



## Policy & Resources Committee

### Response to a Question Pursuant to Rule 14 of The Rules of Procedure of the States of Deliberation and their Committees

**Subject:** Affordable Housing Unit Costs  
**States' Member:** Deputy Kazantseva-Miller  
**Date received:** Tuesday 24<sup>th</sup> September 2024  
**Date acknowledged:** Wednesday 25<sup>th</sup> September 2024  
**Date of reply:** Wednesday 9<sup>th</sup> October 2024

#### **Background** [as provided in question by Deputy Kazantseva-Miller]:

During the question time following the CfESS President's Statement (delivered by the Vice-President) at the May 2024 States meeting, I 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:**

**How much funding is currently allocated and remaining under the Funding & Investment Plan (F&IP) and the Government Work Plan (GWP) for the Affordable Housing Program?**

**Response:**

An estimate of £40m was allocated in the F&I Plan. This has been fully allocated to Guernsey Housing Association (GHA) developments in-principle. The grant element is the final amount to be paid upon completion of the development (excluding land purchase element where applicable).

To date £11m has been paid in cash to GHA and £17.5m in land purchase costs.

**Question 2:**

**How many units of Affordable Housing would the funding allocated under the F&IP and GWP enable to be developed based on the current average taxpayer grant of £122,865?**

**Response:**

The capital funding allocated to the Affordable Housing Development Programme, as agreed by the States of Deliberation in 2021, was based on the projected Affordable Housing requirements and estimated capital build costs at that time. The Affordable Housing Development Programme is a long-term, rolling development programme and, at the time of preparing the capital allocation in 2021, it was acknowledged that the housing unit numbers and associated development costs of housing development would be subject to change over the years.

The fluctuations in housing need, unit size requirements, tenures, population projections, build costs, contractor capacity and availability, site values and associated infrastructure requirements are all varying factors that play an important role in projecting the funding required. In order to best manage these, the prioritisation of resource and sites has been necessary within the Affordable Housing Development Programme to ensure carefully planned housing delivery that meets the Island's housing requirements.

The figure of £122,865 is not an accurate metric to project capital grant requirements of future housing developments. It was used in response to the Rule 10(5) questions as an indication, with the relevant caveats set out, to give a guide on what the capital grant levels *might* be for three pending developments.

Each development site has individual costs, infrastructure complexities and design build specifications. Applying a generic average grant requirement across all housing sites does not represent a complete picture and therefore it is not possible to estimate with any degree of certainty how many units this could relate to.

The comparable metric that is used is the total capital grant in relation to the total development cost. The financial appraisal for each development site is analysed in detail, considering all contributing factors, to ensure value for money is achieved for the capital grant.

The current Affordable Housing Development Programme, expected to be delivered with the current capital funding allocation, should deliver in the region of 400 units (noting that this figure is indicative only at this stage and subject to planning permissions and viable development proposals being put forward).

### **Question 3:**

**The States Strategic Housing Indicator (the SSHI), approved in March 2023, identified the need for 721 units of Affordable Housing between 2023-2027, excluding keyworker and specialised housing. At the current capital grant of £122,865 per unit, the total taxpayer grant that would be required for 721 units is £88.6million. How much of that taxpayer funding is available to meet the SSHI by 2027, which is within the F&IP planning horizon?**

### **Response:**

A bid for an additional capital allocation for the Affordable Housing Development Programme will be made as part of the next round of capital prioritisation. In preparation for this, a full analysis will be undertaken on the current allocation, projected spend, unmet housing requirements, build costs, site costs and estimated capital grant requirements. This analysis will consider the most up to date data available, which has changed considerably since the last capital funding request was made in 2021.

At present, the funding allocated to the Affordable Housing Development Programme is still in place and work with the GHA to understand its funding requirements, and associated timescales, to enable viable Affordable Housing developments to come forward is ongoing.

In addition to this, other delivery methods for Affordable Housing are also being considered to work towards delivering the housing needs set out in the SSHI. This is particularly pertinent following the States Resolution to zero-rate Policy GP11 which, before zero-rating, was intended to deliver in the region of 250 Affordable Housing units. Any capital funding requirements that result from alternative delivery methods will also be presented for consideration as part of the next round of capital prioritisation.

All capital funding requirements in relation to the delivery of Affordable Housing in Guernsey will form part of the wider Affordable Housing Development Programme business modelling process.

**Question 4:**

**A successful amendment lodged by Deputy Roffey and de Sausmarez ensured that up to £150million could be made available to the GHA or other housing association(s) as repayable debt financing for Affordable Housing development. Could you outline what steps have been undertaken to make this debt funding available to the GHA?**

**Response:**

Treasury has been working with the GHA to understand its funding requirements to ensure that the right level of debt is taken out at the appropriate time. It is critical to ensure debt is not taken out too early to prevent unnecessary financing charges, or too late to prevent the GHA from meeting its development priorities. This timing, along with the quantum required, is currently being assessed alongside the other funding requirements of the States. Appropriate funds will be available to enable the GHA to carry out its prioritised developments as planned.