

**REPORT TO:** Special Council

**MEETING DATE:** 12 November 2024

**BY:** Executive Director for Place

**SUBJECT:** Housing Pressures

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## **1 PURPOSE**

- 1.1 To provide members with an updated position on housing pressures following the submission of the Strategic Housing Investment Plan (SHIP) for 2025/26 – 2029/30 to the Scottish Government on 25th October 2024.
- 1.2 The report details the significant impact of reduced investment on new build completions, the seriousness of the wider impact of reduced housing supply on current housing pressures, and the imminent loss of affordable units. Consequently, the report offers members the opportunity to consider declaring a housing emergency.

## **2 RECOMMENDATIONS**

- 2.1 To note the impact on the positive progress made by Officers in delivering the action plan in response to housing and homelessness pressures in East Lothian and the National Housing Emergency set out in section 3.5.
- 2.2 To note the seriousness of fewer affordable units and the wider impact on housing pressures as set out in sections 3.6 to 3.9 and note the actions officers have taken to mitigate the loss of affordable housing units set out in section 3.13.
- 2.3 To note the risk to both the HRA and General Services budgets.
- 2.4 To agree to write to both the UK Government and the Scottish Government to seek additional funding support as part of the UK Governments budget announcement on 30 October 2024, to help address this matter, together with an ask to widen the criteria for the Acquisitions Fund already granted and set out in section 3.16.

- 2.5 To note that Officers have exhausted all possible opportunities to address the challenges in the housing system and considers declaring a housing emergency as a consequence of the challenges outlined in this report.

### **3 BACKGROUND**

- 3.1 The SHIP covers the 5-year period 2025/26 – 2029/30 and has been prepared in accordance with revised Scottish Government Guidance 'Preparing Strategic Housing Investment Plans' (20 June 2024).
- 3.2 The purpose of the SHIP is to set out East Lothian's strategic housing investment priorities for the next five years and how these will contribute to the challenges and outcomes set out in East Lothian Council's Local Housing Strategy (LHS).
- 3.3 In preparing the SHIP, officers reviewed the current 2024/25-2028/29 SHIP, considering, the commitments made by the Scottish Government and the recent changes in investment.
- 3.4 East Lothian Council faces significant housing pressures. East Lothian is the second fastest growing local authority in Scotland with changing demographics, resulting in a growing need for housing to meet the needs of families with young children, a growing older population. High house prices, high private sector rents, the cost of living, the impact of the pandemic as well as many other factors are resulting in lots of residents struggling to find a secure home, whether that be as a result of homelessness, overcrowding, affordability, or accessibility.
- 3.5 East Lothian Council is actively responding to the current housing pressures and the Scottish Government's declaration of a National Housing Emergency in May 2024. In respect of homelessness, officers have developed an action plan, approved at Cabinet in September 2024, which identifies practical solutions to mitigate this crisis as far as possible. Although East Lothian continues to see a significant rise in the number of homeless presentations, the team and partners are working hard to respond to this. Considerable work is underway, through interventions such as changes to the Council's Allocations Policy; revised approach to nominations; a focus on prevention and a roll out of a wider housing options approach; tenancy conversion and improved turnover of voids together with an improved approach to case management. This has resulted in a reduction in live homelessness cases and fewer households in temporary accommodation, as well as reducing the length of stay for those in temporary accommodation. Whilst East Lothian has benefited from significant levels of investment to date which has contributed towards these positive outcomes, the reduction in new supply going forward will undoubtedly see a reversal in this positive trend.
- 3.6 East Lothian Council currently manage 9,353 properties and have 4,709 applicants on our housing list. Our average turnover of stock is usually around 500 properties per year, however during 2023/24, we allocated a total of 664

council properties, 209 which were new build, which has contributed towards mitigating some of the pressures.

- 3.7 The Council acknowledges that the current housing pressures are not just about the increasing levels of homelessness. East Lothian also face significant challenges in respect of demand for those who are currently in overcrowded properties, young people leaving home, young people leaving care and an aging population who require accessible housing. We are also seeing rising demand from out with our Local Authority area as a result of policy change and a rising demand from Refugees and those seeking asylum including unaccompanied asylum-seeking children and young people.
- 3.8 The Council's HRA budget is also under significant pressure together with increasing construction costs, aging stock, increases in damp and mould, major mixed tenure projects as well as changing legislative requirements around compliance and energy.
- 3.9 East Lothian urgently need an increase in new supply if we are to meet the growing demand. We are uniquely placed in terms of new growth with a number of sites ready to deliver affordable housing, however as a result of the reduced national investment, these much-needed affordable housing units are likely to be lost to commuted sums.
- 3.10 The SHIP sets out the resource allocation, confirmed by the Scottish Government for the period 2025-2030 as £37million, averaging just over £7million per annum. If we compare this with the previous 5 years' allocation, averaging £12million per annum, with a further investment last year of £11million secured by our Housing Association partners through Charitable Bond status, the reduction is severe.
- 3.11 Last year, East Lothian achieved 452 completions through the affordable housing supply programme. In comparison, East Lothian will deliver less than this over the next 5 years with only 340 units estimated to complete.
- 3.12 If investment were available to deliver all of the projects set out in the SHIP, a total of 1,566 unit could complete over the next five years. Based on the actual allocation received, there is a very high risk that we could lose 1,226 units of affordable housing.
- 3.13 The impact of the reduction is critical with the imminent risk of a permanent loss of affordable housing. There are currently four sites in East Lothian where Developers are ready to enter into contracts with three due to start on site this financial year. Officers have been exploring a number of solutions to secure as many units as possible, such as land acquisitions, swapping sites, selling assets, considering different tenures, and exploring alternative funding models, however there is an imminent risk that there will be no option but to take a commuted sum on at least two of these sites.
- 3.14 A commuted sum is the land value required to provide the equivalent number of affordable units that the developer is obligated to deliver under the Section 75 for its development. This allows the Council to purchase equivalent land to build the required number of units elsewhere. It does not provide best value

and is not practical for a number of reasons, including the availability of land to acquire and build; higher build costs attributed to a smaller development; and it still requires the investment to enable the build. Taking a commuted sum results in a permanent loss of much needed affordable housing and an increase in market housing. It does not deliver the number of units required to meet our affordable housing supply targets.

- 3.15 The Scottish Government's declaration of a National Housing Emergency and the development of our next Local Development Plan to accommodate the required land supply to deliver much needed affordable housing, means that the reduction in investment presents a very significant risk. Without increased investment, it is highly unlikely that we will meet our Affordable Housing Supply Target or contribute to the Scottish Government's affordable housing target.
- 3.16 Whilst we welcome any additional allocation of funding, the recent allocation of £440,000 investment as part of the additional £40million that was added to the Housing Supply Programme on 30 August 2024, has limited ability to address the scale of the challenges we face. We support the policy intent to move people out of temporary accommodation, it was disappointing that the Local Authority was not permitted to determine how best to maximise its potential reflecting local circumstances. This fund could have helped to avoid the loss of some new build sites that would be scheduled to complete within the next two years. The criteria for next years' allocation of a further £40million should be widened and allow for local decision making to determine best use of this allocation.
- 3.17 The UK government budget announced on 30 October included additional resources of £3.4bn covering 2024/25 and 2025/26 for Scotland. Whilst no further information is available at present regarding the allocation of these resources it should be noted that there is the potential for further resources to be allocated by the Scottish government for housing.

## **4 POLICY IMPLICATIONS**

- 4.1 The Council will struggle to deliver on both national and local policies in relation to Housing 2040 and affordable housing supply targets.
- 4.2 Potential breach to our legal obligations under the Housing (Scotland) Act 2001, the Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2014 (as amended) and the Homelessness etc. (Scotland) Act 2003.
- 4.3 As outlined in this report an inability to benefit from the affordable housing component of new development throughout East Lothian.

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The SHIP has been through the Integrated Impact Assessment process and can be found here:

## 6 RESOURCE IMPLICATIONS

- 6.1 Financial – increased financial strain on our HRA budget.
- 6.2 Financial – increased financial strain on our General Services budget resulting in a new increase in temporary accommodation and B&B accommodation.
- 6.3 Personnel – additional pressure on staffing and already stretched teams.
- 6.4 Other

## 7 BACKGROUND PAPERS

- 7.1 Cabinet Report – Homeless Action Plan – September 2024 [CAB20240910\\_04\\_Homeless\\_AP\\_final\\_R\\_.pdf](#)
- 7.2 Strategic Housing Investment Plan 2025/26 – 2029/30, October 2024 [Agendas, reports and minutes | East Lothian Council](#)
- 7.3 Local Housing Strategy 2024-2029 [Approved Local Housing Strategy \(LHS\) 2024-2029 | East Lothian Council](#)

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