

# Report on the work of the 2021 Affordable Housing Investment Benchmarks Working Group

## Executive summary

- A review of Affordable Housing Investment Benchmarks was undertaken between March and June 2021. The review was carried out by a cross-sector working group of officials and was jointly chaired by the Scottish Government and COSLA.
- Benchmark assumptions are not grant rates or grant ceilings, and therefore have no role in shaping expectations of grant funding levels for any particular project. Projects that can be delivered with grant funding at or below the relevant benchmark assumption follow a streamlined application and approval process, with projects which are seeking grant funding in excess of the relevant benchmark assumption following a more detailed value for money assessment.
- The working group recognised that the Affordable Housing Supply Programme had worked well in delivering significantly increased numbers of affordable homes in recent years. While the flexibility of the system was welcomed, unit costs had risen significantly over this time and it was recognised that the benchmarks therefore needed to be increased.
- Local government and Registered Social Landlord (RSL) representatives on the group were also of the view that current benchmark assumptions were driving up rents ahead of inflation, thereby putting further strain on affordability – local government representatives reported that the level of costs falling on council tenants was now at 62%. The Scottish Government was clear however that Affordable Housing Investment Benchmarks should have no bearing on rent setting processes as they were simply a tool for determining the appraisal route for grant applications. When determining the level of grant funding that they need to apply for in order to deliver affordable housing projects, the Scottish Government noted that grant applicants must be comfortable with the level of borrowing that they plan to take on – as well as being satisfied that tenants' rents remain affordable (including, in the case of RSLs, ensuring that social rent levels at the point of completion comply with Scottish Government published guidance).
- With the removal of (a) 'outlier' projects – that is those that were below or over the relevant benchmark by more than £20,000 per unit (to avoid skewing of the data in either direction) and (b) projects in Glasgow (given that the City Council (i) has a separate standard that it requires RSLs to deliver to and (ii) undertakes detailed appraisals of all projects), the Scottish Government reported that between April 2016 to September 2020 70% of social rented units were approved at or below the relevant grant subsidy benchmark assumption which was introduced in early 2016, with 33% of those homes being approved below benchmark.

- It was noted however, that an increasing number of projects were being approved above benchmark as time progressed, with sector representatives pointing out that by 2019-20 the majority of RSL projects were above benchmark. Sector representatives also argued that the delivery of projects at or below current benchmark assumptions was largely due to an unsustainable increase in the use of council and RSL resources (thus reducing the grant being sought).
- Following consideration of information presented during the review, the Scottish Government is proposing that baseline benchmark assumptions increase by between £14,500 to £26,000 for a council social rented home (an increase of between 25% and 46% depending on geography); by between £8,000 and £13,500 for an RSL social rented home (an increase of between 11% and 17% depending on geography); and by between £9,500 to £14,500 for an RSL mid-market rented home (an increase of between 22% and 33% depending on geography). The Scottish Government's proposals result in the following set of baseline benchmark assumptions:

	West Highland, Island authorities, and remote/rural Argyll		Other rural		City and urban	
	Current	Proposed	Current	Proposed	Current	Proposed
RSL social rent	£82,000 (3 person equivalent)	£95,500 (3 person equivalent)	£72,000 (3 person equivalent)	£83,000 (3 person equivalent)	£70,000 (3 person equivalent)	£78,000 (3 person equivalent)
Council social rent	£57,000 (flat rate per unit)	£83,000 (3 person equivalent)	£57,000 (flat rate per unit)	£75,500 (3 person equivalent)	£57,000 (flat rate per unit)	£71,500 (3 person equivalent)
RSL mid-market rent	£44,000 (3 person equivalent)	£58,500 (3 person equivalent)	£44,000 (3 person equivalent)	£56,500 (3 person equivalent)	£44,000 (3 person equivalent)	£53,500 (3 person equivalent)
Council mid-market rent	N/A	£53,000 (3 person equivalent)	N/A	£51,500 (3 person equivalent)	N/A	£49,000 (3 person equivalent)

- It was COSLA's agreed position that baseline benchmark assumptions should be the same for councils and RSLs, and that these should be based on the six-fold geographic classification. Having considered the evidence, the Scottish Government is proposing to reduce the differential from the current range of between £13,000 and £25,000 per unit to between £6,500 and £12,500 per unit. The Scottish Government is of the view that complete removal of the differential is not justified given evidence of the cheaper costs of borrowing for new build for councils, alongside councils having the option to use council tax on second homes. RSL representatives on the group supported the proposal to maintain a differential, alongside the continuing use of the current approach to determining a project's geographic classification.

- All other aspects of the baseline benchmarks system have been aligned so that the regime for councils and RSLs are now identical – this means that council benchmarks will now be at the three-person equivalent level (rather than at a flat rate per unit), council benchmarks will now attract the geographic differential (rather than being the same regardless of geography), and councils will now be able to apply for grant support to deliver homes for mid-market rent (in addition to RSLs).
- The group also noted that the additional quality measures that are being phased into the Affordable Housing Supply Programme from 2021-22 – such as the requirement to install automatic fire suppression systems – were likely to increase unit costs further. Following consideration of the information gathered during the review, the Scottish Government is proposing that benchmarks should be introduced for each of these quality improvements such that a project qualifying for all of these additional measures would see the relevant benchmark assumption rising by a further £17,300 per unit, three-person equivalent level. To respond to concerns that some of these benchmark assumptions may be too low, the Scottish Government will work with councils and RSLs to gather information on the costs associated with certain measures, with a view to closely monitoring these moving forward.
- The group agreed that any new set of benchmark assumptions should be reviewed each year. The Scottish Government proposed that the Scottish Social Housing Tender Price Index be used for this purpose, with local government representatives also proposing that other material evidence based issues should be taken into account.
- In order to demonstrate improvement in quality and value for money over time, the Scottish Government proposed the introduction of a consistent national programme of continuous improvement. The housing association sector suggested however that further research and sector engagement is needed to design a continuous improvement programme that is realistic, achievable and meaningful in its impact.
- The group did not consider all of the elements within its remit in detail. Local government and housing association representatives on the group noted that they would wish to see these discussed as part of a second stage review process, alongside consideration of the following issues which they raised during the review – the requirement for detailed information on built form and type, procurement routes, land and remediation costs, the three-person equivalent, brownfield versus greenfield sites, homes delivered through Section 75 agreements, and space standards.
- In favouring a '*staged approach*' rather than a second stage review process, the Scottish Government confirmed that it would convene discussions with the sector should the following situations arise:
  - there be any variations to the Scottish Government specified quality standards for homes delivered through the Affordable Housing Supply Programme which would have a material impact on development costs,
  - evidence demonstrates that there is an increase in the number of applications requiring above benchmark grant funding, which is having a material impact on the speed of Affordable Housing Supply Programme delivery (with the exception of projects in Glasgow for the reasons specified above), and/ or

- evidence suggests that a disproportionate number of projects with an average unit size of less than three bedspaces are subject to detailed scrutiny (again with the above exception).
- The Scottish Government agreed that some of the other issues which were not covered in detail during the review deserved discussion and analysis, and noted that decisions taken on some could be better informed through an evidence-based continuous improvement system for housing development.

## Introduction

This report records the outcome of discussions at the 2021 Affordable Housing Investment Benchmarks Working Group (*'the group'*). It will be considered by COSLA Leaders on 27 August 2021, and by COSLA's Community Wellbeing Board on 17 September 2021. Scottish Ministers will decide on any changes that are required to the current set of assumptions, following which the Scottish Government will update its *'Affordable Housing Supply Programme: Process and procedures'* [guidance note](#) as appropriate.

## Strategic context

Good homes and strong communities play a significant role in creating a more successful country with opportunities for all to flourish through increased wellbeing, and sustainable and inclusive economic growth. ['Housing to 2040'](#) – the Scottish Government's first ever long-term national housing strategy – sets out a vision for what housing will look like, and how it will be provided to the people of Scotland, no matter where they live and what point in their life they are in. The strategy sets out a new ambition to deliver 100,000 affordable homes by 2032. This ambition will not only make an important contribution to achieving the Housing to 2040 vision but will also bring benefits across the ['National Performance Framework'](#). The delivery of the shared outcomes within the National Performance Framework is supported by a strong commitment of all partners for collaborative working between national and local government to invest in the delivery of a greater number of affordable and particularly social homes.

The planning and delivery of affordable housing is focussed on meeting local needs by supporting the *'right homes in the right place'*. Local authorities, as both the statutory housing and planning authority, are responsible for assessing their housing requirements, ensuring a generous supply of housing land and enabling the delivery of both market and affordable housing. The *'Local Housing Strategy'* sets out the authority's strategic vision for housing, taking into account both national policy objectives and local priorities, based on need and demand evidence. As well as its strategic response to national outcomes and national housing priorities, the Local Housing Strategy sets out the approach to meeting other statutory housing responsibilities, including fuel poverty, house condition and homelessness. It also provides people with a vital opportunity to have their say and influence the future delivery of housing and housing related services in their communities.

The 2001 Housing (Scotland) Act places a statutory requirement on local authorities to prepare a Local Housing Strategy which encourages equal opportunities. In addition, the Equality Act 2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, 2015, and 2016 introduce duties that public bodies are legally required to meet in the exercise of their functions. [Local Housing Strategy guidance](#) makes clear that local authorities should ensure that equality is central to all housing and housing services delivery and that the Local Housing Strategy should include a statement that reflects the local authority's commitment to addressing inequalities in housing and should provide details on how this will be achieved. Local authorities are expected to demonstrate how findings from an Equality Impact Assessment have translated into priorities and outcomes in the Local Housing Strategy.

Strategic Housing Investment Plans are prepared by local authorities annually and set out the key development priorities in each local authority area. These are directly informed by the relevant Local Housing Strategy priorities and are developed in consultation with key stakeholders. Each Strategic Housing Investment Plan is approved by local Elected Members and:

- reinforces the role of the local authority as the strategic housing authority
- reinforces the importance of the outcomes and targets set out in the Local Housing Strategy, and
- identifies the projects which will be included in the Affordable Housing Supply Programme annual Strategic Local Programme Agreements.

### **Affordable Housing Investment Benchmarks**

The [Affordable Housing Supply Programme](#) aims to increase and accelerate the supply of affordable homes in communities across Scotland – it supports local authorities in delivering their affordable housing priorities by providing quality homes in mixed communities that fit local need. The grant funding which is available through the Programme primarily supports the delivery of social rented housing, homes for mid-market rent, and the provision of housing for low cost home ownership.

When applying for grant assistance to deliver affordable housing, councils and RSLs (*'grant applicants'*) are required to self-certify that the amount of funding that they are requesting is the minimum required for a project to be financially viable for their organisation. The amount of grant requested is then compared with the applicable Affordable Housing Investment Benchmark (which should be agreed with the relevant grant provider<sup>1</sup> before progressing to tender stage) to determine how the funding application will be assessed. Projects that can be delivered with grant funding at or below the relevant benchmark follow a streamlined application and approval process, with projects which are seeking grant funding in excess of the relevant benchmark following a more detailed value for money assessment. Benchmark assumptions are not therefore grant rates or grant ceilings.

### **The review of current benchmark assumptions**

Affordable Housing Investment Benchmarks have successfully supported the delivery of the Affordable Housing Supply Programme for a number of years. While local government and a number of sector organisations had been requesting a review of the current set of assumptions for a couple of years, the Scottish Government convened a working group in March 2021 to assess whether these now required adjustment in order to provide confidence and certainty to ongoing Programme delivery.

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<sup>1</sup> This refers to the relevant Scottish Government area office or – in the case of Edinburgh and Glasgow – the City Councils.

## **The purpose of the group**

The group comprised officers from the Scottish Government, COSLA, the Association of Local Authority Chief Housing Officers (ALACHO), the Society of Local Authority Chief Executives (SOLACE), Local Authority Directors of Finance, the Scottish Federation of Housing Associations (SFHA) and the Glasgow and West of Scotland Forum of Housing Associations (GWSF) (**Annex A**). It was established with the following purpose:

- to assess whether adjustments are required to the current set of benchmark assumptions which underpin the grant-funded element of the Affordable Housing Supply Programme to account for inflation, additional quality measures (that is those set out in the 2020-21 Programme for Government, future enhancements to the energy performance of buildings, and the installation of automatic fire suppression systems), and any other factors agreed by the group as meriting consideration
- to consider the timeframe over which the new set of Affordable Housing Investment Benchmark assumptions should be in place (if adjustments are required)
- to consider the potential impact that the group's recommendations would have on the number of homes that could be delivered through the grant-funded element of the Affordable Housing Supply Programme, and
- to consider the criteria which should be applied when appraising project proposals which are seeking investment in excess of the relevant Affordable Housing Investment Benchmark.

The review was undertaken over the period March to June 2021, and drew upon a range of information and material submitted by members of the group to support the work. A timeline of events is contained in **Annex B**.

## **Adjustments to the current set of benchmark assumptions**

Having considered the wide range of information and material presented during the review, the group agreed that adjustments should be made to the current set of benchmark assumptions to account for the following:

- the need to better reflect the differential in costs to deliver in rural and remote rural areas, as opposed to city and urban areas
- inflation beyond that assumed at the time of setting the current benchmarks
- additional specifications and costs stemming from the 2015 building regulations, beyond that assumed at the time of setting the current benchmarks
- the additional quality measures that are being phased into the Affordable Housing Supply Programme from 2021-22
- the size and location of homes being developed by councils for social rent (moving from a flat rate benchmark per unit to applying the three-person equivalent conversion factor and geographic variations), and
- the size and location of homes being developed for mid-market rent (also moving from a flat rate benchmark per unit to applying the three-person equivalent conversion factor and geographic variations).

The group also agreed that councils should now be able to apply for grant support for mid-market rent on the same basis as RSLs. And, in recognition of the challenges that some areas face due to differing housing market conditions, the Scottish Government judged in relation to mid-market rent that (a) an uplift of £2,000 to the baseline benchmark assumptions – beyond the adjustments being proposed above – would assist with the issues of flexibility to reach wider client groups and deliver a wider range of build types, and (b) other specific local issues should be taken forward as required through the flexibility within the benchmark system.

Differing views were expressed however on whether (a) a differential should be maintained between the benchmark assumptions that apply to RSLs and councils and (b) an amendment should be made to the current methodology for assessing a project's geographic classification. These issues are discussed in turn below.

During the review, the Scottish Government proposed that the benchmark assumptions for both councils and RSLs should be based on the same framework, with variations for geography and the size of homes (as per the proposed adjustments noted above). The Scottish Government is of the view however that councils benefit from a more advantageous financial position than RSLs in terms of borrowing, alongside the option to use income from council tax on second homes, and is therefore proposing a lower set of baseline benchmarks for councils albeit at a significantly reduced differential. While this position was supported by RSL representatives on the group, local government representatives presented evidence showing (a) that there were additional costs faced by local authorities and (b) that the borrowing costs argument was not as straightforward as set out by the Scottish Government. They also advised that it had always been COSLA Leaders' position (supported by members representing local government) that the benchmarks should be the same for both sectors.

On the issue of determining the appropriate geographic classification of a project, local government representatives were of the view that the [Scottish Government Urban Rural Classification, six-fold](#) should be the methodology used in all cases. The Scottish Government considered however that applying the six-fold classification only would result in anomalies and provided examples during the review to illustrate this point (**Annex C**). The Scottish Government believed that the flexible process outlined in current guidance should remain, particularly as any changes to this would radically alter the geographic classification of some projects and would likely bring down the 'rural' and 'remote rural' benchmark assumptions. RSL representatives on the group confirmed that they would also be content to continue with the current approach (which uses the six-fold classification as the 'starting point'), whilst noting that refreshed guidance on the operation of the Affordable Housing Supply Programme should clarify the process for agreeing the application of geographic benchmarks.

### **Baseline benchmark assumptions**

Taking account of the above, Scottish Government officials are proposing that the undernoted baseline benchmark assumptions are introduced – and that these would apply to all homes delivered by RSLs and councils with grant support through the Affordable Housing Supply Programme (except for second-hand purchases (see below)):

	West Highland, Island authorities, and remote/rural Argyll		Other rural		City and urban	
	Current	Proposed	Current	Proposed	Current	Proposed
RSL social rent	£82,000 (3 person equivalent)	£95,500 (3 person equivalent)	£72,000 (3 person equivalent)	£83,000 (3 person equivalent)	£70,000 (3 person equivalent)	£78,000 (3 person equivalent)
Council social rent	£57,000 (flat rate per unit)	£83,000 (3 person equivalent)	£57,000 (flat rate per unit)	£75,500 (3 person equivalent)	£57,000 (flat rate per unit)	£71,500 (3 person equivalent)
RSL mid-market rent	£44,000 (3 person equivalent)	£58,500 (3 person equivalent)	£44,000 (3 person equivalent)	£56,500 (3 person equivalent)	£44,000 (3 person equivalent)	£53,500 (3 person equivalent)
Council mid-market rent	N/A	£53,000 (3 person equivalent)	N/A	£51,500 (3 person equivalent)	N/A	£49,000 (3 person equivalent)

RSL representatives, while recognising that the benchmarks were used only as an appraisal threshold, were not in favour of the above proposal due to concerns that setting the benchmarks at these levels would not result in the desired position of the majority of projects coming in at or below benchmark. They submitted the following alternative set of baseline benchmark assumptions, based on evidence collected from RSLs:

	West Highland, Island authorities, and remote/rural Argyll		Other rural		City and urban	
	Current	Proposed	Current	Proposed	Current	Proposed
RSL social rent	£82,000 (3 person equivalent)	£100,210 (3 person equivalent)	£72,000 (3 person equivalent)	£87,850 (3 person equivalent)	£70,000 (3 person equivalent)	£82,700 (3 person equivalent)
RSL mid-market rent	£44,000 (3 person equivalent)	£63,530 (3 person equivalent)	£44,000 (3 person equivalent)	£61,470 (3 person equivalent)	£44,000 (3 person equivalent)	£58,380 (3 person equivalent)

Local government officials were also unable to support the introduction of the set of baseline benchmark assumptions proposed by the Scottish Government, arguing that they had presented evidence which shows that there is no justification for the differential and with a mandate from COSLA Leaders. As such, local government officials are proposing that the following set of baseline benchmark assumptions are introduced:

	West Highland, Island authorities, and remote/rural Argyll		Other rural		City and urban	
	Current	Proposed	Current	Proposed	Current	Proposed
RSL social rent	£82,000 (3 person equivalent)	£100,210 (3 person equivalent)	£72,000 (3 person equivalent)	£87,850 (3 person equivalent)	£70,000 (3 person equivalent)	£82,700 (3 person equivalent)
Council social rent	£57,000 (flat rate per unit)	£100,210 (3 person equivalent)	£57,000 (flat rate per unit)	£87,850 (3 person equivalent)	£57,000 (flat rate per unit)	£82,700 (3 person equivalent)
RSL mid-market rent	£44,000 (3 person equivalent)	£63,530 (3 person equivalent)	£44,000 (3 person equivalent)	£61,470 (3 person equivalent)	£44,000 (3 person equivalent)	£58,380 (3 person equivalent)
Council mid-market rent	N/A	£63,530 (3 person equivalent)	N/A	£61,470 (3 person equivalent)	N/A	£58,380 (3 person equivalent)

### Additional quality measures benchmark assumptions

Whilst expressing concern that some of the benchmark assumptions for the undernoted additional quality measures may be too low, all members of the group agreed that these were acceptable on the basis that the actual cost of certain installations would be monitored (see below) and – as per the proposed baseline benchmark assumptions – these (a) do not signify upper limits (b) are not intended as the expected cost against which any extra costs would need to be justified and (c) have no role other than in determining the appraisal route:

Delivering homes to Section 7, Silver Level, of the 2019 Building Regulations in respect of Energy for Space Heating (that is, full Bronze Level plus Aspect 2 of Silver Level). <sup>2</sup>	£2,000 (3 person equivalent benchmark)
Provision of balconies within flatted developments where the provision of private or communal outdoor space cannot otherwise be accommodated.	£4,000 (3 person equivalent benchmark)
Provision of space for home working or study – grant applicants would be expected to demonstrate that additional space is necessary to deliver this measure in order for this benchmark to apply i.e. it is not possible to incorporate within the design of the homes under current space standards.	£3,500 (3 person equivalent benchmark)
Ensuring that all new social and mid-market rented housing delivered through the Programme is digitally-enabled – when a tenant gets the keys to their home this would mean that they are able to arrange for an internet connection to 'go live' without the internet service provider having to provide additional cabling to the premises. From the outset these connections should utilise the best available technology and, where it is not possible for a gigabit capable technology to be provided immediately, the physical infrastructure should be installed to support retrospective deployment.	£300 (3 person equivalent benchmark)

<sup>2</sup> It is proposed that this remains a feature of the current regime, but that this is reconsidered following the review of energy standards set through building regulations in 2021.

Installation of ducting infrastructure for electric vehicle charge point connectors	£500 (3 person equivalent benchmark)
Installation of automatic fire suppression systems	£3,000 (3 person equivalent benchmark)
Installation of heating systems which produce zero direct emissions at the point of use	£4,000 (3 person equivalent benchmark)

**Annex D** sets out the workings used to determine the Scottish Government’s new proposed set of baseline benchmark assumptions, with **Annex E** providing illustrative examples of how the Scottish Government’s overall proposed set of benchmark assumptions would work in practice.

### **Purchasing existing homes**

Due to the varied strategies being adopted by individual local authorities across Scotland with respect to second-hand purchases, alongside the varied market conditions, the Scottish Government noted that setting benchmark assumptions for these acquisitions would be difficult. It is therefore proposing that the benchmark system does not apply to these cases – instead, decisions should be agreed locally with relevant grant providers on whether individual applications for grant funding to facilitate second-hand purchases follow a streamlined application and appraisal process or are subject to a more detailed value for money assessment.

### **Timeframe for the new set of benchmark assumptions**

Following detailed consideration, the group accepted that any new set of Affordable Housing Investment Benchmark assumptions should be adjusted to account for inflation on an annual basis. The Scottish Government is therefore proposing that the Scottish Social Housing Tender Price Index is used for this purpose, with local government representatives also proposing that other material evidence based issues should be taken into account. (The Scottish Social Housing Tender Price Index is produced by the Building Cost Information Service on behalf of the Scottish Government on a quarterly basis and measures the movement in tender prices paid by councils and RSLs to contractors for the construction of housing delivered through the Affordable Housing Supply Programme (houses and flats). The Index uses data provided by grant applicants in the [Housing Tender Return](#) and therefore reflects actual tendered costs.)

To allow for any adjustment to the benchmarks to take effect from 1 April each financial year, the Scottish Government is proposing to use the differential between the Scottish Social Housing Tender Price Index for the year to the previous December as the method of adjustment. In order to ensure as robust data as possible, the group agreed that it would be important to reinforce that Housing Tender Returns must be submitted by RSLs and councils with all applicable tender applications – with the Scottish Government advising that formal offers of grant would not now be issued until these are submitted.

Notwithstanding the above, RSL and local authority representatives were clear that they would wish for further discussion to take place should any of the following situations materialise:

- there be any variations to the Scottish Government specified quality standards for homes delivered through the Programme which would have a material impact on development costs – the future update to the Housing for Varying Needs design guide, and further changes through building regulations were referenced as possible examples in this regard, and/ or
- evidence suggests that a disproportionate number of projects with an average unit size of less than three bedspaces are subject to detailed scrutiny.

The Scottish Government confirmed that it would convene discussions with the sector should these situations arise and/ or should evidence demonstrate that there is an increase in the number of applications requiring above benchmark grant funding, which is having a material impact on the speed of Programme delivery. The Scottish Government therefore agreed to:

- monitor the number of tender approvals which are approved at, above and below benchmark on an annual basis (with the exception of projects in Glasgow given that the City Council (a) has a separate standard that it requires RSLs to deliver to and (b) undertakes detailed appraisals of all projects) – and publish this information in its annual [Affordable Housing Supply Programme out-turn report](#)
- analyse, for those projects that are approved above benchmark, the average person size of projects, as well as their geography and tenure (again with the above exception) – and publish this information in the annual Affordable Housing Supply Programme out-turn report, and
- monitor the cost of installing the following two quality features that are being phased into the Programme, particularly given concerns expressed by some group members that the proposed benchmark assumptions for these measures may be too low – automatic fire suppression systems and heating systems which produce zero direct emissions at the point of use.

The Scottish Government also noted that it would wish for further discussion to take place should evidence suggest that the benchmarks are resulting in a disproportionately high number of projects meeting the benchmark level.

## **Potential impact on the delivery of affordable homes**

The group did not have time to consider the potential impact that the outcome of its discussions would have on the delivery of affordable homes. The delivery of affordable homes was however hit significantly by the pandemic, initially by the lock down, and then through slower, safer working practices in 2020-21. The Scottish Government therefore expects output to continue to be slower over 2021-22 than at the start of the previous 50,000 affordable homes' programme, and therefore proposes to use 2021-22 to complete its previous 50,000 target.

The Scottish Government's ambition to sustain the number of affordable homes delivered going forward is a major commitment to address affordable housing requirements. Housing plays a significant role in Scottish Government and local government shared policy objectives, particularly in tackling child poverty and ending homelessness. While committing to continued delivery over a 10-year period provides additional certainty, within this timeframe there may be many economic factors or events that impact on the overall housing requirement. Local authorities currently plan for housing and housing service delivery over a five-year period, and the Scottish Government would want to similarly review the 100,000 affordable homes' commitment at the five year mid-point.

The Scottish Government is clear that any proposed changes to Affordable Housing Investment Benchmark assumptions would (a) only affect the appraisal route that an application for grant funding follows and (b) not affect the amount of grant that individual applicants assess is required. This would continue to be a decision for individual grant applicants when self-certifying that they are applying for the minimum grant necessary to allow a project to proceed once homes are designed and tender prices have been received, and to ensure ongoing rent affordability. Projects would come in both under, at and above benchmark levels given that the mix, size and type of future projects delivered in any one year is not fixed. The gradual phasing in of additional quality measures, the uncertainty over their costs over the next few years, and the impact of the continuous improvement work (see below) therefore makes it difficult to predict the exact number of homes that may be delivered at this time.

## **Projects seeking investment in excess of the relevant benchmark assumption**

While the group did not have time to consider the criteria which should be applied when appraising project proposals which are seeking investment in excess of the relevant Affordable Housing Investment Benchmark, it is recommending that the principle of flexibility to award grant in excess of the relevant benchmark assumption should be maintained – and that this should be applied consistently across all geographies (in line with current Scottish Government operating procedures). Any grant applicant that requires grant in excess of the relevant benchmark assumption should – with the support of the relevant local authority – continue to apply for this, and should engage as early as possible with the relevant grant provider to ensure that consideration and agreement of costs can be expedited.

## **Continuous improvement**

The current Affordable Housing Supply Programme is delivered by over 100 organisations using a number of different approaches and contractors. However, despite the significant level of overall investment in the Programme, the Scottish Government highlighted that there is currently no sector-wide system in place to consider what is working well, where improvements could be made, how the approach of one organisation compares to another etc.

The group agreed that this needs to be addressed in order to demonstrate and improve value for money – noting that it is essential that the sector can measure its performance, identify opportunities for improvement and ensure that investment is achieving the intended high quality and value for money standards. In this context, local authority officers highlighted (a) the existing legal requirement of councils to make arrangements which secure best value and (b) the accountability to tenants and their wider community in terms of both affordability and the quality of new homes.

Information submitted by the Scottish Government to the first meeting of the group included a section on continuous improvement – this suggested some new ideas for discussion but was underpinned by two programmes that had been in development over the past five years:

- A '*Value for Money in New Affordable Homes Tool*' to measure and improve performance in housing development – this had been developed by councils and housing associations through Scotland's Housing Network<sup>3</sup> over the period since 2016 and allows the cost, quality and speed of delivery of new build projects to be evaluated and compared (see below).
- A programme of procurement support for housing associations – this was delivered by Scotland Excel between 2016 and 2019, and had been funded by the Scottish Government. The work was paused however in early 2020 due to the pandemic (see below).

During the review, Scottish Government officials proposed that (a) both of these programmes should to be adopted universally across the sector (for the reasons given below) and (b) participation in both of these programmes would become a condition of receiving grant funding for the delivery of new affordable homes (the procurement support programme would apply only to housing associations as councils already participate in the local government scheme). Prior to any implementation of that condition however, the Scottish Government confirmed that it would work collaboratively with appropriate organisations and their representative bodies to ensure that these requirements are implemented in the most effective and useful way.

While RSL sector representatives made it clear that they had concerns about the evidence base for – and the efficiency and effectiveness of – either tool, as well as the mandatory element, the Scottish Government did not share that view.

### **Value for Money in New Affordable Homes Tool**

The Scottish Government noted that above tool was developed with councils and housing associations and that it had been hoped that most of, if not all of, Scotland's Housing Network members would participate. It was noted however that there are two main reasons why some members have been reluctant to take part:

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<sup>3</sup> [Scotland's Housing Network](#) is a consortium of local authority and housing association landlords working together to drive up performance and deliver quality services by means of benchmarking, self-assessment and practice exchange. Its members include all 32 councils and around 100 housing associations (including most developing associations).

- The tool requires data to be submitted to Scotland's Housing Network for individual projects – this is data about costs, time and quality. Much (but not all) of this data is already held on Scottish Government systems and Scotland's Housing Network members were keen to avoid submitting such data twice. (Scotland's Housing Network has convened a group of its member which is reviewing the quality measures and would expect to adjust these in light of experience.)
- The tool also requires a face to face interview with tenants, one year after occupation. Many members of Scotland's Housing Network already survey tenants of new homes and were reluctant to move away from their local approach. Some also cited costs as a concern though at approximately £30 per survey (set against the total cost of delivering a new RSL social rented home in 2019-20, for example, of nearly £160,000) this was not considered to be a major issue by the Scottish Government.

The Scottish Government noted that it believes that the tool needs to be universally adopted to ensure that the findings are reliable and meaningful across Scotland. Without this, the Scottish Government highlighted that it would not be possible to provide evidence of performance and quality improvement at a national level to reflect the Affordable Housing Supply Programme as a whole. Experience in housing management demonstrates the value of comparing results and working practices across landlords in order to identify and share best practice – with the Scottish Government being of the view that a similar approach is needed for housing development.

### **Procurement support programme**

The Scottish Government noted that the procurement support programme was made available free of charge to all housing associations, but was only taken up by 53 associations (about one-third of the sector). During the review, the Scottish Government referred to evidence previously shared with sector leaders which showed the procurement capability across the sector. Before the programme began, typical scores were below 20% and rose to a median of 46% following the support being provided – demonstrating that there is scope for improvement. The programme also highlighted compliance issues and scope for financial savings (across most areas of activity). Given these results, the Scottish Government noted that it believes that the programme needs to be adopted by all associations and (as is already the case with councils and other public sector bodies) run for a period of years in order to drive up performance. It was proposing therefore that the scheme continues in a similar mode to the previous programme – delivered by Scotland Excel using the PCIP '*lite*' tool (Procurement and Commercial Improvement Programme).

In order to highlight the need for the programme to be universally adopted and participation made a condition of grant, the Scottish Government advised that even when the scheme was free to all associations, only a third or so took part despite a range of measures to stimulate participation (including two letters to all chief executives, many conference and forum presentations and press articles). While RSL representatives on the group noted that this lack of participation to some extent indicated concerns from members about the programme (as evidenced from surveys), the Scottish Government noted that following conclusion of the programme the majority of those RSLs that gave feedback commented positively about their experience and would recommend the programme to others.

## Local government response

While ALACHO commented positively about its experience working with Scotland's Housing Network, local authority officers did not comment specifically on the proposal regarding making participation a condition of grant. In this respect, local authorities are already required to make arrangements which secure best value, and decisions are made and scrutinised by local Elected Members.

## Housing association response

In acknowledging the sector's commitment to evidence-based continuous improvement, housing association representatives on the group had sufficient concerns about the Scottish Government's proposal to provide a counter-proposal. While completely agreeing with the principle of continuous improvement, specific concerns were raised in relation to (a) the lack of time to take a holistic approach on continuous improvement (b) insufficient consultation with the sector and (c) insufficient evidence that the two proposed tools would achieve the desired evidence of continuous improvement. To that end, housing association representatives on the group proposed that an initial one-year exploratory phase be implemented covering the following elements:

- a shared definition of continuous improvement, best value and value for money to frame research, with agreed principles which underpin the work
- a mapping of current continuous improvement activity, systems, programmes etc by RSLs and their key partners, such as the Scottish Government and the Scottish Housing Regulator
- a scoping of continuous improvement activity, systems, programmes etc across the UK RSL sector and in other related sectors
- a gap analysis to identify where further continuous improvement could be focused, looking particularly at procurement and development (the '*Value for Money in New Affordable Homes Tool*', and the PCIP, would form part of this)
- a programme to involve and consult with the sector to ensure that user intelligence, expertise and experience informs the outcomes and outputs, and
- interim and final reporting with specific recommendations on the extension of continuous improvement in the sector.

In noting this position, the Scottish Government believed that the two programmes that it had proposed would form a strong foundation to allow the continuous improvement programme to commence. It fully recognised that the continuous improvement programme would evolve, and that this would allow the housing association sector's comments to be addressed over time.

**August 2021**

## **2021 Affordable Housing Investment Benchmarks Working Group**

### **The Scottish Government**

Brad Gilbert  
Caroline Dicks  
Mark Turley  
Heather Robertson  
Kirsty Henderson  
Anne-Marie Thomson  
Alastair Dee  
Gareth Lewis

### **Convention of Scottish Local Authorities**

James Fowlie  
Laura Caven  
Anil Gupta  
Jonathan Sharma

### **Association of Local Authority Chief Housing Officers**

Tony Cain  
John Kerr (West Dunbartonshire Council)  
Michelle Mundie (Glasgow City Council)  
James Little (Dumfries and Galloway Council)  
Alan Maguire (The Highland Council)  
Elaine Scott (The City of Edinburgh Council)

### **Society of Local Authority Chief Executives**

Monica Patterson (East Lothian Council)

### **Local Authority Directors of Finance**

Gary Fairley (Midlothian Council)

### **Scottish Federation of Housing Associations**

Sally Thomas  
Stacey Dingwall  
Shona Mitchell  
David Fletcher (The Wheatley Group)  
Bill Banks (Kingdom Group)  
Anne Fletcher (Orkney Housing Association)

### **Glasgow and West of Scotland Forum of Housing Associations**

David Bookbinder  
Fraser Stewart/ Simon Metcalfe (New Gorbals Housing Association)

### Timeline of Events

**15 March** – First meeting of the full group, with the following papers being provided:

- A proposed Terms of Reference for the group – drafted by the Scottish Government
- A paper from GWSF entitled *Subsidy Paper March 2021* – this requested a two stage approach to the review with energy efficiency, new build heat standards, automatic fire suppression systems and inflation to be considered first; and space standards, wheelchair housing, the interaction between subsidy and built form/ density and revisiting the three-person equivalent to be considered as part of a second stage. The paper requested that land acquisition and remediation costs be treated separately from mainstream benchmark grant rates, and stressed the importance of retaining the existing flexibility in the benchmark system.
- A paper from the SFHA entitled *The Cost of Compliance Final Report 11 March 2021* – this illustrated the cumulative impact of changing regulations and standards, as well as planning obligations and other factors. The paper provided details of increased costs associated with new build, alongside additional costs associated with proposed new design standards and features (fire suppression systems, energy efficiency and increased space standards).

**23 March** – Meeting of the full group, with the following papers being provided:

- An information paper from the Scottish Government – this contained information on the current set of grant subsidy benchmark assumptions, and provided an analysis of (a) new build unit approvals from April 2016 to September 2020 and (b) construction costs based on Housing Tender Returns. It also outlined the additional quality measures that will be phased in from 2021-22, and provided thoughts on measures to maximise the delivery of more social and affordable homes.
- A paper from GWSF entitled *Subsidy Paper Final March 2021* – this updated the paper which had been submitted for the meeting on 15 March following the publication of *'Housing to 2040'*.
- A paper from the SFHA entitled *The Cost of Compliance Final Report 18 March 2021* – this updated the paper which had been submitted for the meeting on 15 March, again following the publication of *'Housing to 2040'*.
- A paper from COSLA entitled *Community Wellbeing Board AHSP position* – this outlined COSLA's position that decisions on investment should be taken locally and that it would be more appropriate to have one programme of investment for both local authorities and RSLs rather than two separate approaches.

- A paper from ALACHO entitled *Affordable Housing Supply Programme ALACHO submission March 2021* – this set out the current position on investment, capacity and rents, and noted other investment and regulatory pressures (including the requirement to improve existing stock and maintain rent affordability). The paper called for a second stage comprehensive review of current arrangements for supporting investment in new social homes, incorporating Housing to 2040 ambitions. It asked that the current review should consider standardised grant rates for local authorities and RSLs, and increasing investment to cover (a) the full additional costs of inflation over the past five years and (b) the full cost of all proposed additional quality measures. And, it called for local flexibilities to remain in place.

**6 April** – Sub-group meeting (comprising representatives from all sectors), with the following papers being provided:

- A paper from the Scottish Government entitled *Discussion paper for the sub-group meeting on 6 April 2021* – this contained information on the future quality standards that the Scottish Government intended to phase into the Programme, and acknowledged that adjustments were required to the current set of benchmark assumptions. It proposed uplifts to (a) better reflect the costs of rural development (b) reduce the differential between RSL and local authority benchmarks and (c) account for inflation (for both social rent and mid-market rent housing). It also included a proposal to adjust benchmarks annually in line with the Scottish Social Housing Tender Price Index, and set out a proposal to introduce an evidence-based system of continuous improvement for housing development.
- A paper from ALACHO and Local Authority Directors of Finance entitled *Differential grant rates – unpicking the rationale April 2021* – this set out the background to historic differences in Affordable Housing Investment Benchmarks between local authorities and RSLs, focussing specifically on borrowing and land costs.
- A paper from GWSF entitled *Inflation paper GWSF 29 March* – this highlighted uncertainties caused by COVID and Brexit, and concluded that tender price increases have exceeded the inflationary assumptions built into the current set of assumptions.

**15 April** – Meeting of the full group, with the following papers being provided:

- A paper from the Scottish Government entitled *Evidence gathered paper April 2021 (including comments from ALACHO)* – this provided a summary of the information gathered by members of the group at that time on inflationary assumptions and the cost of delivering additional quality measures.
- A paper from GWSF entitled *GWSF response to the SG paper April 2021* – this noted that GWSF was broadly happy with the principle of annual uprating, but set out the reasons why GWSF did not consider the Scottish Social Housing Tender Price Index to be an appropriate proxy. The paper also noted that GWSF was (a) content with the proposal to reduce the differential between RSL and council benchmarks and (b) committed to continuous improvement.

- A paper from the SFHA entitled *SFHA Response 13 April 2021* – this paper set out the SFHA’s response to the proposed set of benchmarks which were contained in the Scottish Government’s paper for the sub-group meeting on 6 April. As well as highlighting certain concerns, the SFHA noted that it was (a) content with the proposal to reduce the differential between RSL and council benchmarks and (b) committed to continuous improvement.

**20 April** – Sub-group meeting comprising representatives from the Scottish Government and the housing association sector, with the following papers provided:

- Two papers produced by the Scottish Government – one containing information on the Scottish Social Housing Tender Price Index, and the other providing an update to the ‘evidence gathered’ paper which was considered at the meeting on 15 April.

**21 April** – Sub-group meeting comprising representations from the Scottish Government and local government. The papers produced for the sub-group meeting on 20 April were provided for this meeting too.

**23 April** – the following paper was issued to the SFHA, ALACHO and COSLA following the sub-group meetings on 20 April and 21 April:

- A short paper from the Scottish Government entitled *Rural Benchmarks Info Paper* – this provided information on the definition and application of rural benchmarks.

**27 April** – Meeting of the full group, with the following papers being provided:

- A paper from the Scottish Government entitled *Proposed structure of report* – this provided a draft outline structure of the group’s final report.
- A paper entitled *BCIS SSHTPI benchmarks paper and covering note* – this paper was prepared by BCIS (on behalf of the Scottish Government) and sought to address concerns regarding the Index which had been raised by members of the group.
- A paper from ALACHO entitled *Response to discussion document* – this outlined the principles that ALACHO would wish to see addressed through the review: the same benchmark assumptions for councils and RSLs; benchmarks to take into account inflation and the additional quality measures that are being phased into the Programme; a consistent approach to be applied to second-hand purchases and mid-market rent; flexibilities to be greater aligned with local strategic housing priorities; a commitment to an annual review of benchmark levels; and a commitment to a second stage review (including consideration of minimum sustainability standards for new build), and a review of the use of geographic benchmarks (with a proposal to use the six-fold classification across Scotland).

**27 April** – the following paper was submitted to COSLA:

- A paper from the Scottish Government entitled: *Summary of main points regarding Scottish Government proposed council/ RSL subsidy benchmarks* – this provided more information regarding the Scottish Government’s proposals to bring the subsidy benchmarks for councils and RSLs into greater alignment.

**4 May** – Sub-group meeting comprising representatives from the Scottish Government, ALACHO, GWSF and SFHA to consider additional specifications and costs stemming from the 2015 building regulations, with the following papers being provided:

- Two papers produced by the SFHA (Wheatley Group) – one containing information from Reid Associates on additional specifications and costs stemming from the 2015 building regulations, and the other containing information from NBM Construction Cost Consultants on the cost of installing automatic fire suppression systems.

**5 May** – Sub-group meeting comprising representatives from the Scottish Government, ALACHO and the SFHA to consider the process for determining a project's geographic classification.

**11 May** – Meeting of the full group, with the following papers being provided:

- A paper drafted by the Scottish Government entitled *The Affordable Housing Investment Benchmarks Working Group's draft final report* – within this, the Scottish Government proposed a further increase to the benchmark assumptions that it had presented at the beginning of April to account for additional specifications and costs stemming from the 2015 building regulations (beyond those assumed at the time of setting the current benchmarks).
- A paper from ALACHO, informed by Local Authority Directors of Finance, entitled *ALACHO Proposal Paper 6 May* – this proposed a set of baseline benchmark assumptions (excluding consideration of additional specifications and costs stemming from the 2015 building regulations). It noted that local government did not accept the logic of a continuing differential between council and RSL benchmark assumptions, and asked for the six-fold classification to be applied across Scotland for geographic benchmarks. It also asked for the review of the Housing for Varying Needs design guide to be accelerated, and requested a second stage review which would look at the introduction of minimum sustainability standards for new build.

**14 May** – the following paper was submitted to the Scottish Government:

- A paper from ALACHO, the SFHA and GWSF entitled *Joint response to draft report* – this recorded that the Scottish Government's latest set of proposed benchmark assumptions were inadequate and put forward an alternative set of proposals. It also noted that the Scottish Government's proposals for a programme of continuous improvement could not be accepted, and advised that a different proposal would be put forward by the sector. It also requested a commitment to using a later review stage to examine a number of medium/ long term adjustments.

**11 June** – Sub-group meeting comprising representatives from the Scottish Government and local government representatives to discuss the proposed differential between baseline benchmark assumptions for RSLs and councils.

**17 June** – Sub-group meeting comprising representatives from all sectors, with the following paper being provided:

- A paper from the Scottish Government entitled *Benchmark proposal* – this paper outlined increases to the Scottish Government’s previous proposal, and set out the reasons for these.

**21 June** – the following paper was submitted to the Scottish Government:

- A paper from the SFHA and GWSF entitled *Continuous Improvement proposal* – this contained a ‘*counteroffer*’ to the Scottish Government’s proposals on continuous improvement, and reiterated the housing association sector’s opposition to the introduction of a mandatory programme of continuous improvement.

## Six-fold Classification

The Scottish Government noted that using the six-fold classification and applying the remote benchmark to all remote rural areas (category 6) would mean, for example, that a project in Muir of Ord (20 minutes by road from Inverness) and a project in Inverkeithing would attract the same '*remote rural*' benchmark as a project in Islay whilst some remote small towns (category 5) would be excluded. This would mean, for example, that a development in Dingwall would be treated in the same way as a development in Kirkwall despite these locations facing significantly different delivery challenges as they would have the '*other rural*' benchmark applied. It would also mean that areas such as East Calder and Gartcosh were considered rural in the same way as Newmachar and Elgin.

These anomalies can be seen across most of the non-urban six-fold classification categories, with the examples below illustrating the range of different locations within a single classification category:

<b>Category 3</b> <i>Accessible small towns</i>	<b>Category 4</b> <i>Accessible rural</i>	<b>Category 5</b> <i>Remote small towns</i>	<b>Category 6</b> <i>Remote rural</i>
Lennoxton	North Berwick	Huntly	Drumnadrochit
Alloa	Stanley	Kirkwall	Kyle of Lochalsh
Callander	Burdiehouse	Alness	Banff
Nairn	Newmachar	Aviemore	Muir of Ord
Kemnay	Gartcosh	Oban	Aberfeldy
Cupar	East Calder	Dingwall	Dornoch
South Queensferry	Elgin	Girvan	Leurbost
Eyemouth	Galashiels	Conon Bridge	North Connel
Winchburgh	Dalrymple	Dunoon	Islay
Inverurie	Saline	Castle Douglas	Arrochar
Lanark	Haddington	Keith	Portsoy

## Workings – baseline benchmark assumptions

RSL social rent	West Highland, Island authorities, and remote/ rural Argyll	Other rural	City and urban
Current	82,000	72,000	70,000
Adjust geographies	5,000	3,000	0
Sub-total	87,000	75,000	70,000
Inflation at 3%	2,610	2,250	2,100
Uplift to reflect additional specifications and costs stemming from the 2015 building regulations	5,900	5,900	5,900
<b>Total</b>	<b>95,510</b>	<b>83,150</b>	<b>78,000</b>
<b>Proposed benchmark*</b>	<b>95,500</b>	<b>83,000</b>	<b>78,000</b>

Council social rent	West Highland, Island authorities, and remote/ rural Argyll	Other rural	City and urban
Current	57,000	57,000	57,000
Reduce differential to current RSL social rent	12,500	7,500	6,500
Mirror geographies' differential above	5,000	3,000	0
Sub-total	74,500	67,500	63,500
Inflation at 3%	2,235	2,025	1,905
Uplift to reflect additional specifications and costs stemming from the 2015 building regulations	5,900	5,900	5,900
<b>Total</b>	<b>82,635</b>	<b>75,425</b>	<b>71,305</b>
<b>Proposed benchmark*</b>	<b>83,000</b>	<b>75,500</b>	<b>71,500</b>

<b>RSL mid-market rent</b>	<b>West Highland, Island authorities, and remote/ rural Argyll</b>	<b>Other rural</b>	<b>City and urban</b>
Current	44,000	44,000	44,000
Geographic uplift	5,000	3,000	0
Uplift to reflect evidence	2,000	2,000	2,000
Sub-total	51,000	49,000	46,000
Inflation at 3%	1,530	1,470	1,380
Uplift to reflect additional specifications and costs stemming from the 2015 building regulations	5,900	5,900	5,900
<b>Total</b>	<b>58,430</b>	<b>56,370</b>	<b>53,280</b>
<b>Proposed benchmark*</b>	<b>58,500</b>	<b>56,500</b>	<b>53,500</b>

<b>Council mid-market rent</b>	<b>West Highland, Island authorities, and remote/ rural Argyll</b>	<b>Other rural</b>	<b>City and urban</b>
% of new RSL social rent benchmarks	c. 90%	91%	c. 91%
<b>Total</b>	<b>52,587</b>	<b>51,297</b>	<b>48,485</b>
<b>Proposed benchmark*</b>	<b>53,000</b>	<b>51,500</b>	<b>49,000</b>

\* Figures rounded

**Illustrative Examples**

<b>3 PERSON EQUIVALENT CONVERSION FACTORS</b>											
AVGE. BEDS	CONV. FACTOR	AVGE. BEDS	CONV. FACTOR	AVGE. BEDS	CONV. FACTOR	AVGE. BEDS	CONV. FACTOR	AVGE. BEDS	CONV. FACTOR	AVGE. BEDS	CONV. FACTOR
1.0	72.0	2.0	89.3	<b>3.0</b>	<b>100.0</b>	4.0	109.0	5.0	115.5	6.0	120.0
1.1	73.7	2.1	90.4	3.1	100.9	4.1	109.7	5.1	116.0	6.1	121.0
1.2	75.5	2.2	91.4	3.2	101.8	4.2	110.3	5.2	116.4	6.2	122.0
1.3	77.2	2.3	92.5	3.3	102.7	4.3	111.0	5.3	116.9	6.3	123.0
1.4	78.9	2.4	93.6	3.4	103.6	4.4	111.6	5.4	117.3	6.4	124.0
1.5	80.7	2.5	94.7	3.5	104.5	4.5	112.3	5.5	117.8	6.5	125.0
1.6	82.4	2.6	95.7	3.6	105.4	4.6	112.9	5.6	118.2	6.6	126.0
1.7	84.1	2.7	96.8	3.7	106.3	4.7	113.6	5.7	118.7	6.7	127.0
1.8	85.8	2.8	97.9	3.8	107.2	4.8	114.2	5.8	119.1	6.8	128.0
1.9	87.6	2.9	98.9	3.9	108.1	4.9	114.9	5.9	119.6	6.9	129.0
										7.0	130.0

## Affordable Housing Investment Benchmarks – Illustrative Examples (cont'd)

The following example relates to an RSL social rent project in a 'city and urban' area, with homes having automatic fire suppression systems and zero emissions heating systems:

<i>Number of units (a)</i>	6	
<i>Number of bedspaces (b)</i>	22	
<i>Average bedspaces (b)/(a)</i>	3.7	
<i>Total proposed grant (c)</i>	£515,500	
<i>Average proposed grant per unit (c)/(a)</i>	£85,917	
<i>Three-person equivalent conversion factor</i>	106.3	
<i>Apply conversion factor to average proposed grant per unit (£85,917 divided by 106.3 multiplied by 100) (d)</i>	£80,825	
<i>Compare (d) with the relevant three-person equivalent Affordable Housing Investment Benchmark of £85,000 per unit (i.e. £78,000 (baseline assumption), plus £3,000 for the installation of automatic fire suppression systems, plus £4,000 for the installation of zero emissions heating systems)</i>		<i>Project under benchmark at £80,825 per unit and therefore follows a streamlined application and approval process</i>

## Affordable Housing Investment Benchmarks – Illustrative Examples (cont'd)

The following example relates to a local authority social rent project in a 'city and urban' area, with homes having automatic fire suppression systems and zero emissions heating systems:

<i>Number of units (a)</i>	6
<i>Number of bedspaces (b)</i>	22
<i>Average bedspaces (b)/(a)</i>	3.7
<i>Total proposed grant (c)</i>	£515,500
<i>Average proposed grant per unit (c)/(a)</i>	£85,917
<i>Three-person equivalent conversion factor</i>	106.3
<i>Apply conversion factor to average proposed grant per unit (£85,917 divided by 106.3 multiplied by 100) (d)</i>	£80,825
<i>Compare (d) with the relevant three-person equivalent Affordable Housing Investment Benchmark of £78,500 per unit (i.e. £71,500 (baseline assumption), plus £3,000 for the installation of automatic fire suppression systems, plus £4,000 for the installation of zero emissions heating systems)</i>	<i>Project over benchmark at £80,825 per unit and therefore follows a more detailed appraisal approval process</i>

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