

Edinburgh and South East Scotland City Region Deal Joint Committee

10am, Friday 1 September 2023

Regional Housing Programme Update

Item number 5.3

Executive Summary

This report updates on progress made by City Region Deal partners on the five key regional housing priorities :

- Affordable Housing Delivery (current and future);
- Retrofit - Energy Efficiency Standard for Social Housing 2 (ESSH2);
- Regional Home Demonstrator Project;
- Strategic Sites; and
- Future Town Centres and New Delivery Models.

The report also provides an update on regional housing pressures in the context of the recent publication of the COSLA, SOLACE and Association of Local Authority Chief Housing Officers (ALACHO) paper '[Housing in Scotland - Current Context and Preparing for the Future](#)' which highlights that Local Authority housing and homelessness services are, experiencing unsustainable pressure reflecting the critical lack of capacity in local housing systems in Scotland.

Andrew Kerr

Chair of City Region Deal Housing Board

Contact: John Mills, Head of Housing Services

John Mills John.Mills@fife.gov.uk | Tel: 03451 55 55 55 Ext 480269

Regional Housing Programme Update

1. Recommendations

- 1.1 To note the contents of the report and progress made on the Regional Housing Programme priorities.
- 1.2 To note that there is a meeting due to take place between City Region Deal partners and the Housing Minister, with exact timings to be agreed. It is recommended that at this meeting the following items are raised:
 - 1.2.1 Highlight that our region is currently facing a situation where affordable housing sites may stall due to insufficient funding. Many of the Local Authorities are in a position where Resource Planning Assumptions are already largely committed for this year and therefore without additional investment affordable housing projects that are currently coming forward may become undeliverable. As our Region is viewed by the Scottish Government as a key deliverer of affordable housing in Scotland, it is recommended that we ask for frontloading of the Local Authority RPAs for our area to maximise new housing supply over the next 20 years to meet housing and homelessness needs.
 - 1.2.2 Highlight the scale of the challenges and opportunities associated with the city region strategic sites and the need for innovative funding and risk sharing approaches to enable delivery.

2. Background

- 2.1 In 2019, the Joint Committee approved the [Regional Housing Programme: Forward Work Programme](#) and recognised the key role it plays in shaping the emerging work on a Regional Growth Framework now Regional Prosperity Framework (RPF).
- 2.2 Two strategic aims were identified for the Regional Housing Programme:
 - To deliver a step change in innovation and inclusive growth in the housing and construction sectors; and
 - To deliver a step change in the supply of new homes across the South East of Scotland.

- 2.3 There has been significant political, economic, and environmental change at a national, local, and regional level since the programme was published and therefore a need to refresh the priorities of the regional housing programme.
- 2.4 In December 2022, the [Joint Committee approved](#) a refreshed set of five housing priorities - Affordable Housing Delivery (current and future); Retrofit (EESH2); Home Demonstrator Project; Strategic Sites; and Future Town Centres and New Delivery Models.
- 2.5 In March 2023 the [Regional Prosperity Framework Delivery Plan](#) was approved by Joint Committee, with the Strategic Sites, Regional Home Demonstrator and delivering a fair transition to Net Zero included as key priorities.

3. Main report

- 3.1 The Edinburgh and South East Scotland (ESES) City Region faces a unique set of housing pressures when compared with the rest of Scotland. Our region is growing quickly whilst most other parts of Scotland are experiencing the opposite, and it continues to attract talent to work and live in the most economically successful part of Scotland.
- 3.2 The consequences of growth, combined with high inflation, labour shortages, supply chain disruption and a cost of living crisis is causing unprecedented pressure on the existing housing stock and potential for future affordable housing delivery. The gap between housing need and housing supply is most acute in three of the six Local Authorities in our region, struggling consistently to meet the statutory homelessness duties. Additional support from the Scottish Government is required to assist the Local Authorities over the next 2-3 years to meet statutory duty.
- 3.3 The ESES City Region has a population of 1.4m. It is the fastest-growing region in Scotland and one of fastest-growing in the UK. Forecasted change in population 2018 – 2043 is 9.1%, compared with 2.5% for Scotland and 9% for the UK¹. The number of households in the South East Scotland area is projected to increase by 18% to 2043, compared with a 10% increase projected for Scotland².
- 3.4 The COVID-19 Pandemic and ongoing cost-of-living crisis, is having a profound impact on the lives of our citizens. This crisis has disproportionately impacted the most economically disadvantaged members of the community, with the cost of basic necessities such as food and fuel typically far exceeding any increases in wages. The conflict in Ukraine has added to tensions and shortages at a global level, which have created major challenges for the local and regional supply chains for basic commodities.
- 3.5 Since 2020, the average construction cost of an affordable home in Edinburgh increased by almost 30%. During the preceding five years (2016/17 to 2020/21), the average construction cost of an affordable home increased by only 14.5%; less than 3% each year.

¹ National Records of Scotland

² National Records of Scotland

- 3.6 The Pandemic, conflict and inflation have also had a significant impact on construction and the delivery of new development and housing. Supply chain disruption, including shortages of materials, labour and contractor availability remain key challenges. Costs in the construction sector increase by around 40% in the last year. Global prices for construction materials such as timber, steel and particleboard have increased due to increased demand, rising energy prices, and reduced supply. With construction prices projected to continue to increase, these challenges may become more acute and result in some affordable housing projects no longer being viable.
- 3.7 The housing need and demand in the city region is the greatest in Scotland. The Scottish Federation of Housing Associations, The Chartered Institute of Housing and Shelter Scotland commissioned [research in June 2020](#) to look at Scotland's affordable housing need over the next five years. The overwhelming majority (nearly 60%) of the total annual affordable homes requirement for Scotland is needed in our city region.
- 3.8 The [Housing Need and Demand \(HNDA\) 3 assessment](#) received Robust and Credible status on 28 July 2022 from the Centre for Housing Market Analysis (CHMA) at Scottish Government. The Scottish Ministers' settled position on NPF4 recognises the Robust and Credible status of HNDA 3 and incorporates the figures from HNDA 3 into the Minimum All Tenure Housing Land Requirement for the City Region Deal authorities. Different scenarios project need for between 78,000 and 105,000 new homes over the next 20 years. With the range depending on the changing economic context over that time. The majority of which will be for affordable housing.
- 3.9 To deliver on the region's housing ambitions and to react to existing and future changes in the political, economic, and environmental challenges, the City Region Deal housing partners developed a refreshed set of housing priorities, approved by [Joint Committee in December 2022](#) and captured in the image below:

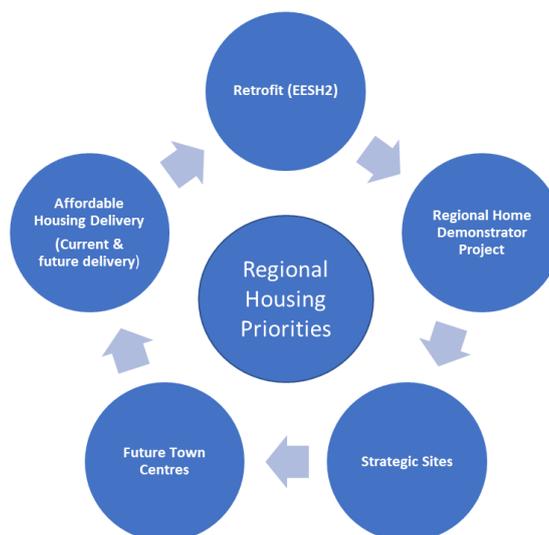


Figure 1 – Regional Housing Priorities

3.10 Progress against these five priorities is summarised in this report. Since the approval of the priorities last year there has also been a focus on regional housing pressures, this is also considered in this report.

Affordable Housing Delivery (current and future)

3.11 As demonstrated in Table 1, the region continues to deliver a significant proportion of Scotland's new affordable homes. In 2022/23 the region collectively delivered nearly 1,800 approvals, 2,300 site starts and 2,400 completions, and a spend of £174m - all ahead of annual targets. Due to the scale and effectiveness of all partners in councils and RSLs and including area team colleagues in the Scottish Government's More Homes Division, who manage or coordinate the Affordable Housing Supply Programme across the area, the region has again continued to utilise underspend from elsewhere in Scotland with an additional £41m (compared with Scottish Government Resource Planning Allocation (RPAs)) absorbed to spend on affordable housing delivery. Scottish Government Affordable Housing Supply Programme (AHSP) investment in the region was announced at a record level over the whole parliamentary period at £691m up to 2025/26. Since then, an additional £65m of extra funding has been made available to the region in the first two financial years of the current parliament.

Local Authority	Spend (£m)		Approvals		Site Starts		Completions	
	Actual	RPA's (Annual)	Actual	Target (Annual)	Actual	Target (Annual)	Actual	Target (Annual)
East Lothian	28.371	11.767	277	129	267	101	224	224
Fife	35.379	34.655	338	442	525	531	703	701
Midlothian	13.902	10.564	118	285	79	285	192	265
Scottish Borders	13.917	16.000	50	69	50	57	136	125
West Lothian	27.427	15.420	474	268	448	288	497	426
City of Edinburgh	55.182	45.182	484	634	904	688	650	590
TOTAL	174.178	133.588	1,741	1,827	2,273	1,950	2,402	2,331

Table 1 - Affordable Housing Supply Programme: out-turn report 2022-2023 Figures for management reporting purposes only

3.12 Approvals for the region are slightly lower than anticipated, which was due to adverse market conditions. This is reflected elsewhere in Scotland, with the Scottish Government's quarterly statistics to the end of September 2022 (published March 2023) reporting that, across Scotland, private led new builds reduced by 11% and housing association new build approvals dropped by 27%, the lowest level since 2013.

- 3.13 Encouragingly there was a 14% increase in site starts across the region and completions were also ahead of target.
- 3.14 Over the next five years, the region had projected that it would spend over £1bn to deliver 18,000 affordable homes. However, in January 2023, many national housebuilders published updates for shareholders. Most reported pulling back on construction considerably as they adapt to the changed mortgage market. National completions were expected to fall dramatically and could be half what they were last year. House builders have published plans to align build programmes with sales rates, freeze recruitment and slow new site starts.
- 3.15 There are significant challenges to realising this ambitious pipeline. There is currently an estimated 28% increase in assumed build cost per home when compared with 2021. This, combined with the cost implications of the statutory requirement to deliver Energy Efficiency Standards for Social Housing 2 (EESH 2) will significantly impact the region's capacity to deliver new build homes.
- 3.16 For example, Edinburgh's SHIP set out a potential programme of around 12,000 new affordable homes over the next five years, and 80% of those require grant funding support. However, based on current Resource Planning Assumptions, which are grant funding commitments made by Scottish Government, less than a third of the potential pipeline of 9,500 grant funded affordable homes could be delivered through the grant funded AHSP. Scottish Government increased the grant funding benchmarks for grant funded affordable housing in 2023 by 17% but this does not match the rises in construction costs and borrowing cost. Although the per unit grant assumption has increased, the future grant funding programme set out in Resource Planning Assumptions remain the same. Edinburgh's current funding levels only allow for around 500 new social rented homes to be approved each year. At least a 200% uplift would be required to achieve Edinburgh's potential SHIP programme.

Retrofit (EESH2)

- 3.17 EESH2 is currently under review with EESH2 targets on hold while the review is underway. Scottish Government expect to consult on the standard that will replace EESH2 this year. Whatever the outcome of the review, significant work will be required to ensure existing properties across all tenures are retrofitted to improve energy efficiency and decarbonised heat to meet new zero emissions targets.
- 3.18 Regional Partners must prioritise delivery of retrofit in upcoming years; not only because it is a statutory requirement, but also because it will help address fuel poverty and contribute towards the collective local, regional, and national carbon and climate change ambitions. Before the commencement of the EESH2 review, delivery of the EESH2 programme was expected to deliver an estimated 76% reduction in energy demand for an average home and create opportunities for apprenticeships, jobs, and supply chains. But as highlighted above, it will impact upon the region's capacity and resources to deliver the numbers of new build, affordable homes projected into future years.

- 3.19 There are nearly 100,000 social homes across the city region. The City Region Deal partners have estimated that retrofitting these properties to be EESSH2 compliant would cost over £2bn.
- 3.20 However, it is important to note that the Scottish Government is currently reviewing EESSH2. An EESSH2 Review Group has been established by Government with the social housing sector to review EESH2 post-2020, bringing it in line with the Government's net zero target, and its guiding principles of a just transition. The findings of this review are still to be finalised and this will impact the above cost estimates for retrofit and compliance. The Scottish Government Social Housing Net Zero Heat Fund is currently available to support the sector.
- 3.21 Nevertheless it is clear that significantly more financial support is required from Scottish Government to support delivery of both the EESSH2 programme and the region's new build affordable housing programmes. The cost of these programmes cannot be met from borrowing on rental income streams (if rents are to remain affordable).
- 3.22 Regional partners have agreed to collaborate on the following retrofit/EESSH2 work programme:
- Develop baseline of existing regional EESSH2 compliance;
 - Share information on estimated average retrofit costs per property;
 - Collect different house archetypes and particularly hard to treat types, with a focus on five to six that are similar across the region;
 - Organise workshop with University of Edinburgh – looking at retrofit and skills/capacity to deliver future retrofit programmes;
 - Working to understand key risks and understand local authority priorities for investment priorities e.g. new build or retrofit;
 - Explore opportunities for collaborative procurement; and
 - Continue to share learning, experience, approaches and pilots.

Regional Home Demonstrator Project

- 3.23 The collaboration between local and national government, academia and the construction industry is testing a new model for designing, procuring and delivering new homes in the region to create a greener future.
- 3.24 The first pilot project is nearly complete, with 75 Net Zero Homes being delivered in Granton Waterfront and due to be completed at the end of the year.
- 3.25 Planning permission was granted earlier this year for the second pilot at Greendykes. This will be looking to optimise existing, and develop additional, house and flat types for the Demonstrator catalogue and to test design, performance standard and mass customisation of house and flat types. The Greendykes development will benefit from the data and insights gathered during the first pilot project at Granton.

- 3.26 By carrying out extensive pre- and post-occupancy evaluations into: build speed; energy demand ;and whole-life embodied carbon emissions, the development of the Greendykes site is projected to similarly provide insights that will feed into and inform the business model and the ongoing regional approach to delivering net zero carbon affordable housing at scale.
- 3.27 In April 2023, City Region Deal Partners committed two years of funding to continue resourcing the Demonstrator Project with the formation of a Regional Delivery Alliance to:
- sustain/maintain regional pipeline including strategic sites;
 - engage with industry on pipeline delivery;
 - support initial feasibility studies;
 - sustain/maintain regional typologies and design and performance standard;
 - facilitate the bundling of sites across the region; and
 - identify additional funding/resourcing opportunities.

Strategic Sites

- 3.28 Work continues to deliver the seven strategic sites at Blindwells, Calderwood, Dunfermline, Edinburgh’s Waterfront, Shawfair, Tweedbank and Winchburgh. Vacant and derelict land is being transformed to deliver: net zero carbon homes; green energy solutions; regeneration; and a just transition to a zero-carbon future.
- 3.29 Business case development progressing with Blindwells, Granton Waterfront and Tweedbank as outlined in the table below:

Timescale	Strategic Site and Business Case Stage
Winter 23 / Early 24	Blindwells Strategic Outline Business Case
Winter 23 / Spring 24	Tweedbank – Full Business Case
Winter 23 / Spring 24	Granton Waterfront – Full Business Case

- 3.30 Across the seven strategic sites (Blindwells, Calderwood, Dunfermline, Edinburgh’s Waterfront, Shawfair, Tweedbank and Winchburgh) a total of 181 social and 32 mid-market rent and 697 homes have been completed over the last year. A breakdown is provided below:

Delivery (completions)	Tenure Mix			
	Social Rent	MMR	BTR	Market
Blindwells	60	0	0	48
Calderwood	103	32	0	233
Dunfermline	0	0	0	252
Granton Waterfront	0	0	0	0
Shawfair	18	0	0	0
Tweedbank	0	0	0	0
Winchburgh	0	0	0	164
Total	181	32	0	697

3.31 The strategic sites have planning consent for a potentially transformational delivery pipeline of 4,355 social, 271 mid-market rent and 12,544 market homes as detailed below:

Delivery (approvals)	Tenure Mix			
	Social Rent	MMR	BTR	Market
Blindwells	480	0	0	1,120
Calderwood	550	0	0	1,650
Dunfermline	1,331	0	0	3,994
Granton Waterfront	334	271	0	0
Shawfair	798	0	0	3,192
Tweedbank	0	0	0	0
Winchburgh	862	0	0	2,588
Total	4,355	271	0	12,544

3.32 There are several key milestones in the upcoming year:

Date	Milestone
Aug 23	Winchburgh - Sinclair Academy (the denominational secondary school) completed on time and on budget.
Sep 2023	Dunfermline - Planning application to be submitted for new bridge at Halbeath (first major component of the new Northern Link Road).
Summer 23	Winchburgh - Submission of a planning application for the first new non-denominational primary school.
Summer 23	Shawfair - Installation of 4km of pipework for Shawfair District Heat Network followed by Energy Centre to serve 3000 homes and commitment to new 32Mva primary substation to meet all of Shawfair's power requirements.
Summer 23	David Lloyd Leisure and Danfoss Low Carbon Manufacturing facility open on Shawfair Park

Summer/ Autumn 23	Tweedbank - begin construction with the phase 1 access road into the larger Lowood site. This will unlock access to 2 development sites initially, with an extension to that road to follow, opening up access to a further 2 sites.
Autumn 23	Tweedbank - Care Village progressing to Planning
Autumn 23	Shawfair – acquisition of All Through Campus site by Midlothian Council and remediation of site begins.
Nov 2023	Dunfermline - Bothwell Gardens Roundabout signalisation delivered (second required intervention measure)
Nov 2023	Dunfermline - Broomhall (2250 consented units) phase 1 development strategic infrastructure delivery plan, development brief and phase 1 housing delivery submitted
Dec 2023	Dunfermline - Phase 1 and related infrastructure for Halbeath (1400 consented units)
Winter 23	Calderwood - Commencement of construction of a third-stream accommodation at Calderwood Primary Completion of a new access to St Paul's Primary School
Winter 23	Granton Waterfront - First set of homes delivered and tenants start moving in
Dec 23 / Early 24	Blindwells Strategic Outline Business Case
Winter 23 / Spring 24	Tweedbank – Full Business Case
Feb 24	Granton Waterfront – Regional Home Demonstrator D1 site complete – Delivery of 75 Net Zero Homes
March 24	Dunfermline - Phase 2 development brief for strategic transport infrastructure
Spring 24	Winchburgh - Completion of the distributor road to the M9 including new bridges over the Union Canal and Edinburgh – Glasgow Railway line.
Spring 24	Shawfair - Starting infrastructure delivery to access and service 30 acres of employment land
Summer 2024	Shawfair - First 'heat on' connection for housing on Shawfair District Heat Network
Summer 24	Granton Waterfront – Full Business Case - Working with development partner to progress designs and planning permission and produce a Final Business Case for phase 1 of regeneration: circa 800 homes, the first phase of a low carbon heat network, a

	primary school, 3,000m2 of commercial space, a mobility hub and active travel upgrades.
Summer 24	Granton Waterfront – Final Business case being developed for Waste Water Sewer Source Heat Network – working with development partner to progress designs and planning permission and securing anchor load connections.
Autumn 24	Granton Waterfront - Signing of Development Agreement, Concession Agreement, Heat Supply Agreement and Building contract to allow commencement of enabling and infrastructure phase including heat network pipe laying and energy centre delivery.
Winter 24	Granton Waterfront gasholder park under construction with completion anticipated late 2024

3.33 Strategic Site Lead Officers meet quarterly to collaborate, share learning and experience of business case development and delivery from across the region. Key areas for collaboration include:

- developing a coordinated approach for each of the sites;
- developing options for taking infrastructure first approaches and delivery models;
- exploring security and risk sharing arrangements and innovative delivery models;
- identifying capital and revenue consequences of being fastest-growing region in Scotland; and
- developing the case for multi-year phased funding delivery mechanisms across parliamentary periods

3.34 The strategic sites work stream is engaging with Scottish and UK Governments to collaboratively identify unlocking solutions within and beyond the Deal. This includes consideration of next steps as set out in the [Regional Prosperity Framework Delivery Plan](#), including the identification of place-based capital and revenue solutions to enable and support delivery.

Future Town Centres and New Delivery Models

3.35 Further work is required in the remainder of 2023/24, on this priority area. Regional partners recognise there are opportunities to re-purpose surplus office accommodation, empty retail units, and spaces above shops into affordable homes to help to arrest the decline in town centres, deliver high quality placemaking principles and increase town centre living.

3.36 Collaboration across housing, regeneration and planning is needed to utilise a blend of funding to transform empty units into homes, create new footfall and revitalise the region's town centres.

3.37 [Edinburgh Living](#) has drawn down all of the one off grant of £16.1m approved as part of City Region Deal. In 2022/23, an additional £6 min grant funding was secured from Scottish Government to support acquisition of homes for mid rent. 543 of the 728 mid-market rent homes have been delivered already with around 78 more homes expected to be purchased in 2023/24. The remaining mid-rent homes

are in design/development or under construction as part of the Council's housebuilding programme.

Regional Housing Pressures

- 3.38 The COSLA, SOLACE and ALACHO paper '[Housing in Scotland - Current Context and Preparing for the Future](#)' highlights that local authority housing and homelessness services are experiencing unsustainable pressure reflecting the critical lack of capacity in local housing systems in Scotland, with some local authorities unable to meet their statutory duties.
- 3.39 The report identifies that there are currently 240,000 people on housing waiting lists/Common Housing Register, with only 26,000 properties available to let across Scotland.
- 3.40 In this region, there are currently 57,500 people on housing waiting list with 4,400 properties available to let. Homeless applications are highest in the urban cities of Edinburgh and Glasgow but are increasingly in surrounding local authorities.
- 3.41 There is a critical need for more social and affordable housing in the region. There is a crisis of affordability across the whole housing system and particularly in rural, island and this part of Scotland.

Regional Prosperity Framework

- 3.42 Regional partners have developed a Regional Prosperity Framework (RPF) [Delivery Plan](#) which provides a blueprint for regional economic recovery post-pandemic; resilience through the ongoing cost of living crisis; and provides future direction for major projects and investment
- 3.43 Progressing and promoting key strategic regeneration sites including Blindwells, Cockenzie and Granton Waterfront is a key priority for the Delivery Plan.
- 3.44 The Regional Home Demonstrator is also a priority project for the Delivery Plan and together the projects are a key part of delivering the main goals of the RPF – to reduce economic exclusion, sustain and increase competitiveness, and accelerate a fair transition to net zero.
- 3.45 City Region Deal partners are engaging at Ministerial and Civil Servant level to secure support and progress the priority projects within the plan. A long term, integrated, place-based capital and revenue funding programme agreement is sought. Such a mechanism would enable the region to further integrate and take a joined-up approach across transport, planning, housing and economic development priorities.

4. Financial impact

- 4.1 Delivering both ESSH2 and sustaining local authority partners new build affordable housing programmes will require significantly more financial support than current funding levels. The new build affordable housing programmes delivered through the Affordable Housing Supply Programme, whilst the City of Edinburgh Council receives grant funding as part of the Transfer of the Management of Development Funding

(TMDF) arrangement, the other councils receive their allocation as part of the COSLA agreed Strategic Housing Investment Framework (SHIF). Further discussion around this would need to involve COSLA and regional partners may wish to consider whether to ask COSLA to revisit the SHIF allocation formula agreement.

- 4.2 The strategic sites can deliver transformational regeneration delivering thousands of homes, jobs, and economic benefits. But the scale of the opportunity carries significant infrastructure challenges. Funding and new delivery tools are required to help both public and private sector partners to successfully deliver infrastructure first approach.
- 4.3 As a key part of the Deal, The Scottish Government and city region committed to work together on each of the seven 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 committed at least £50 million.
- 4.4 Regional Partners will continue to develop business cases and collaborate with Government to identify the interventions required to accelerate delivery.
- 4.5 A long term, integrated, place-based capital and revenue funding programme agreement is sought to support the delivery of the Regional Prosperity Framework Delivery Plan.

5. Alignment with Sustainable, Inclusive Growth Ambitions

- 5.1 Under EESSH 2, new housing will need to have zero emissions with social landlords expected to be fully compliant by 2026. Significant work will be required to ensure existing properties across all tenures are retrofitted to improve energy efficiency and decarbonised heat to meet new zero emissions targets.
- 5.2 The Edinburgh Home Demonstrator will project is delivering Net Zero Carbon Homes in Granton and will seek to scale up delivery across the city region.
- 5.3 This work delivers on the Regional Prosperity Framework (RPF) ambitions and vision to protect environment and make best use of our extraordinary built and natural assets, ensuring that our Region delivers a just transition to a net zero economy. It also delivers on the three main goals of the RPF Delivery Plan – reduce economic exclusion, sustained and increased competitiveness and accelerate a fair transition to Net Zero.

6. Background reading/external references

- 6.1 [Housing in Scotland: Current Context and Preparing for the Future \(2020\)](#)
- 6.2 [Regional Prosperity Framework Delivery Plan](#)
- 6.3 [Regional Housing Programme Update \(Dec 2022\)](#)
- 6.4 [Regional Housing Work Programme 2019](#)

7. Appendices

7.1 None.