

RESPONSE TO QUESTIONS PURSUANT TO RULE 14 OF THE RULES OF PROCEDURE

From	President, Committee for Employment & Social Security
To	Deputy Sasha Kazantseva-Miller
Subject	Affordable Housing Unit Costs
Date of response	8 October 2024

Background:

During the question time following the CfESS President's Statement (delivered by the Vice-President) at the May 2024 States meeting, Deputy Kazantseva-Miller asked the question about what the total cost to the taxpayer was per unit of Affordable Housing. In accordance with Rule 10(5), I was provided with a written answer as follows by CfESS:

"This information is provided at a high level. The release of further detail would need to be considered by the Committee for Employment & Social Security and the Policy & Resources Committee.

For the three most recent indicative development proposals considered by the Committee for Employment & Social Security and the Policy & Resources Committee, the average capital grant as a percentage of total development cost was 32.6%, which equated to an average grant per unit of £122,865.

These figures are based on the information provided in the indicative development proposals received from the Guernsey Housing Association (GHA), which will be subject to revision once the final tenders and development proposals have been received and approved.

The capital grant requirement varies by site, based on factors such as any additional infrastructure works required, and the grant per unit varies depending on the type of units to be delivered (e.g. a 1-bed flat or a 2-bed house). The grant requirement also tends to be higher for specialised housing developments due to the additional specifications to support the needs of residents.

The financial information submitted by the GHA is assessed by Treasury Officers against the projected market value and relevant benchmarks to determine the overall value for money of the development proposal, before being considered by the relevant Committees."

Question 1:

Could you provide further information on how the average grant of £122,865 has been split between the construction and building costs of Affordable Housing units versus the grant to acquire the land?

Response:

The capital grant requests in respect of the sites within the current Affordable Housing Development Programme are calculated based on both the land acquisition cost and the total development cost. While land acquisition costs are made public through normal conveyance procedures, the build out and development costs are confidential at the indicative development proposal stage for reasons of competition and commercial sensitivity.

The indicative development proposals and capital grant requirements are subject to change once final planning permission has been obtained and tendered contract submissions analysed and awarded. For the sites in question, this process is the responsibility of the Guernsey Housing Association as developer. For this reason, development proposals are subject to two rounds of political consideration, at the indicative proposal stage and the final proposal stage.

Negotiations on the contractual arrangements and development costs for each of these sites are still ongoing and therefore still subject to live competitive tendering processes. For this reason, any details on these financials will not be made public at this stage.

The Committee wishes to give assurance that the levels of capital grant are continually monitored to ensure its use in delivering Affordable Housing units is maximised wherever possible and delivers value for money. To ensure meeting the projected housing requirements continue to be worked towards, the Committee will be submitting a capital prioritisation bid as part of the States-wide process for the progression of the long-term Affordable Housing Development Programme.

Question 2:

How does the average capital grant differ between developments for keyworker and specialised housing (currently not included in the States Strategic Housing Indicator) and other types of Affordable Housing such as partial ownership and social rental?

Response:

As a point of clarity, the Committee wishes to emphasise that while the question states that the States Strategic Housing Indicator (SSHI) does not include key worker housing, this is only true in relation to dedicated States-owned or GHA-owned key worker accommodation. A significant number of off-island recruited key workers live in the private rental sector and their housing requirements are picked up and projected as part of the housing needs modelling for this tenure that ultimately informed the SSHI agreed in 2023.

In response to the question, the average capital grant required for a key worker accommodation unit and a social rental or partial ownership unit are equivalent. These tenures are general needs housing units, with no specific construction or design features.

The units are designed in this way so that the unit tenures can be interchangeable and flexed depending on the prevailing tenure demands over time - be it social rental, partial ownership, key worker or any other housing tenure that may be required in the future.

In relation to specialised housing developments, the capital grant requirements for these units are generally higher than those of the aforementioned general needs and key worker Affordable Housing units. This is because the specialised housing developments include specialist design features to meet their users' needs, as well as communal areas and office space, which means that the development costs are higher. In addition, the communal and office areas do not have a corresponding rental income and therefore it impacts on the capital grant required to enable the development to be viable.

Question 3:

Do you have any benchmarks on how the average capital grant of 32.6% of total development of Affordable Housing in Guernsey compares to other jurisdictions?

Response:

The land acquisition costs, build costs and financing/borrowing arrangements are unique to Guernsey. Therefore, the proportion of the cost of each development which is grant funded is not compared with Affordable Housing developments in other jurisdictions, which would not be comparable, but is compared to historic local Affordable Housing developments.

However, it is also important to emphasise that even when comparing with historical on-island Affordable Housing development costs, the categorisation and associated value of the acquired land plays a significant factor in the resulting capital grant requirement.

A number of historical Affordable Housing developments have been either redevelopments of former Housing-owned estates (for example, the former Grand Bouet and Cour du Parc) where the sites were transferred at nil cost as a land subsidy, or on sites that fell under Policy RH2 of the former Rural Area Plan whereby one of the constraints to developing these sites was that they had to be developed for a tenure of Affordable Housing and so the associated land value was less than a commercial market rate (for example Vallee Vinery, Clos Carre, Clos Barbier). These types of sites have now been exhausted.

The capital grant requirements for redevelopment / Policy RH2 developments were significantly less than those associated with purchasing standard market rate sites, such as those being purchased and progressed in the current Affordable Housing Development Programme.

Any Affordable Housing development needs to be approved by both the Committee *for* Employment & Social Security and the Policy & Resources Committee, and while the grant requirement is considered by both committees, the Policy & Resources Committee's specific role in this regard is to consider value for money and the financial viability of development proposals.