - Alignment of strategic and investment plans leading to focused, accelerated and co-ordinated delivery and potential efficiency savings;
  - Identification of cross boundary opportunities and challenges, and shared solutions;
  - Identification of underutilised assets with capacity;
  - Roadmaps for local and regional infrastructure delivery;

- Regional risk sharing approaches – reference to Winchburgh, West Lothian;
- Shared procurement approaches – bundling of interventions;
- Considering new financial investment models.

- 3.55 A key message from the infrastructure and land workshop attendees was a desire for greater collaboration at a national, regional and sub-regional levels between partners and infrastructure providers. This is also required within the overall Deal governance framework, such as alignment across the Regional Housing Board and the Transport Appraisal Board.
- 3.56 Such a regional forum could build on links that some key service and infrastructure providers have developed to work collaboratively – e.g. SEStran and The Lothian Drainage Partnership. This collaboration does not always need to be facilitated by all six local authorities acting together with the infrastructure providers and could on occasion (depending on assets or impacts from development projects) be linked to collaboration across one, two or three etc local authority boundaries. It was noted at its most basic level, a more joined-up collaborative approach could coordinate and accelerate more effective delivery, for example, digging up roads to connect homes to water, drainage, gas and digital connectivity at the same time.
- 3.57 However, there was also a strong view that there is a need to take a more interventionist approach to delivery if some of the key barriers to delivery of infrastructure and inclusive growth are to be overcome. European examples such as land re-adjustment and land value capture were mentioned, and so too were mechanisms that were emerging through the Planning Bill, including Infrastructure Levy and Masterplan Consent Areas. It was noted that the Scottish Land Commission has published a series of discussion papers around these points. Across all of this, the increase in land value generated by development consent and provision of infrastructure is likely to need to play an increasing role in capturing the resources that will be needed to make sites effective in an efficient way. Other opportunities may exist too, such as loan guarantees and other financial models such as Tax Increment Financing (TIF) and the Growth Accelerator Model (GAM) utilised at Edinburgh St James. The potential role of the Infrastructure Commission for Scotland and Scottish National Investment Bank was also raised.
- 3.58 A key aspect related to the funding and delivery of infrastructure and other enabling works, is that the scale of some development proposals will require longer term patient capital to enable up-front and early delivery of interventions to be paid back over the longer term as development is built out. It is likely that this will have implication for the uses and tenures of development delivered and by whom, including housing development, on these sites that will be needed to support such innovative financial models and to create mixed, inclusive and sustainable communities. Investors may also need a critical mass of development to make such propositions attractive, and here there may be scope for cross boundary working to package investment opportunities.
- 3.59 Participants confirmed that the ESESCR Deal £50m predominantly private sector, infrastructure loan fund, managed and administered by Scottish Government, was

of limited interest to the private sector due to the commercial terms of the loan. Further discussion is required with UK and Scottish Government to explore future infrastructure funding options.

- 3.60 Importantly, participants were of the view that there is a need to more clearly articulate infrastructure challenges to develop the right solutions, particularly in the face of emerging challenges and emerging cross-cutting legislation such as the Climate Change Bill. This may mean that different approaches are needed to manage demand, make best use of existing assets and capacity, and to deliver the capacity increases that are needed in the right places at the right time to enable beneficial development where and when it is needed. This can be linked to spatial planning decisions, such as where economic and housing growth should be encouraged, where connectivity should be enhanced and by which modes, as well as decisions on the types of infrastructure we provide, for example, green / blue or community and so on.

### **Potential next steps for further consideration – infrastructure and land workstream**

- 3.61 Form a Regional Infrastructure Forum: The Forum could comprise key infrastructure providers with cross-boundary networks / systems / projects / sites, City Region Deal partners and representation from Scottish Government and its delivery partners. It would seek to align through collaborative working a delivery plan for infrastructure that will enable, accelerate and support inclusive growth across the region, which is developed and aligned alongside future national and regional development and infrastructure strategies and investment decisions. It would provide advice to national and regional decision makers and help to inform the development of local development and infrastructure strategies.
- 3.62 Form project level multi-disciplinary working groups: these groups may be in addition to or instead of any regional infrastructure commission. They may be created at the discretion of the local authority partners and other stakeholders. They would operate at sub-regional level (e.g. on the seven strategic sites or other relevant geographies or projects, such as Cockenzie, Longannet, and green and blue infrastructure projects) as required to find joined up shared solutions that would enable, accelerate and support the delivery of infrastructure and inclusive growth of regional scales and significance.
- 3.63 Seek out and engage in regional pilots: examples may include development of a regional charging levy, or local charging levies, which would seek to gather contributions from developers towards the delivery of infrastructure necessary to enable and support inclusive growth. Additionally, Masterplan Consent Areas, which if approved by the relevant authority, would approve planning permission for the development as specified in the scheme. Provision for these mechanisms exists within the Planning Bill, which is expected to receive Royal Assent and enter the statute books in the coming months. However, secondary legislation would need to be brought forward to explain in greater detail how such mechanisms could be deployed. At this stage is not clear on the intended timings for the development of such Regulations. Early collaborative working on pilots with the Scottish

Government may be beneficial to explore relevance to projects and ultimately to seek to accelerate the delivery of beneficial development and associated infrastructure.

- 3.64 Form Regional and / or Local Land Commission(s): following consideration of the potential to create of an Edinburgh Land Commission, there may be scope to consider whether this model should and could be rolled out across the region, either separately for each local authority area, and / or as an overall regional commission (which may be more effective at exploring matters of cross-boundary significance). Key opportunities could be to identify the need for new sites for regionally significant public sector operations – e.g. in the seven regionally significant sites. Importantly, this role of this group could also extend to consider the inter-relationships between the delivery of development and infrastructure and to explore potential opportunities associated with land value capture etc.

### **Regional Housing Programme – outline work programme**

- 3.65 It is recommended that the potential next steps for consideration outlined under each of the four workstreams form the basis of a regional housing work programme. Table 1 below aims to summarise the proposed work programme in relation to each of the four key workstreams.

<b>Workstream</b>	<b>Proposed Step</b>	<b>Summary</b>
<b>Affordable Housing Programme and Delivery</b>	<b>Develop a 20-year regional affordable housing delivery plan</b>	<ul style="list-style-type: none"> <li>• Outline vision, pipeline and deliver plan in collaboration with Scottish Government.</li> <li>• Demonstrate the need for longer term commitment and certainty</li> <li>• Outline opportunity to leverage wider private sector investment.</li> <li>• Enable more effective planning for training, skills and employment requirements.</li> <li>• Collaborate with innovation and skills workstream to explore: modern methods of construction; standardised house typologies; and new technologies, which can accelerate delivery of high quality, sustainable and future proofed affordable homes.</li> </ul>
	<b>Partners to consider the amount and type of housing that is required to meet the needs of people across the region.</b>	<ul style="list-style-type: none"> <li>• Review the existing Housing Need and Demand Assessment 2 (HNDA2) and determine if it needs reviewing and updating.</li> <li>• A new assessment could seek to gain detail and understanding of housing types needed now and, in the future, to respond to an ageing population and the requirements of people with varying and complex health needs.</li> <li>• Partners to engage with Scottish Government to regarding NPF4 role with setting regional housing targets.</li> </ul>
	<b>Develop new investment and delivery models to unlock private and public sector sites and accelerate delivery of affordable housing</b>	<ul style="list-style-type: none"> <li>• Most affordable homes are delivered on sites secured from private developers through Affordable Housing Policy. New investment models; such as National Housing Trust and local authority variants, have accelerated development of housing for mid rent.</li> </ul>

		<ul style="list-style-type: none"> <li>Collaborate to expand and develop the new housing partnership model approved through City Region Deal (Edinburgh Living)</li> <li>Explore opportunities for new partnerships and joint ventures with public sector partners to develop sites and deliver a range of outcomes; including affordable housing</li> </ul>
<b>Innovation and Skills</b>	<b>Collaboration with Construction Scotland Innovation Centre, Offsite Solutions Scotland and Edinburgh Napier University</b>	<ul style="list-style-type: none"> <li>To explore how the region can benefit from expertise in this field and to consider collaboration approaches and projects which can maximise the potential benefits of offsite construction.</li> </ul>
	<b>Understand regional building quality and sustainability standards.</b>	<ul style="list-style-type: none"> <li>Undertake work to determine local authority and housing association existing quality and sustainability standards</li> </ul>
	<b>Research potential benefits of a standardised house typology linked to offsite construction.</b>	<ul style="list-style-type: none"> <li>Consider a regional standardised house typology linked to offsite construction</li> </ul>
	<b>Identify potential demonstrator projects</b>	<ul style="list-style-type: none"> <li>Working collaboratively with Government, agencies, industry and academia to develop demonstrator projects on regional sites. This could enable partners to test e.g. offsite manufacturing, highest sustainability and quality standards.</li> </ul>
	<b>Explore potential bid to the UK Government Industrial Strategy Challenge Fund and future funding opportunities.</b>	<ul style="list-style-type: none"> <li>Project applications from 5 August 2019. Early, engagement will take place with Construction Scotland innovation Centre to explore the possibility of a collaborative project.</li> </ul>
	<b>Link construction programmes, contractors and developers to HCI Skills Gateway programme</b>	<ul style="list-style-type: none"> <li>Ensure that regional skills shortages are tackled, and employment opportunities are directed to communities within the city region and that individuals facing disadvantages in the labour market are targeted.</li> </ul>
	<b>Enhanced engagement with industry</b>	<ul style="list-style-type: none"> <li>Hold annual regional and local industry engagement events to shape housing programmes and understand more fully industry capacity, the key challenges facing industry and opportunities for collaboration.</li> </ul>
<b>Strategic Sites</b>	<b>Develop a strong, ambitious regional vision across the seven sites</b>	<ul style="list-style-type: none"> <li>Clearly articulate the seven strategic sites as economic drivers of change in the region.</li> </ul>
	<b>Undertake a social, economic and environmental impact assessment</b>	<ul style="list-style-type: none"> <li>Outline investment opportunities; collective job creation; SME and supply chain opportunities; identify unique selling points to promote the region; and potential leverage further investment.</li> </ul>
	<b>Establish a strategic site lead officers meeting</b>	<ul style="list-style-type: none"> <li>Share learning; best practice; models; and identify collaboration opportunities to leverage investment and resource.</li> </ul>
<b>Infrastructure &amp; Land</b>	<b>Form a Regional Infrastructure Forum</b>	<ul style="list-style-type: none"> <li>Comprising local, regional and national partners and key infrastructure providers. It would seek to align through collaborative working a delivery plan for infrastructure that will enable, accelerate and support inclusive growth across the region, which is developed and aligned alongside future national and regional development and infrastructure strategies and investment decisions.</li> </ul>

	<b>Form project level multi-disciplinary working groups</b>	<ul style="list-style-type: none"> <li>Groups may be in addition to or instead of any regional infrastructure commission. They would operate at sub-regional level to find joined up shared solutions.</li> </ul>
	<b>Seek out and engage in regional pilots</b>	<ul style="list-style-type: none"> <li>Examples may include development of a regional charging levy, or local charging levies and/or Masterplan Consent Areas. Collaborative working on pilots with the Scottish Government to explore potential benefits.</li> </ul>
	<b>Form Regional and / or Local Land Commission(s)</b>	<ul style="list-style-type: none"> <li>Taking soundings from emerging work on a Edinburgh Land Commission, there may be scope to consider whether this model should and could be rolled out across the region, either separately for each local authority area.</li> <li>Key opportunities could be to identify the need for new sites for regionally significant public sector operations – e.g. in the seven regionally significant sites.</li> </ul>

**Table 1** – Outline Regional Housing Work Programme

### **Alignment to future local, regional and national plans**

- 3.66 The national, regional and local policy landscape across housing, planning, transport, environment and economy is currently fluid (see appendix 5). It is crucial that the regional housing programme and overall City Region Deal partnership can not only respond to this change but also actively engaged to collaborate and contribute towards the process.
- 3.67 Work is being undertaken by City Regional Deal partners to develop a Regional Growth Framework. This Framework aims to deliver greater alignment across economic development, housing, planning and transport under a set of simpler governance arrangements to deliver a streamlined approach to regional planning, housing, transport and economic development to manage growth and maximise regional inclusive growth outcomes.
- 3.68 Housing is a key social, economic and environmental driver. Greater integration across these drivers and City Region Deal policy themes including transport, skills and innovation is essential to support the growth requirements of the region and to deliver new communities which deliver the quality of place that ensures the South East of Scotland is a desirable place for people to live and for businesses to invest.
- 3.69 The regional housing partners and the outline work programme identified in this report can play an integral in helping to inform and shape the emerging Regional Growth Framework.

### **Conclusion**

- 3.70 This report outlines an ambitious regional housing work programme shaped by local, regional and national partners with input from key stakeholders.
- 3.71 Regional housing partners have developed a work programme that has synergies between work being developed through thematic areas of the Deal: IRES Programme; Transport Appraisal Board (TAB); Innovation; and the emerging Regional Growth Framework.

- 3.72 At present there is no dedicated resource to deliver the regional housing programme or the workstreams. Identification of resources will inform the future scale, ambition and deliverability of the Regional Housing Programme.
- 3.73 If resources are allocated to progress the work programme, it can accelerate the delivery and supply of new homes across the South East of Scotland and deliver a step change in innovation and inclusive growth in the housing and construction sectors. The Programme can help to accelerate the delivery of 45,000 homes across the seven strategic sites and help to realise the 21,000 jobs associated with the overall City Region Deal.

## **4. Financial impact**

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- 4.1 The outline regional housing work programme requires commitment of staff resource from regional partners to lead the programme; four workstreams; further develop the outline work programme; and deliver the projects that will stem from the workstream and work programme activity.
- 4.2 At this stage of development outline work programme does not have direct costs associated. However, a budget may be needed to carry out pieces of technical work associated with the regional housing work programme. At this point a budget allocation has not been made. It may be that this technical work links to the preparation of a Regional Growth Framework and/or work undertaken by the Transport Appraisal Board. The matter of technical work, and the resources required to deliver it, should be considered across the Deal to avoid duplication or inconsistencies.
- 4.3 Scottish Government has committed a total of at least £65 million for Regional Housing: £15 million of capital grant for the City of Edinburgh Council to establish a new housing company with the Scottish Futures Trust and on-lend up to £248m; and at least £50 million of predominantly private sector loans to support strategic development sites across the region.
- 4.4 As identified earlier in this report, workshop participants confirmed that the £50m predominantly private sector infrastructure loan fund, managed and administered by Scottish Government, was of limited interest to the private sector due to the commercial terms of the loan.
- 4.5 It is recognised that need for continued financial innovation and collaboration to develop new funding and delivery models. Further discussion is required with UK and Scottish Government to explore future housing and infrastructure funding and delivery options.

## **5. Equalities impact**

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- 5.1 The housing theme of the City Region Deal is an integral part of accelerating inclusive growth across the region. Removing physical barriers to growth has been identified one of five key interventions in the Deal Document's Inclusive Growth Framework. The Regional Housing Programme will achieve the following positive impact on equalities:

- A significant programme of house building will be targeted at increasing the supply of housing across all tenures to improve affordability;
- New homes will seek to reduce fuel poverty;
- The Housing, Construction and Infrastructure (HCI) Skills Gateway Programme will ensure that people, including those with protected characteristics, across the region have the skills to access construction jobs generated through the housing programme and;
- An agreed approach to City Region Deal Procurement will ensure that community benefit clauses will be used to target inclusive employment practices and other opportunities.

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

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- 6.1 [Edinburgh and South East Scotland City Region Deal Document, August 2018](#)
- 6.2 [Regional Housing Board, March 2019](#)
- 6.3 [Housing Construction and Infrastructure Skills Gateway Project Proposition, March 2019](#)

## **7. Appendices**

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- 7.1 Appendix 1 - Heads of Terms Agreement (Housing only)
- 7.2 Appendix 2 - Final Deal Documentation (Housing only)
- 7.3 Appendix 3 – Workshop 1 and 2 - Combined Attendance List
- 7.4 Appendix 4 – Seven Strategic Sites Map
- 7.5 Appendix 5 - Upcoming Changes to Key Policy Areas

## Appendix 1 - Heads of Terms Agreement (Housing only)

The Heads of Terms agreement ([HOTA](#)) was signed on 20 July 2017. The heads of terms is an agreement between the Scottish Government, the six local authorities, the UK Government and regional partners.

The sections of the HOTA relevant to the board have been copied below.

As part of this deal, a regional housing programme recognises the very significant housing pressures across the region and the need to provide suitable housing to support sustainable economic growth.

The regional partners have committed, supported by the Scottish Government to deliver a 10-year ambitious programme of new housing across the region, delivering certainty to SMEs and maximising the economic benefit from the construction process through a substantial increase in off-site construction methods. This will be supported by existing training programmes through the Construction Scotland Innovation Centre.

This joint approach between local partners and Scottish Government will support the delivery of significant numbers of new homes across the region. Key to this scale of delivery is the unlocking of seven strategic sites. These are Winchburgh, Blindwells, Edinburgh's Waterfront, Calderwood, Shawfair, Tweedbank and Dunfermline.

The Scottish Government will support this delivery with the following key commitments:

- Build on the recently committed additional £125 million between 2018/19-2020/21 to support the regional partners' 10-year affordable housing programme, subject to successful progress on this initial phase. Work on the next phase of the programme and the associated funding profile beyond 2020/21 to achieve agreed outcomes will begin in 2018.
- Guarantee on a risk-sharing basis alongside West Lothian Council, up to £150m of infrastructure investment that will unlock up to 5,000 new homes in Winchburgh, West Lothian.
- Prioritise and work with local authorities on a site-by-site basis to support local authority borrowing and share the financing risk of infrastructure delivery required across these sites, learning from the Winchburgh approach.
- Provide housing infrastructure funding of up to £50m, of predominantly private sector loans, to be spent on projects that will unlock housing in strategic development sites across the region and which will build upon the regional strengths in off-site construction creating new economic and export opportunities.
- Provide a financing and funding package comprised of consent to on-lend up to £248m and an additional one-off £15m capital grant to enable the City of Edinburgh Council to establish a new regional housing company to deliver a minimum of 1,500 homes at mid-market rent and competitive market rent levels.

Both Governments will also work with regional partners to maximise the potential contribution of public sector land and property in the region to help unlock further new housing. These interventions will be linked to inclusive growth objectives through the creation of new jobs in deprived areas with investment linked to training opportunities.

## Appendix 2 - ESESCR Final Deal Documentation (Housing only)

The City Region Deal reflects the joint commitment of city region partners and the Scottish Government to deliver the regional housing programme, transforming regional housing supply and driving economic and inclusive growth across Scotland.

The regional housing programme aims to accelerate the delivery of affordable housing and housing across all tenures, enable the development of seven major strategic housing sites and drive efficiencies across the public sector estate.

Collaboratively regional partners and Government will work together on:

- **An expanded affordable housing programme** that builds on the committed additional £125 million between 2018/19-2020/21, with a commitment to maximise certainty over future public funding levels for the regional housing programme.
- Developing **risk-sharing guarantees** on a site-by-site basis to support local authority borrowing and share the financing risk of infrastructure delivery required across strategic sites, starting with Winchburgh in 2018, where West Lothian Council has agreed guarantees for up to £150m of infrastructure investment with the Scottish Government. These will be repaid by developer contributions as set out in a complementary tripartite agreement between West Lothian Council, the lead developer and the Scottish Government.
- **Seven strategic sites** have been identified in SESplan as key areas of change and growth (Blindwells, Calderwood, Dunfermline, Edinburgh's Waterfront, Shawfair, Tweedbank and Winchburgh). Business cases will be developed within the 15-year period of the City Region Deal, of which Winchburgh is likely to be the first. Taken together these sites will deliver over 41,000 new homes, create 7,800 jobs and contribute over £10 billion to the wider economy. The Scottish Government and city region commit to work together on each of these strategic housing sites recognising the long-term nature of these proposals with most new homes being delivered over a 15-year period.

To support this, the Scottish Government will commit at least £50 million. City Region partners will explore, with the Scottish Government, innovative solutions to stimulate creative ideas, fresh thinking and innovation in the provision of housing. This collaboration will consider the evolving financial landscape with the Scottish Government's proposals to establish the Building Scotland Fund and Scottish National Investment Bank.

- **An increased supply of good quality low cost market rent housing** across the region. This is an essential requirement for meeting the housing needs of key workers and those on low to middle incomes who cannot access home ownership and are not a priority for social rent.

The Scottish Government will provide a funding package comprised of a one-off £16.1 million capital grant and consent for the City of Edinburgh Council to on-lend up to £248 million to establish a new housing company with Scottish Futures Trust (SFT) to deliver a minimum of 1,500 homes at mid-market rent and competitive market rent levels.

The City of Edinburgh Council and SFT will continue to share learning and financial models with city region partners, to explore regional delivery models.

- City region partners will work jointly with both Governments to **maximise the potential contribution of public sector land and property** in the region to help unlock further new housing and wider public policy objectives.

Drawing on the approach taken with many other City Deals across the UK, the Edinburgh Partnership (Edinburgh's Community Planning Partnership) is in the process of establishing an Edinburgh Land Commission, chaired by the Council's Chief Executive. Once working effectively at a city scale, regional partners will be invited to become members of a regional land commission.

- **More Jobs, training and apprenticeships as well as opportunities for regional construction related SMEs.** The city region housing partnership will align with the Integrated Regional Employability and Skills (IRES) Programme and specifically to the Housing and Construction Skills Gateway (DEC Gateway) to meet existing and future skills requirements in the construction and housebuilding sectors. This will deliver more jobs, training and apprenticeships, as well as opportunities for regional construction related SMEs.

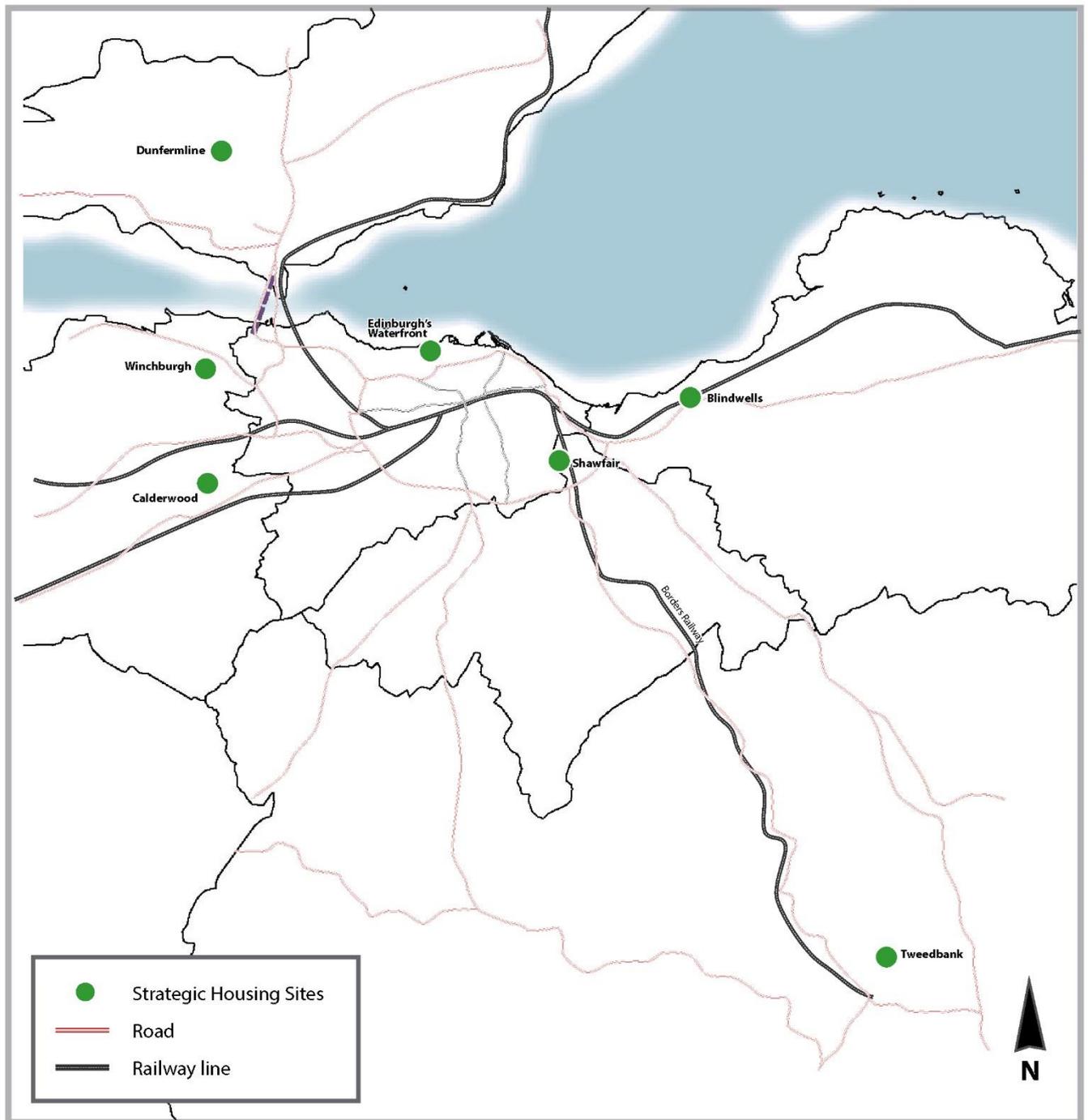
Community benefits from regional housing investment will be maximised to ensure sustainable jobs and economic growth is created for local communities. Regional housing partners will support IRES colleagues to work towards developing a consistent all partner approach to community benefits.

- The **Edinburgh and South-East Scotland City Regional Housing Board** will provide robust governance and strategic oversight over the regional housing programme. The Regional Housing Board will make recommendations to the Joint Committee to ensure the effective delivery of the city region deal housing projects. The Regional Housing Board will work with Government to influence any future regional partnership working as this emerges through the enterprise and skills review, planning bill and following the future implementation of the new planning act.

### Appendix 3 – Workshop 1 and 2 Combined Attendance List

<b>Organisation</b>
Castle Rock Edinvar
City of Edinburgh Council
Construction Scotland Innovation Centre
East Lothian Council
Edinburgh Napier University
Fife Council
Hillcrest
Hub South East
Link Group
Midlothian Council
Network Rail
NHS
Openreach
Offsite Solutions Scotland
Places for People
Port of Leith Housing Association (POLHA)
Regional Enterprise Council
Scottish Borders Council
Scottish Enterprise
Scottish Gas Network
Scottish Government
Scottish Water
Scottish Natural Heritage
Scottish Environment Protection Agency (SEPA)
SEStran
Scottish Futures Trust (SFT)
West Lothian Council
Wheatley Group

## Appendix 4 – Seven Strategic Sites Map



## Appendix 5 – Upcoming Changes to Key Policy Areas

Policy Area	Status and Upcoming Change
<p><b>Transport</b></p>	<p><b>Transport Bill</b> - completed Stage 2 on 26 June 2019. Stage 3 to follow.</p> <p><b>STPR2</b> - Review being undertaken.</p> <ul style="list-style-type: none"> <li>• Evidence gathering through 2019</li> <li>• Detailed Appraisal Spring 2020</li> <li>• Reporting anticipated 2020</li> </ul> <p><b>SEStran</b> - Currently writing the brief to appoint consultants to consider stage 1 with MIR and scoping, for new strategy. Indicative dates for draft strategy are late 2021, final by 2022.</p>
<p><b>Planning</b></p>	<p><b>Planning Bill</b> passed Stage 3 on 20 June. Local Authorities now required to produce regional spatial strategies.</p> <p><b>NPF4</b> published in draft by Summer 2020.</p>
<p><b>Housing</b></p>	<p><b>National Housing 2040 vision.</b> Spring 2020 – Final vision and route map.</p>

