

# **Council examines big ideas to get housebuilding back on track**

**Using council tax income to plug holes in Edinburgh's cash-strapped affordable housing projects is among the "big ideas" being mulled by local authority bosses to get the city's housebuilding programme back on track.**

It is believed that no new affordable housing schemes will be approved in the capital for at least the next year, following an £11 million cut by The Scottish Government.

Coupled with rocketing construction costs driven by inflation, the recent reduction in grant funding makes the task of fixing the housing crisis – reducing the city's record number of 5,000 homeless households – all the more difficult.

Now council officers are looking to "innovative financial models" and other new approaches in a bid to keep on building new homes.

The housing committee has heard that these ideas include the potential to "hypothecate" council tax – which traditionally funds local services – for housing projects facing shortfalls.

Another option under consideration, is to lower the target for developers to make 70 per cent of affordable housing which

they deliver social rent homes – the cheapest form of rented accommodation – but this raised concerns that it could lead to the council “doing less to help those of our citizens in the greatest need”.

The City of Edinburgh Council says it could deliver 11,000 new affordable homes across the city in the next five years alongside its social landlord partners. However, the city’s strategic housing investment plan – or ‘SHIP’ – which sets out a potential ‘pipeline’ of projects needs a £665 million cash injection to become a reality.

And the plan’s financial black hole widened further following the 26 per cent cut to The Scottish Government’s affordable homes budget approved in February.

Housing manager Lisa Mallon said: “We’ve had our £45 million cut to £34 million and we still don’t know what next year’s resource planning assumptions are going to be, which is very challenging when we’re trying to plan programmes over a two or three year period.”

Addressing councillors at the meeting on Tuesday she said the “big challenge” was “not knowing what the following year is going to look like”.

Cllr Alys Mumford, Greens, questioned what “big ideas” were being explored “if it looks like more money isn’t going to happen”.

## **Council tax**

Paul Lawrence, the executive director of place and next Chief Executive, said Scottish Ministers were “looking for innovation” from councils to solve the issue.

He said: “If the cupboard is bare, what can be done to try and bring new forms of financial approaches, particularly to the

delivery of affordable housing rather than market housing?

“One of the ideas we’ve been trying to explore is whether we might look at retention of council tax – effectively hypothecating council tax for a period so that we could keep it to achieve closing some of these gaps in the viability of schemes.”

Mr Lawrence admitted this was “not the way that council tax funding works,” and added: “Our argument has been actually if you get your schemes away, at some point there’s going to be additional receipts.

“If you don’t get them away there’s going to be nothing. So there is additionality there to be got – but it does require thinking through existing financial arrangements in a new way.”

He said some civil servants were “really keen” to explore this option but it would be challenging. “We’re trying,” he added, “but we’re not there yet.”

## **Developer contributions**

Officials said they were also looking at getting more flexibility around the use of “commuted sums” where developers unable to deliver affordable housing on-site in line with the council’s 25 per cent policy for schemes with 12 or more homes pay an agreed sum to the council instead.

Usually the agreement ring-fences this cash to fund construction of affordable homes within same area. However this could be relaxed to use commuted sums “citywide” on “projects where affordable homes are due to be delivered in the next few years,” a report to the committee said, “otherwise there is a risk that the affordable homes will not be able to proceed”.

Mr Lawrence said: "What we're after is more flexibility. There are effectively some accumulated funds . . . then money would come planning application by planning application and obviously the amount of money would depend on the size of the scheme."

Housing committee convener Jane Meagher, Labour, said: "Effectively better flexibility would increase our ability to use whatever commuted sums – funds – are available because they would be less likely to be restricted by the legislation."

## Tenure mix

Ms Mallon said council "may need to look at our tenure mix" to increase the number of affordable homes being built.

Edinburgh's affordable housing policy requires new planning applications to provide an affordable housing contribution, usually provided on-site by registered social landlords, with an aspiration that 70 per cent of the properties will be delivered as social rent.

She added: "We have that 70 per cent social rent aspiration, but just looking at the funding around that and the average benchmark that goes forward, you could deliver almost 55 per cent more mid-market rent homes just based on the funding benchmark, that's linked to rental income and borrowing as well. So we may have to look at that."

Labour councillor Tim Pogson pointed out this could mean helping "fewer of those of our citizens who are in the greatest need – those who are least able to afford their tenancies clearly are the ones that need the social rent.

"I appreciate we have to compromise wherever we can compromise on this.

“If we’re shifting the balance to mid market rent, we’re doing less to help those of our citizens in the greatest need and that is obviously a concern to us.”

Ms Mallon replied: “It’s a major challenge and I suppose we would always seek to maximise the number of social rent we can get on site – that is something we need to do – but it’s important to note to committee the scale of that and what the impact could be.

“What I would say as well is we’ve got the acquisitions and disposals programme so we are seeking to purchase second hand homes for social rent that doesn’t require grant funding.”

## **‘New financial approaches’**

Cllr Meagher said: “There are many ways in which we’re seeking to mitigate what is really a very unfortunate set of circumstances.”

The committee requested “new financial approaches which could help mitigate the challenge” to be set out in a future report.

An amendment by the LibDems, which was accepted by Cllr Meagher, agreed to “urge the Scottish Government to review its Housing funding priorities, review its stance on the Edinburgh Housing Emergency”, asking this to be conveyed by the convener “in the strongest and most robust terms”.

However the wording was opposed by SNP members of the committee. “I don’t think we need the gratuitous Scottish Government bashing,” Cllr Stuart Dobbin said. “We have a new First Minister, a new Deputy First Minister.

“The First Minister has indicated he wants to take a different approach, so I doubt that ‘strongest and most robust’ expression of the ask will generate the most positive response.”

Cllr Euan Hyslop, SNP, added: "It's important to point out The Scottish Government over the last 13 years has a fantastic record on social and affordable housing, 10,000 per year, 130,000 over the last 13 years which is twice the amount per capita than has been provided or built in England and Wales, which I think is a remarkable achievement."

by Donald Turvill Local Democracy Reporter



The City Chambers