



Scotland's Housing Network

Development Value for Money



Quality and cost in Scottish Affordable Social Housing Projects, 2022/23

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Affordable Social Housing Projects, 2022/23

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Executive Summary

This report looked at 38 projects from 16 unique landlords. 6 local authorities submitted DVfM data during 2022/23 concerning 11 projects, amounting to 292 units, while 10 RSLs submitted data about 27 projects delivering 743 units.

The main findings of this report are as follows:

- Local authority-led projects have tended to be smaller, with lower average and mean project size than RSLs – however the biggest project completed during 2022/23 was led by a local authority
- Only 7 projects delivered more than 40 units, but these made up a high proportion of all completed units reported to SHN during 2022/23
- Social rent remains the predominant tenure being developed through the Affordable Housing Supply Programme, with general needs units being most commonly delivered
- About one fifth of units were designed for people with particular needs, however about four fifths of LA projects featured some degree of specialist provision compared to just over half of RSL projects. Nevertheless looking at overall provision of units, this was close to evenly split between LA's and RSL's, although the character of this provision varied – RSL's broadly delivered ambulant disabled units while, LA's delivered more wheelchair accessible and sheltered housing
- The majority of properties completed comprised two or three bedrooms (with an average property size of two bedrooms) in line with national figures around demand. Only 5% of units completed comprised 5 apartments (4 bedrooms) or more.
- Most development is taking place in areas not classified as rural, with more than 68% of new build units in 'large urban' or 'other urban' areas, and only 21% in areas classified as 'Rural Scotland'
- The average Gross cost per unit was around £166,000, ranging from £107,250 to £296,000. Of the projects considered, 8 projects had Gross costs of greater than £200,000 per unit
- There is a strong correlation between project size and cost, but we can see that a few larger projects – particularly those with 40 or more units - provide more homes than would be expected, which may suggest there are some economies of scale for larger projects. This also shows that some projects are relatively more expensive relative to their size.
- There was more variation when comparing works costs to project size, with various factors likely to be at play here - including the proportion of units delivering specialist provision, the relative rurality of the project's location as well as wider contractor issues
- Analysis of costs per unit again suggests that developments in rural geographies, those with higher proportions of specialist provision housing stock and smaller projects tended to be more expensive on a per unit basis
- While there was some limited evidence of economies of scale, there remains a lot of variation with regard to cost against project size – removing one outlier makes this trend effect very limited.

- We identified only limited evidence that *the presence* of specialist provision units within projects was having a significant impact on overall works costs per unit, although projects where this was a *major focus* of the development did tend to have higher per unit costs
- Development in Scotland is unsurprisingly primarily being led by Affordable Housing Supply Programme (AHSP) funding, but we can also see the significant contribution being made by landlords funded by existing tenants' rent – be that the funding from Housing Revenue Account (HRA) reserves driving local authority-led developments or the private finance being accessed to deliver RSL-led projects.
- Many Council-led projects are contributing more than 50% of the costs of new build developments through HRA funding, although a small number of projects reported utilising private finance instead of using HRA reserves.
- AHSP contributions as a percentage of project total costs tended to be higher for RSLs, ranging from 71% to 24%, with a median of 55%. This compared to 23% to 44% for local authority-led projects, with a median of 36%
- 96% of homes in these projects met Housing for Varying Needs standards, with only two projects with no properties meeting the relevant level. 19 projects delivered units which met HfVN3 (older/ambulant disabled), while 13 projects delivered units meeting HfVN5 (Wheelchair accessible housing).
- Most projects are meeting the 'Bronze Active' Greener Homes standard or better, while around 37% of projects met 'Silver Active' or better.
- About three quarters of projects met the Secured by Design standard at Silver or higher.
- The Coronavirus pandemic has clearly had an impact on project timescales, with many projects taking more than 21 months to complete. This can be compared to our pre-pandemic pilot, where most projects completed within 10-18 months. Some projects indicated that their proposed start dates had slipped due to the pandemic, but had nevertheless managed to complete the project by or around the proposed completion date.

Further analysis of this year's data will be carried out when we receive satisfaction survey data in relation to these projects, as well as in future years as we receive more project data.

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Introduction

This is the first annual report providing an overview of data received from landlords across Scotland for Scotland's Housing Network (SHN)'s Development Value for Money (DVfM) tool. Following on from a successful pilot project initiated by our colleague Misia Jack and completed by James Duffy, the DVfM tool launched in March 2022, and since then has been collating data on a voluntary basis from our members.

In November 2022, the Scottish Government announced that access to Affordable Housing Supply Programme (AHSP) funding would be conditional for both local authorities (LAs) and registered social landlords (RSLs) upon participation in the Continuous Improvement Programme, one element of which is "a programme which assesses value for money in affordable housing projects in the case of new build developments (regardless of the procurement route)"¹. Scotland's Housing Network is pleased to be able to offer our DVfM Tool to our Members in fulfilment of this requirement at no additional cost. Landlords who are not SHN members may also use the Tool and associated resources, but this will be on the basis of an annual cost relative to the size of organisation.

This report analyses the nature, cost and timescales associated with 38 projects completed during 2022/23. Data on tenant satisfaction is yet to be collated, but when this is received from landlords we will incorporate this into our data analysis and review this at both project and national overview level.

We hope that you find this report of value – we believe it offers a unique insight that goes beyond the out-turn reports published by SG each year, focusing as it does on individual projects, allowing a more detailed look at what is being delivered by social sector landlords.

¹ Scottish Government (2023) *Affordable Housing Supply Programme (AHSP): Process and Procedures* MHDGN2023/01 <https://www.gov.scot/publications/affordable-housing-supply-programme-ahsp-process-and-procedures-mhdgn-2023-01/pages/annex-g/>

Project details

Project size

During 2022/23, we received details of 38 projects from 16 landlords. This was a positive initial response, given that any projects completing during this year would not have been subject to the condition of participation in the Continuous Improvement Programme. As more projects approved after November 2022 begin to complete we anticipate an increase in participation during 2023/24.

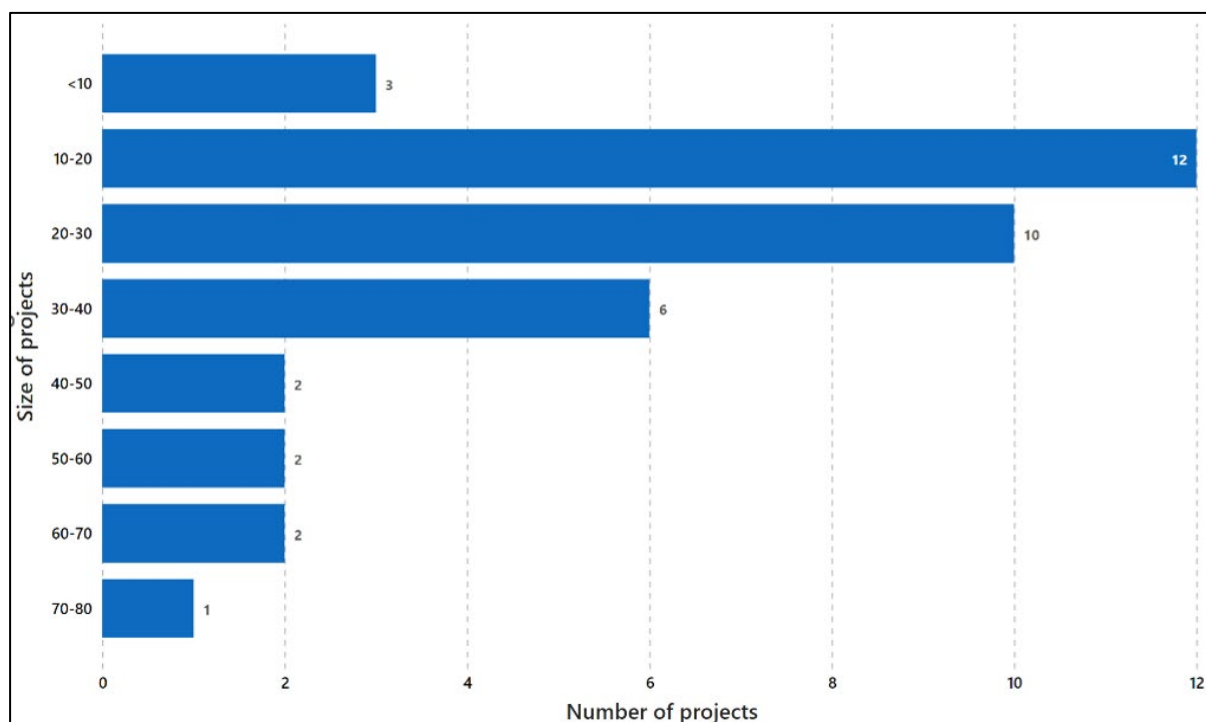
Of these 16 landlords:

- 6 local authorities submitted DVfM data during 2022/23 concerning 11 projects, amounting to 292 units
- 10 RSLs submitted DVfM data during 2022/23, about 27 projects delivering 743 units.

Turning now to projects by size, we can see that projects ranged from a minimum of 4 units to a maximum of 79 units. Almost three quarters of these were between 10 and 40 units, with only 7 projects delivering more than 40 units.

The average project size was slightly smaller for LAs than RSLs, amounting to 26.5 units for LA-led projects compared to 27.5 units for RSL-led projects. Looking to median project size, the difference is more pronounced - with an LA median property size of 19 compared to a median of 24 for RSLs. Nevertheless it is worth noting that the largest project reported on this year was a local authority-led project.

Figure 1: Number of Projects by Size, 2022/23



While only 7 projects delivered more than 40 units, these amounted to more than 38% of units for completed projects reported to SHN during 2022/23.

Project tenure and specialist provision

Social rent was the predominant tenure, with general needs provision making up more than 65% of all units delivered. Housing designed for people with particular needs (sometimes referred to as specialist provision) made up about one fifth of completions.

That being said, most projects had some amount of specialist provision included in its development – 61% of all projects had some degree of specialist provision, be that Wheelchair Accessible homes, Sheltered Housing or properties built to an ‘Amenity’ or ‘Ambulant Disabled’ standard.

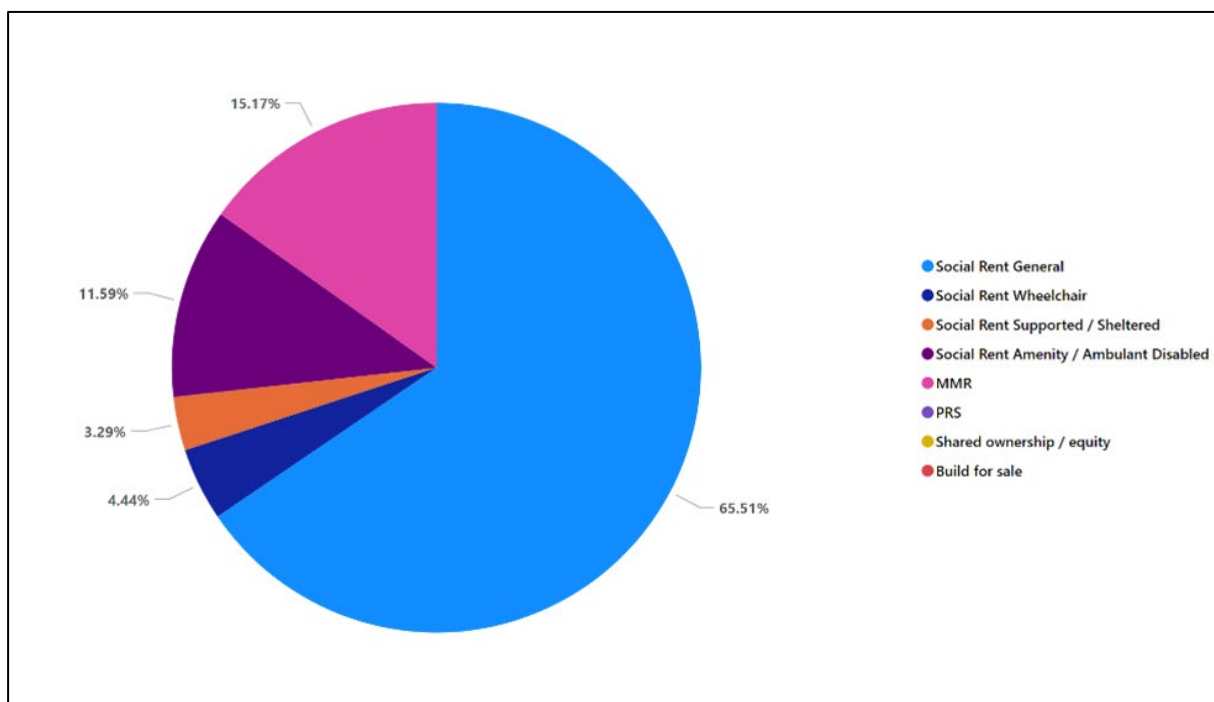
Local authority projects were more likely to feature some degree of specialist provision – 82% compared to 52% of RSL-led projects - however in terms of units delivered this was close to 50/50, and in fact RSLs delivered a slightly higher proportion of specialist provision in total.

In summary, local authorities delivered:

- 65% of Wheelchair Accessible units completed during 2022/23
- 100% of Sheltered Housing units completed during 2022/23
- 28% of Amenity/Ambulant Disabled units completed during 2022/23

Mid-market rent (MMR) made up the remainder of units completed during 2022/23, representing about 15% of all completed units during 2022/23. The majority of these were completed as separate projects, however a small number were completed as part of wider social rented development. Notably, of the projects reported to SHN during 2022/23, none of these featured any shared ownership, shared equity or private rented sector (PRS) development.

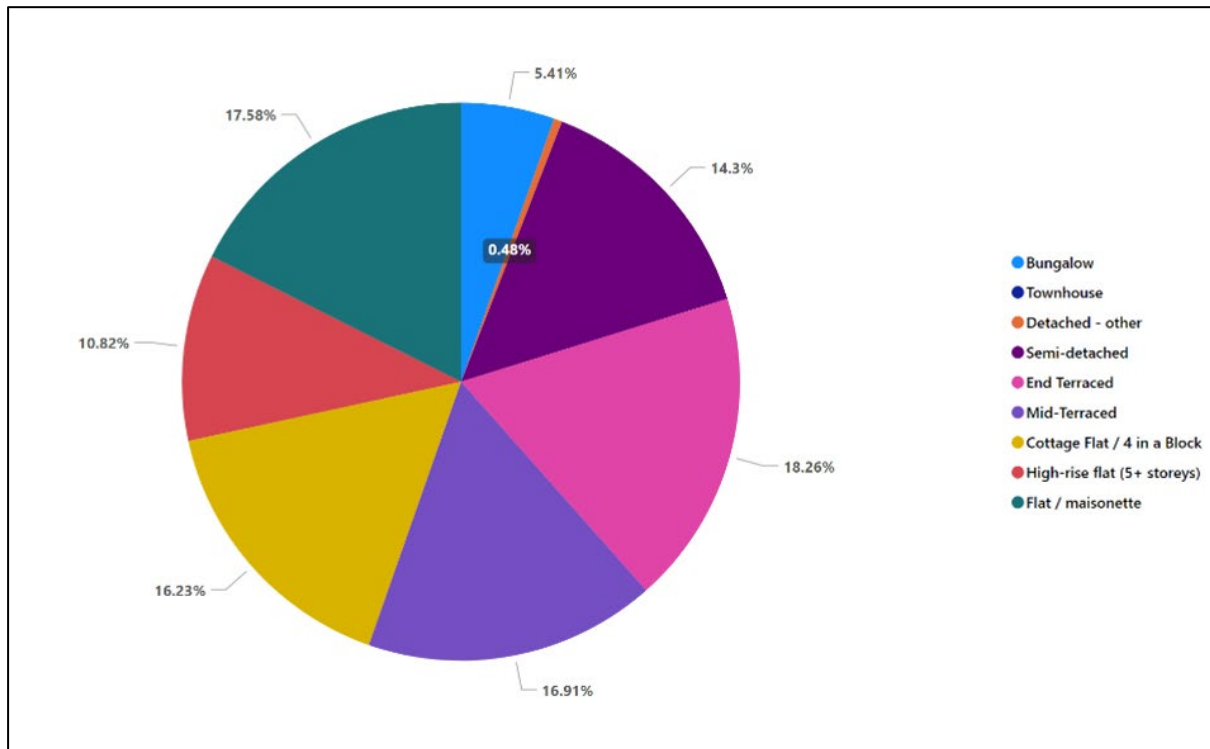
Figure 2: Tenure and Specialist Provision, all projects 2022/23



Property types

A range of house types were reported as completed by landlords during 2022/23, with houses (detached, semi-detached and terraced) making up around half of all properties completed (49.9%).

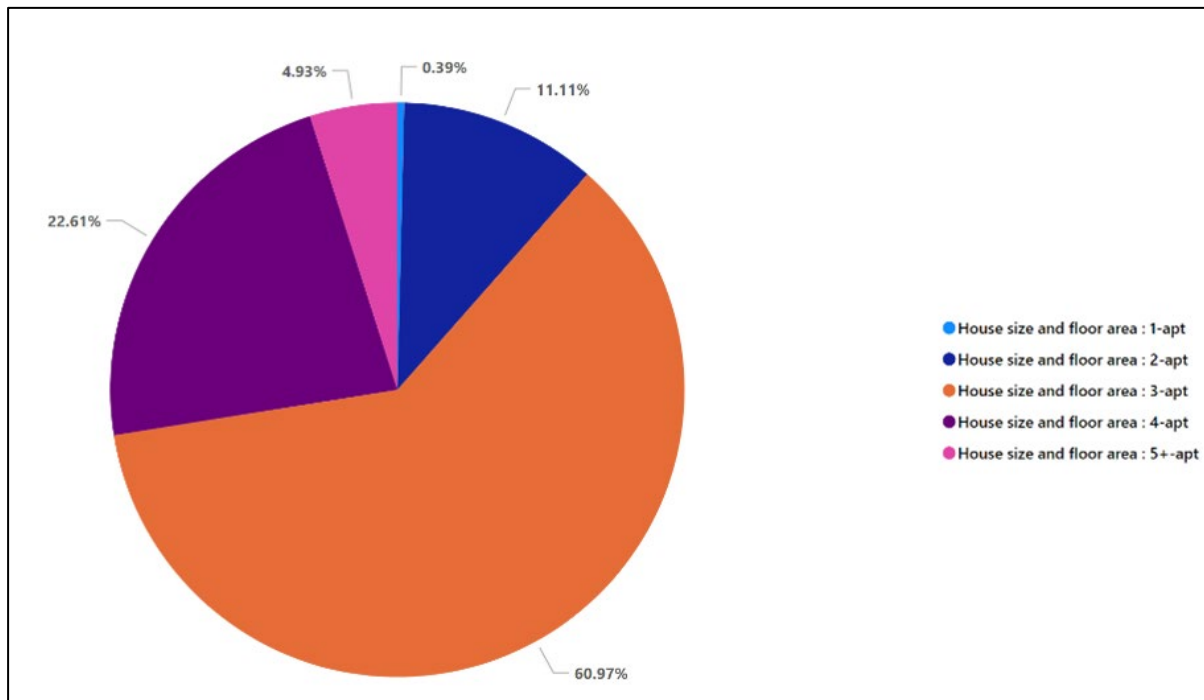
Figure 3: House types, all projects 2022/23



In terms of property sizes, three and four apartment homes (i.e. 2 and 3 bedrooms) were the most common, accounting for around 84% of all properties reported to SHN as completed during 2022/23.

Only four one apartment properties were completed during 2022/23, less than half of 1% of all completions, while only 5% of properties completed comprised 5 or more apartments. The average apartment size was around 3.2 for both LA's and RSL's, with the minimum average apartment size for individual projects ranging from 2 to 4 apartments.

Figure 4: House sizes, all projects 2022/23



Urban/Rural Classification

The Scottish Government uses a number of systems for classifying geographical areas in terms of their rurality². We have opted to use the six-fold classification, which can be summarized as follows:

Table 1: Urban Rural Classification of Areas (Six-fold and two-fold)

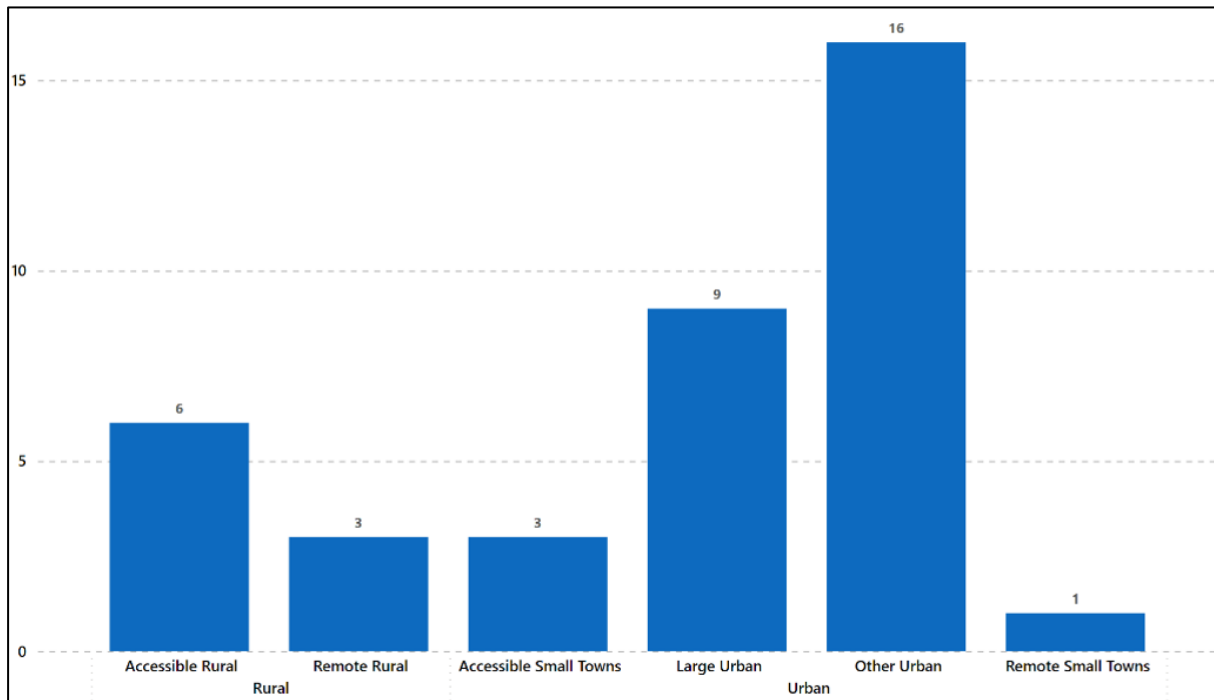
Rest of Scotland	1	Large Urban Areas	Settlements of 125,000 people and over.
	2	Other Urban Areas	Settlements of 10,000 to 124,999 people.
	3	Accessible Small Towns	Settlements of 3,000 to 9,999 people, and within a 30 minute drive time of a Settlement of 10,000 or more.
	4	Remote Small Towns	Settlements of 3,000 to 9,999 people, and with a drive time of over 30 minutes to a Settlement of 10,000 or more.
Rural	5	Accessible Rural Areas	Areas with a population of less than 3,000 people, and within a 30 minute drive time of a Settlement of 10,000 or more.
	6	Remote Rural Areas	Areas with a population of less than 3,000 people, and with a drive time of over 30 minutes to a Settlement of 10,000 or more.

Using this classification, we can see that 29 of the 38 projects – more than three quarters - could be classified as being in areas that were not in rural areas (i.e. “Rest of Scotland” in the Scottish

² Scottish Government (2020) *Urban Rural Classification 2020* - <https://www.gov.scot/publications/scottish-government-urban-rural-classification-2020/pages/2/>

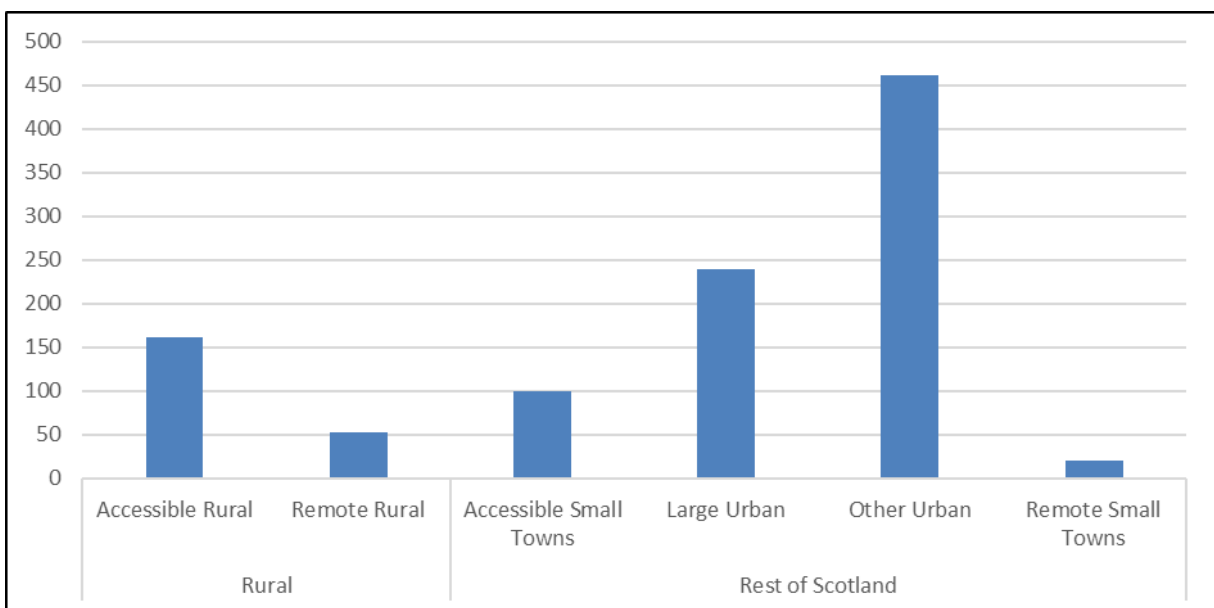
Government’s two-fold classification system). Of the remaining 9 projects, 6 of these were in ‘Accessible Rural’ areas, while only 3 were in ‘Remote Rural’ locations – speaking to the various difficulties of meeting housing needs in more remote areas.

Figure 5: Urban rural classification of projects, 2022/23



In terms of units delivered for each area, we can also see that the majority of units have been delivered in urban areas, with about 68% delivered in geographies classified as ‘Other urban’ or ‘large urban’ areas. Conversely, only 21% of units delivered in 2022/23 were in areas designated by the Scottish Government’s two-fold classification system as ‘Rural Scotland’.

Figure 6: Units delivered by urban/rural classification, 2022/23



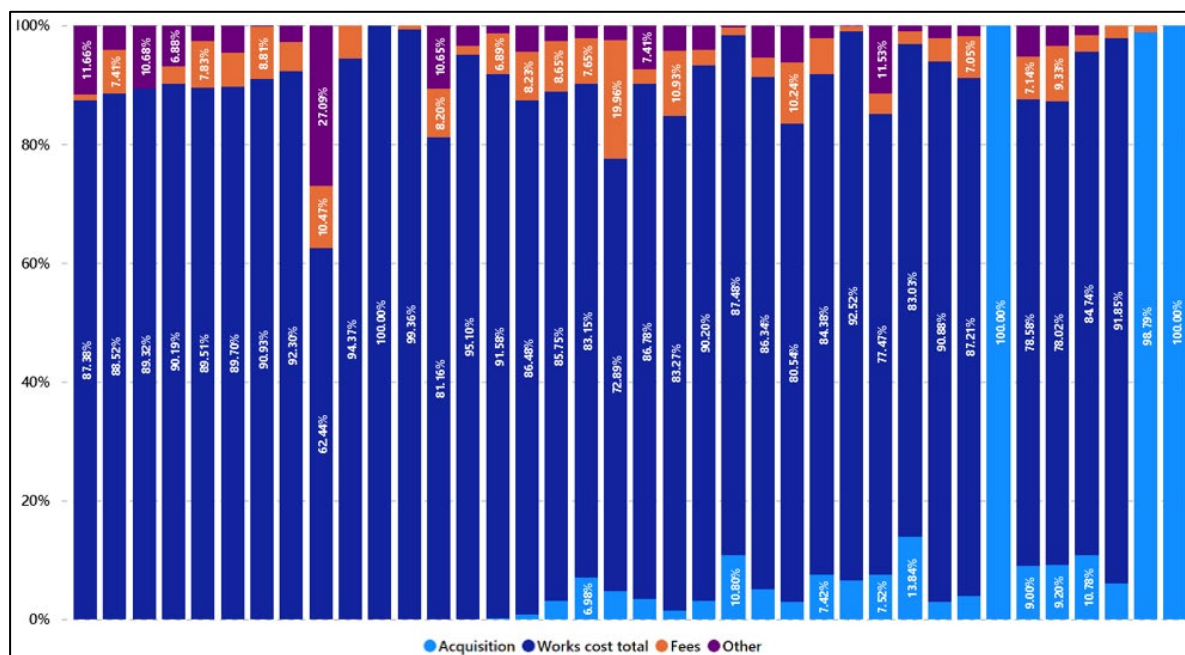
Project costs

Project costs by type

Costs were categorised as either Works costs, Acquisition costs, Fees and ‘Other’ costs. As we can see below, Works costs make up the bulk of the total for most projects, while Acquisition costs tend to be less than 10%. For a small number of projects, Acquisition costs made up all or nearly all of the costs associated with the projects – these tended to be bulk, off-the-shelf purchases, or part of Section 75 arrangements with private sector developers. Other projects report 0% acquisition costs, indicating land transfers at zero value. Fees and other costs generally made up only small proportions of total costs, with some notable exceptions, including one project where Fees and Other costs made up more than a third of their gross costs.

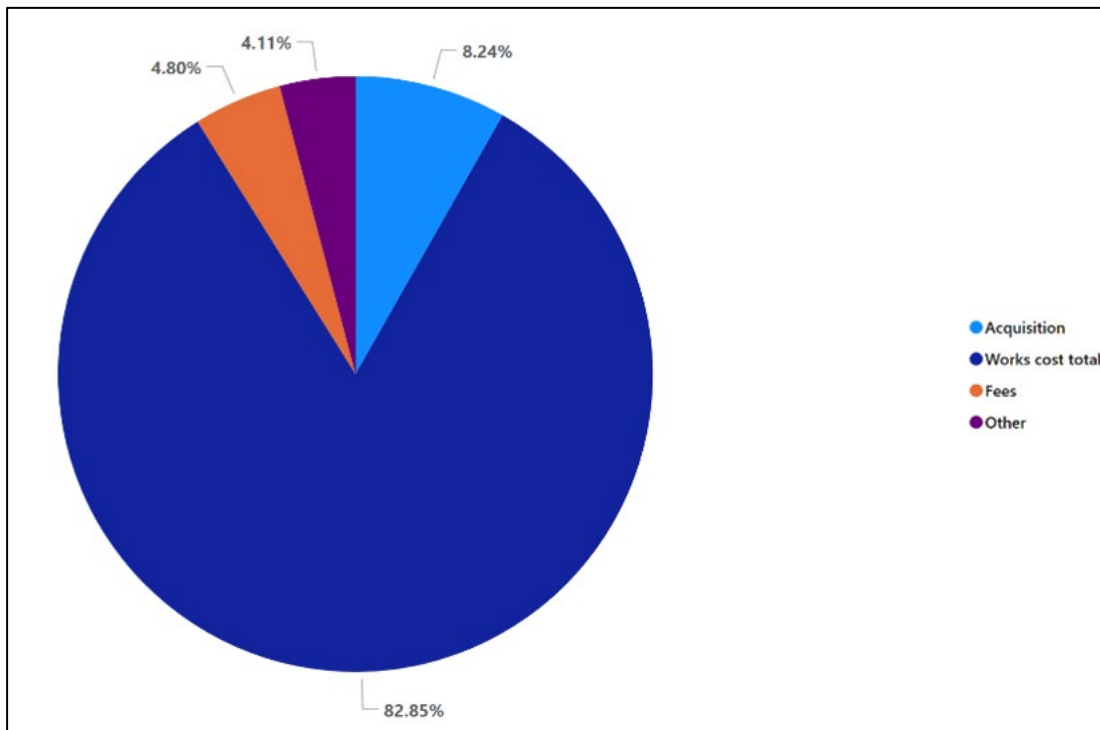
Each line represents an individual development project, not shown on this chart, but otherwise identifiable by a project code. This data is made available to participating landlords only to facilitate discussion and the sharing of best practice across the sector.

Figure 7: Project costs by project, 2022/23



The chart below shows this same cost breakdown for all the projects where data was submitted during 2022/23. Given that some projects’ costs will be entirely made up of Acquisition costs (as shown above), this may skew the figures somewhat. Nevertheless, we can still say that on average at least 83% of costs for new build development were works costs – meaning that the cost of new build development is likely to be significantly impacted by inflationary pressures resulting in increased works costs.

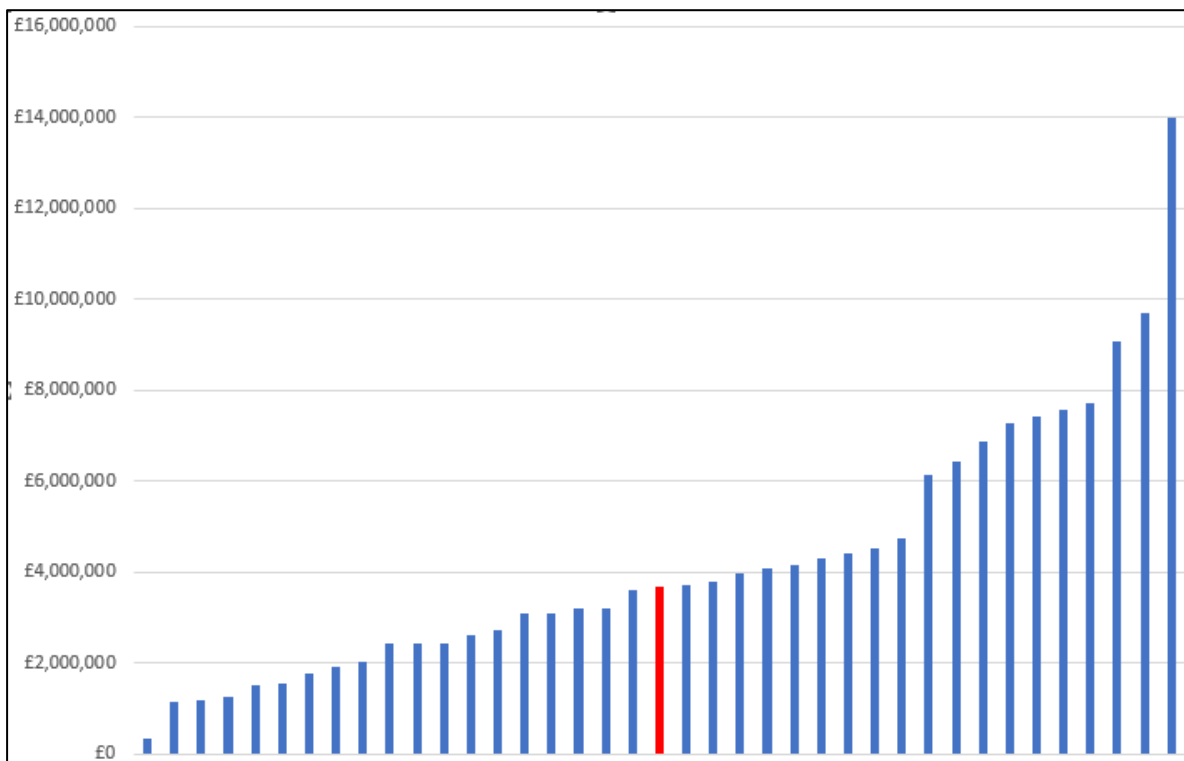
Figure 8: Project costs, all projects 2022/23



Gross project costs

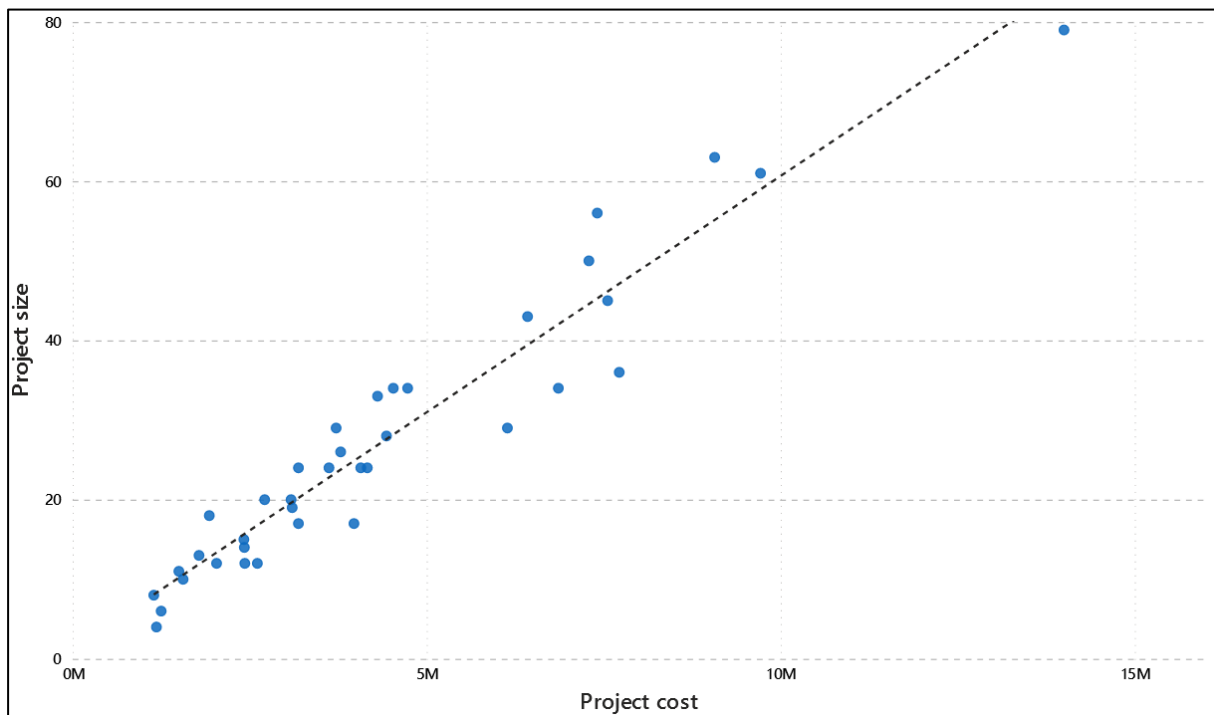
As can be seen in the table below, gross project costs ranged from £343,000 to £14 million with a median cost of £3.67m (shown in red).

Figure 9: Total out-turn costs by project, 2022/23



The chart below compares project costs to project size. A dotted trendline has been added – projects above this line provide more houses than expected for their cost, while those below the line provide fewer houses. Perhaps not surprisingly, this shows a strong correlation between size and cost, but we can see that a few larger projects – particularly those with 40 or more units - provide more homes than would be expected, which may suggest there are some economies of scale for larger projects. This also shows that some projects are relatively more expensive relative to their size. While we don't currently have enough information to explain this variation, sharing best practice amongst developers is likely to support a clearer understanding of these variations.

Figure 10: Gross costs against project size by project, 2022/23³

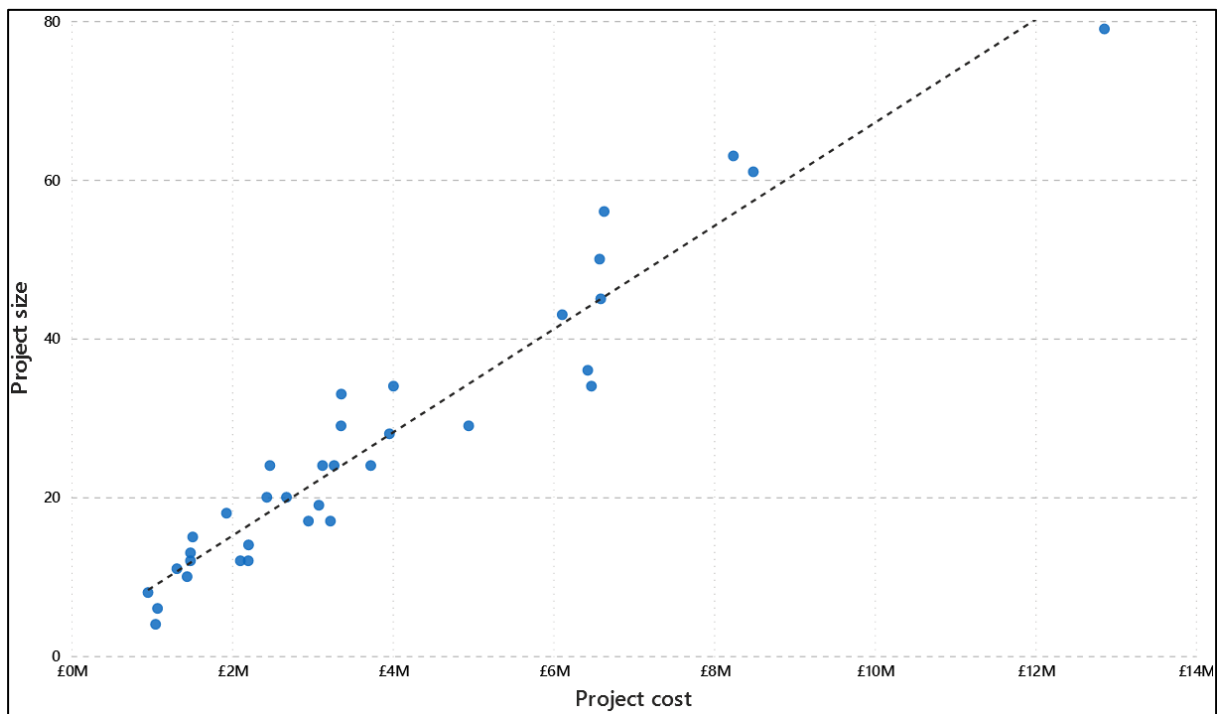


While reviewing Gross costs is to some extent useful, a proportion of projects had no acquisition costs, and as such this will have an impact on comparability. Works costs make up the highest proportion of costs and are also broadly comparable across all projects with the exception of those which only had acquisition costs, identified earlier in this report. The chart which follows shows works costs against project size – again showing a trendline to indicate which projects delivered more units than expected for the cost and which delivered fewer.

Please note that the three projects with zero works costs have been excluded in order that these do not skew the trend line for other projects.

³ One outlier removed

Figure 11: Works cost against project size by project, 2022/23⁴



As we can see, Works costs relative to Project size follow a similar pattern to Gross costs, albeit with a greater degree of variation around the trendline. More projects can be seen to be further away from the trendline, with most of these achieving more units than anticipated based on the cost. On the other hand, a small number of projects are a distance below the trendline. While a number of these are projects which featured a significant proportion of specialist provision, this wasn't always the case and as such could be down to a range of variables, including the relative rurality of the area being developed in, size of units or other factors relating to the contractor. Again further discussion between participating landlords will help prompt better understanding of these variations.

⁴ Three projects with zero works costs excluded to avoid skewing trendline

Cost per unit

Gross costs per unit

The chart below shows cost per unit for each project. The average Gross cost was £166,177, ranging from £107,250⁵ to £296,000. Of the 38 projects considered, 8 projects had Gross costs of greater than £200,000 per unit.

Of this number:

- 4 of the 8 projects with the highest Gross costs per unit were in Rural Scotland, with three of these being in 'remote rural' areas, specifically islands
- 5 of the 8 projects with the highest Gross cost per unit provided more Specialist provision than the average for the sector as a whole, with a number of these projects making significant contributions – one project delivered 50% of total units as specialist provision, while two others delivered around a quarter
- The most expensive projects in terms of Gross costs per unit tended to be smaller projects, with an average project size of 19 units

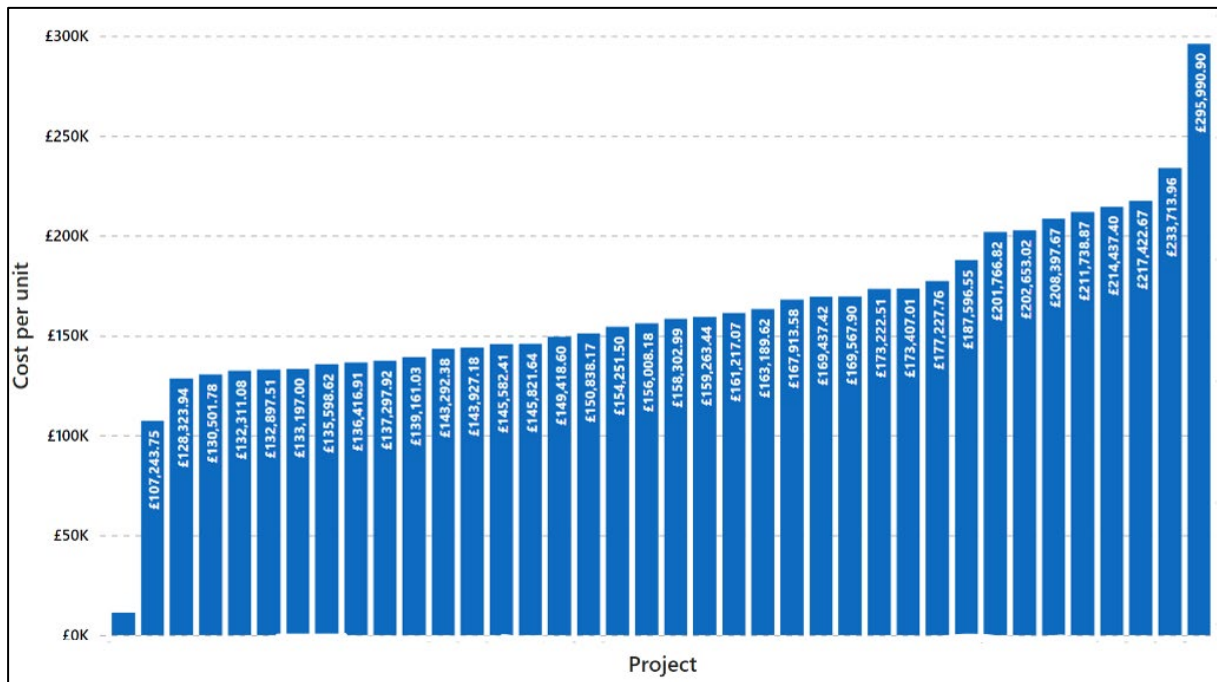
It is important to still recognise that other projects delivered specialist provision and accommodation in rural areas at a lower Gross cost per unit, but nevertheless these factors are likely to have an impact on costs overall.

In terms of the least expensive projects by this measure:

- Of the 10 lowest cost projects per, 6 delivered no specialist provision
- Only 1 of the 10 lowest cost projects was classified as being in 'Rural Scotland'
- The least expensive projects in terms of Gross costs per unit tended to be larger in terms of project size – again suggesting some economies of scale

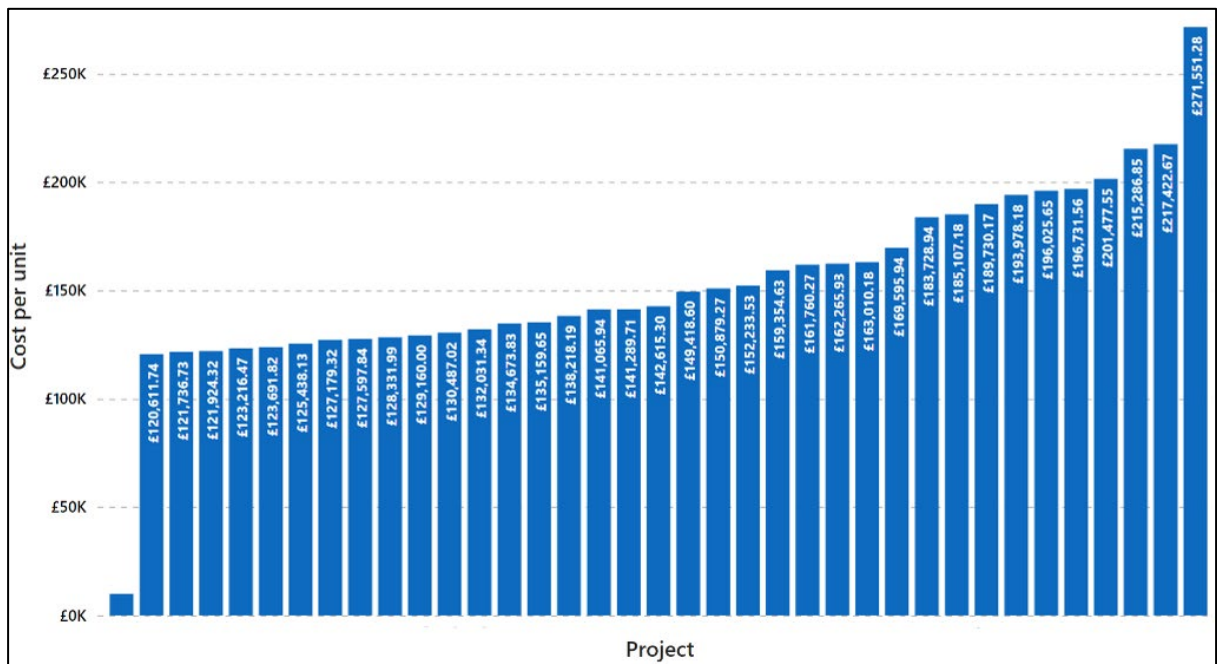
⁵ Very low outlier figure has been excluded from calculations here

Figure 12: Gross cost per unit by project, 2022/23



In order to support comparability between projects further, we can review Gross costs per unit in terms of the 3 person equivalent. The average Gross costs per unit by this measure was £157,332, with costs ranging from £120,600 to £271,550⁶. Again the projects with the highest per unit costs by this measure tended to be smaller projects in more rural areas and/or with a significant proportion of units developed to meet particular needs.

Figure 13: Gross cost per unit (3 person equivalent) by project, 2022/23



⁶ Very low outlier figure has been excluded from calculations here

Works cost per unit

The chart below shows works cost per unit relative to project size. The trend does show decreasing costs per unit as project size increases, indicating economies of scale do exist, but if we remove the outlier that cost £262,000 per unit for a small project, the trendline flattens out, and this effect is in fact very small. There is clearly also a large variation which is not related to project size and this as such needs to also be factored into any considerations about economies of scale and what is at play here.

Figure 14: Works cost per unit by project size, 2022/23⁷

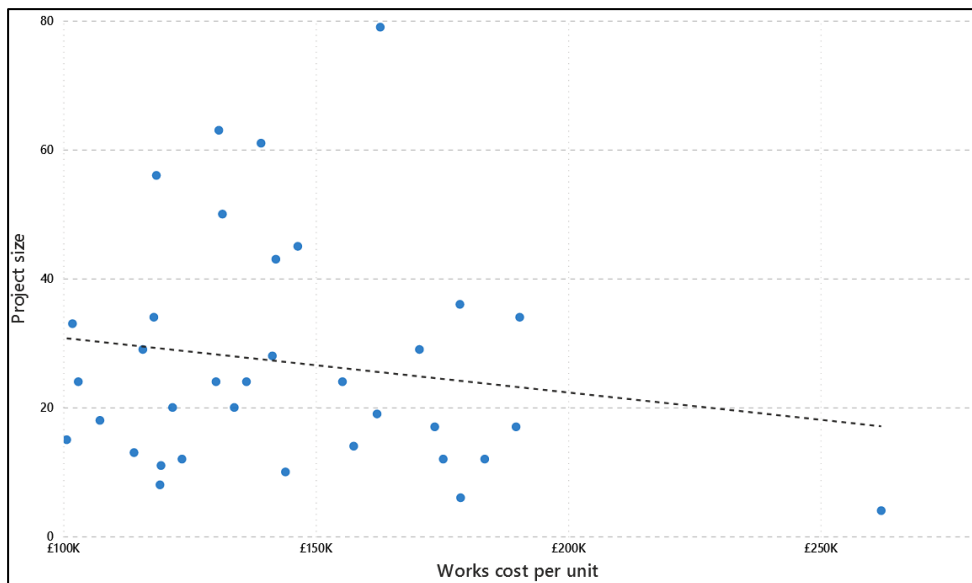
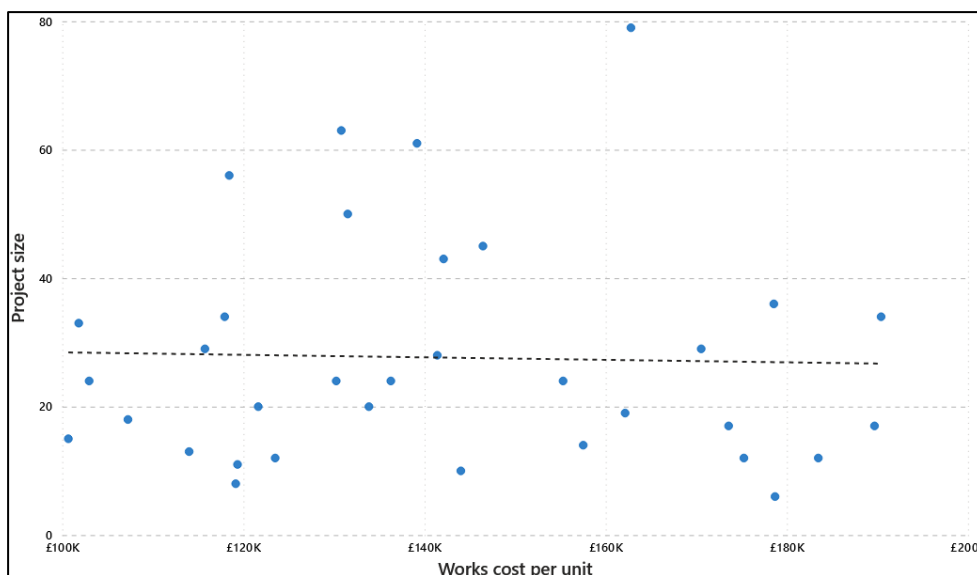


Figure 15: Works cost per unit by project size, 2022/23 – outlier removed⁸



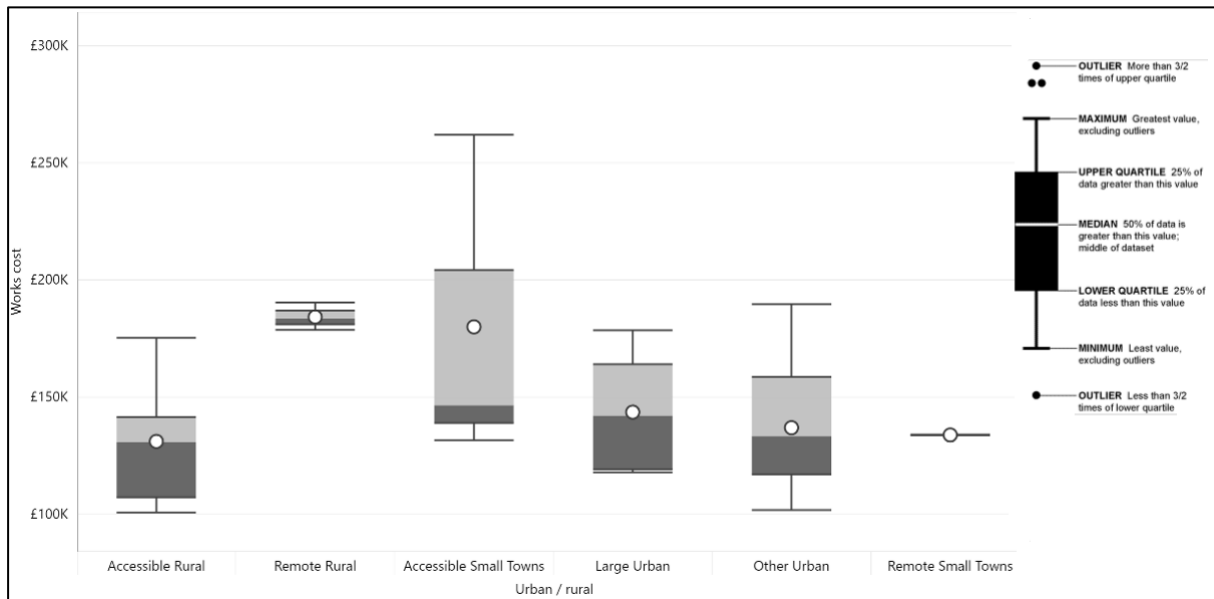
⁷ Three outlier projects with zero works costs excluded to avoid skewing data

⁸ As above, plus one project with expensive works costs for a small development excluded

Works costs per unit by rurality

As highlighted above, there is some variation in terms of the volume of projects being completed when reviewing their relative rurality. In the chart below, we can also see a summary of how rurality impacts on per unit works costs for different projects.

Figure 16: Summary of project works costs per unit by urban/rural classification, 2022/23



While the above graph is difficult to decipher on first glance, we can summarise as follows:

- While the 6 projects developed in ‘Accessible Rural’ geographies had an average cost of £131,000 per unit, the works costs at project level ranged from £101,000 to £175,000 per unit for works costs.
- There was less variation across the 3 projects developed in ‘Remote Rural’ geographies, where works costs per unit ranged from £180,000 to £190,000 with an average of £184,000. As noted before these projects tended to be more expensive than comparable projects in ‘Rest of Scotland’ geographies.
- The 3 projects developed in ‘Accessible Small Towns’ saw considerable variation on a per unit basis, ranging from £132,000 to £262,000 per unit. While this more expensive development isn’t classified as an outlier, the median of £146,000 is perhaps more useful than the mean (£180,000) here.
- 9 ‘Large Urban’ projects ranged from £118,000 to £179,000 per unit with an average works cost of £144,000, while 16 ‘Other Urban’ projects ranged from works costs of £102,000 to £200,000 per unit – with an average of £137,000 per unit.
- Only one project was completed in the ‘Remote Small Towns’ geography costing £134,000 per unit.

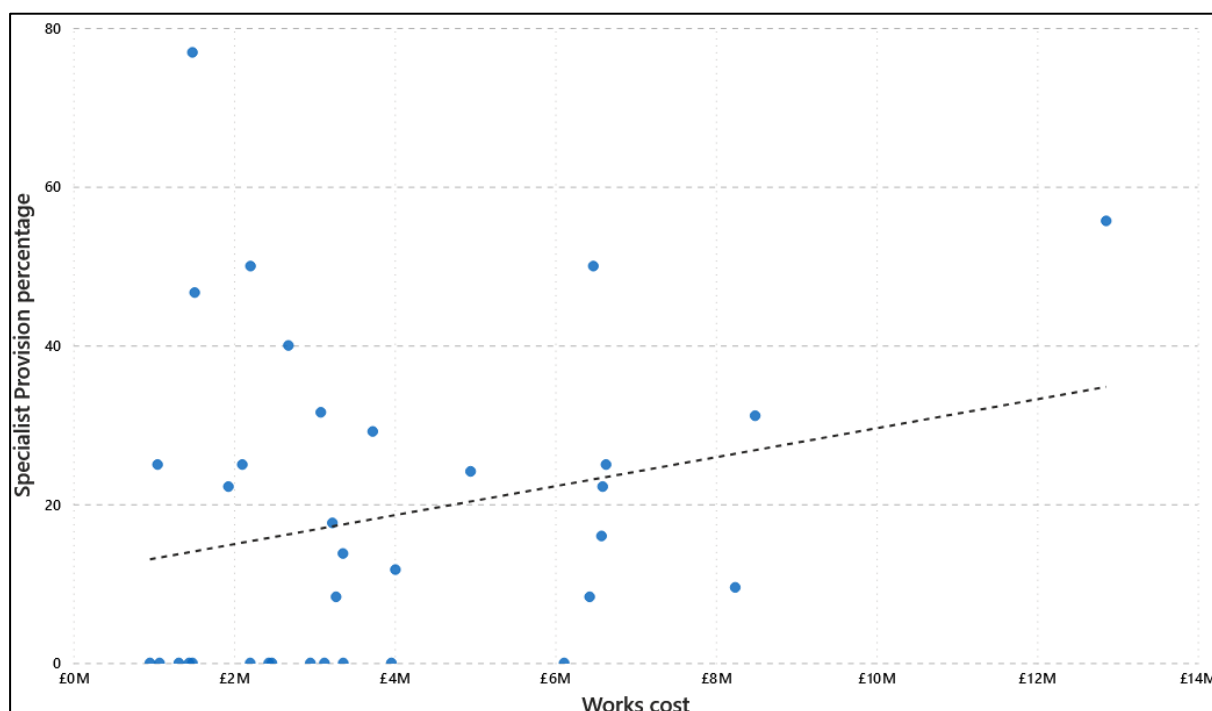
Clearly while a projects’ relative rurality will have an impact on costs – particularly with regard to projects in Remote Rural and Accessible Small Towns, there are likely to be a range of other factors at play here.

Works costs against specialist provision

As noted previously, the DVfM tool classifies specialist provision as 'Wheelchair Accessible Housing', 'Sheltered Housing' and 'Amenity/Ambulant Disabled Housing'. When completing this return, landlords were asked to identify how many units within their development would be developed within these categories. A percentage of the total project size was then calculated as the 'specialist provision percentage'.

Looking simply at total works cost against Specialist Provision, we can see an upward trend in costs for projects with a higher proportion of Specialist Provision generally, but this doesn't factor in the different number of units being developed for each project or indeed that larger projects are likely to be required (or will be more able) to deliver a higher proportion of specialist provision housing.

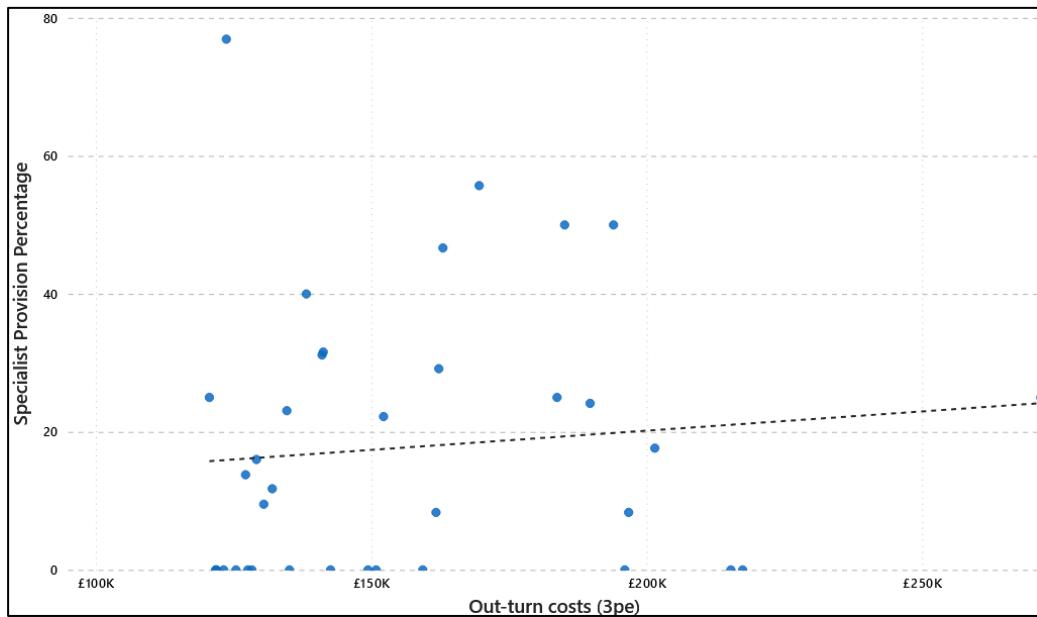
Figure 17: Specialist provision percentage against works costs by project, 2022/23⁹



Looking instead to the 3 person equivalent cost per project, we can see a slight increase in costs relative to the percentage of specialist provision being delivered, but there is so much variation this again is by no means a predictor.

⁹ Three outlier projects with zero works costs excluded to avoid skewing data

Figure 18: Specialist provision percentage against costs (3pe) by project, 2022/23¹⁰

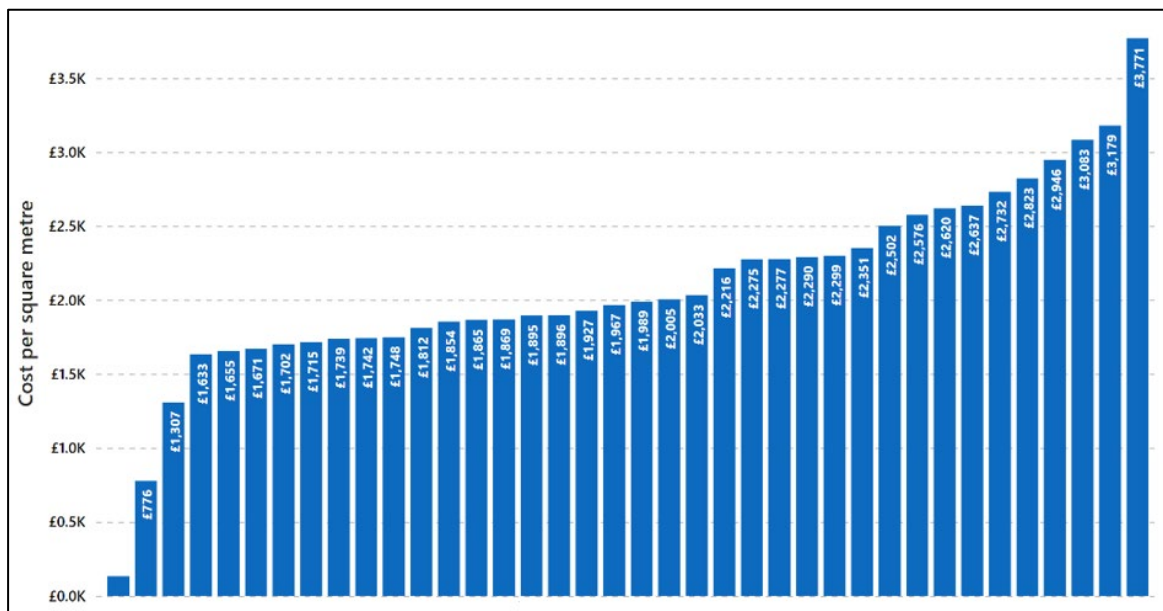


As such, it is fair to say that higher proportions of specialist provision in a project will be one factor impacting on costs, but there is only limited evidence of direct causation.

Cost per square metre

An alternative measure of cost is per m². For the 38 projects who submitted data to SHN during 2022/23, the cost per m² ranged from £776 to £3,771¹¹, averaging £2,145. The range across projects is shown in the chart below.

Figure 19: Cost per square meter by project, 2022/23



¹⁰ Very low outlier excluded here

¹¹ Very low outlier excluded here

Funding

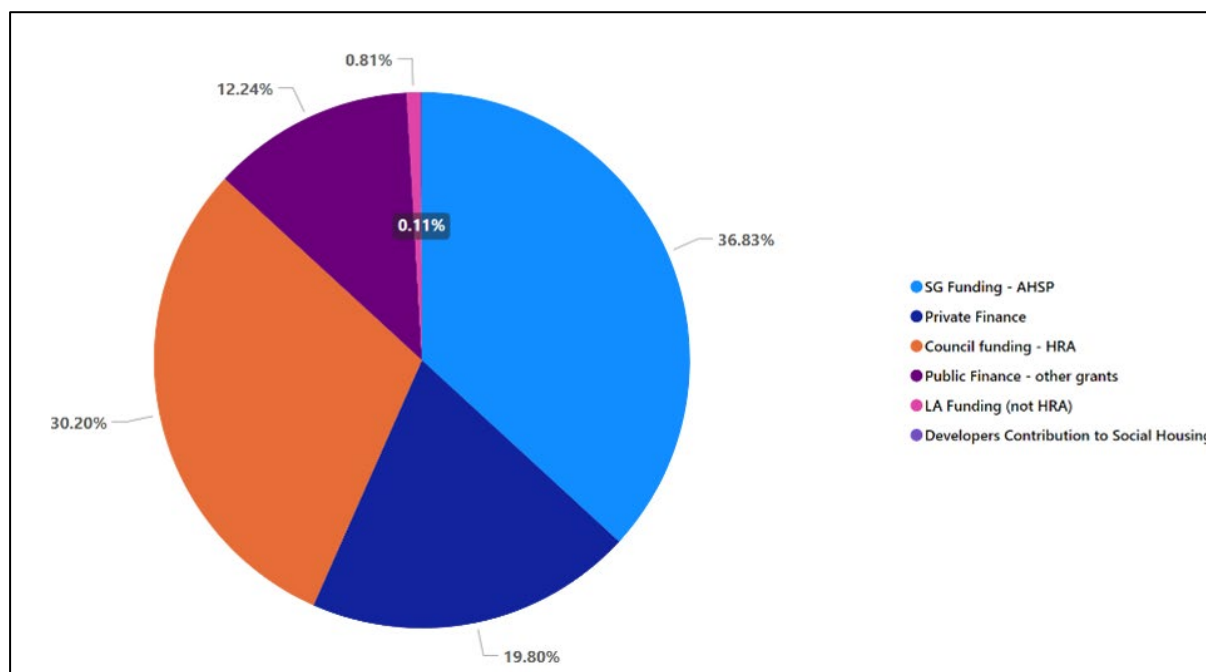
Funding for new build development comes from varying sources:

- Scottish Government Affordable Housing Supply Programme (AHSP) funding, with differing grant rates for councils and RSLs, rural and greener homes
- Private finance, borrowing by RSLs
- Prudential borrowing, by councils within a limit, historically through the Public Works Loan Board
- Public finance, funding from other government bodies
- LA funding, through the council tax empty homes fund, or use of Housing Revenue Account (HRA) reserves
- Developer contributions to Social Housing

Looking first at local authority-led projects, we can see that the predominant source of funding remains Scottish Government AHSP, making up around 37% of funding for all LA projects combined. HRA funding was similarly important, contributing around 30% of funding for new build developments.

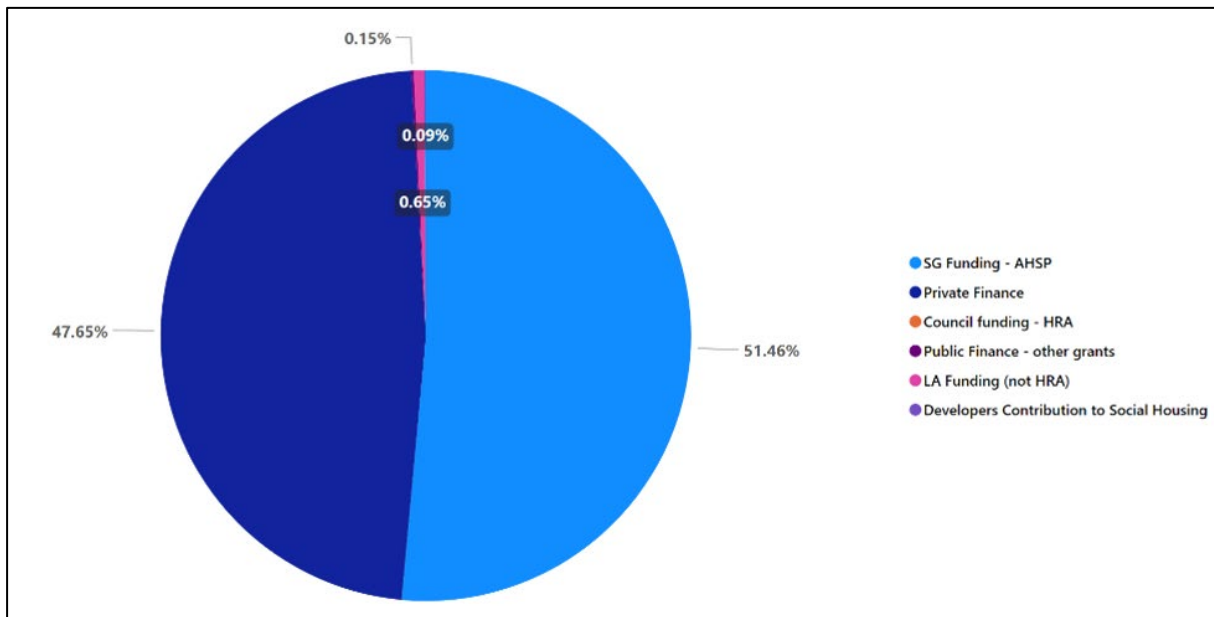
About a fifth of funding for Council-led projects came from private sector borrowing, while around an eighth of all funding came from other public finance (grants other than AHSP). Non-HRA funding made up a far smaller proportion of funding, most likely relating to Second and Empty Homes receipts.

Figure 20: Funding by source, all local authority projects, 2022/23



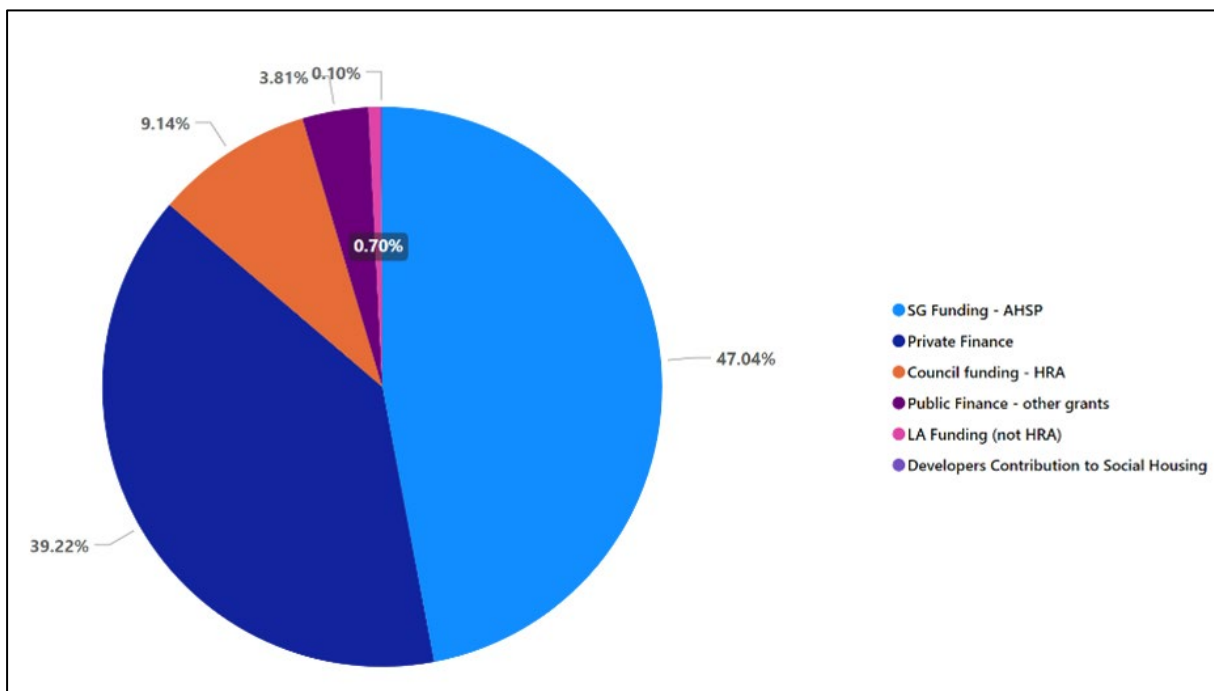
With regard to funding for RSL-led projects, Private Finance played a more significant role, with just less than 48% of all funding for such projects coming from private borrowing.

Figure 21: Funding by source, all RSL projects



For all developments across the sector as a whole, we can clearly see the impact of both AHSP and Private Finance on new build developments. This is significant for the future given both the various pressures on the Scottish Government’s finances as well as rising interest rates.

Figure 22: Funding by source, all projects



Also worth noting is the significant contributions existing tenants’ rents make to new build development, with HRA funding making up around 9% of all funding while Private Finance will ultimately be paid back by landlords using rental income.

At a project level we can see the variation in funding sources in more detail – particularly notable is that 8 of the 11 Council led projects are contributing more than 50% of the costs of development from HRA funding. The remaining 3 projects did not utilize any HRA funding at all, instead relying on Private Finance and other grants.

RSL-led projects tended to receive the majority of their funding from AHSP. Of the 17 projects which received more than half their funding from the AHSP, all of these were amongst RSLs. AHSP contributions for RSLs ranged from 71% to 24%, with a median of 55%. By contrast, AHSP contributions to LA projects ranged from 23% to 44%, with a median of 36%.

Figure 23: Funding by source by project, 2022/23

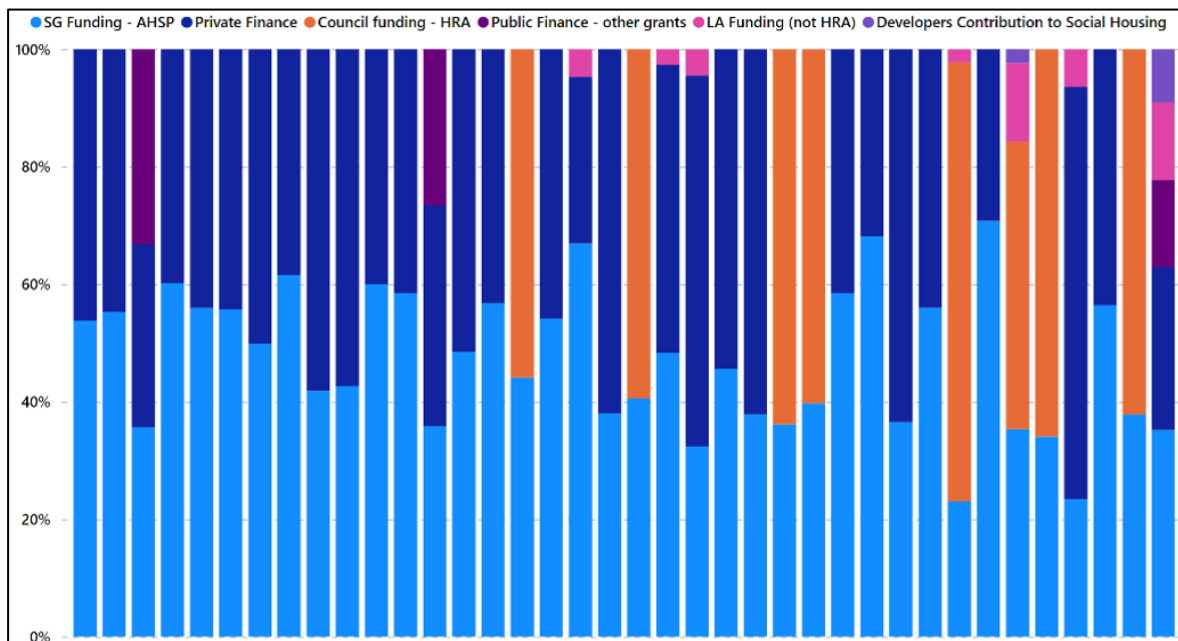
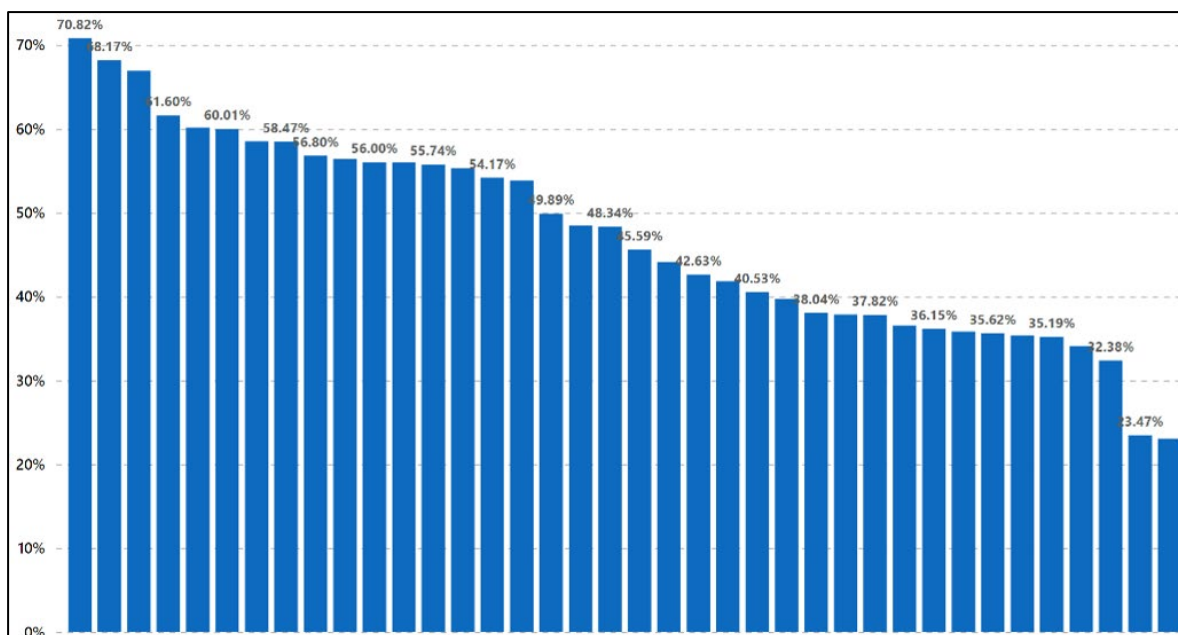


Figure 24: Percentage of project funded by AHSP by project, 2022/23



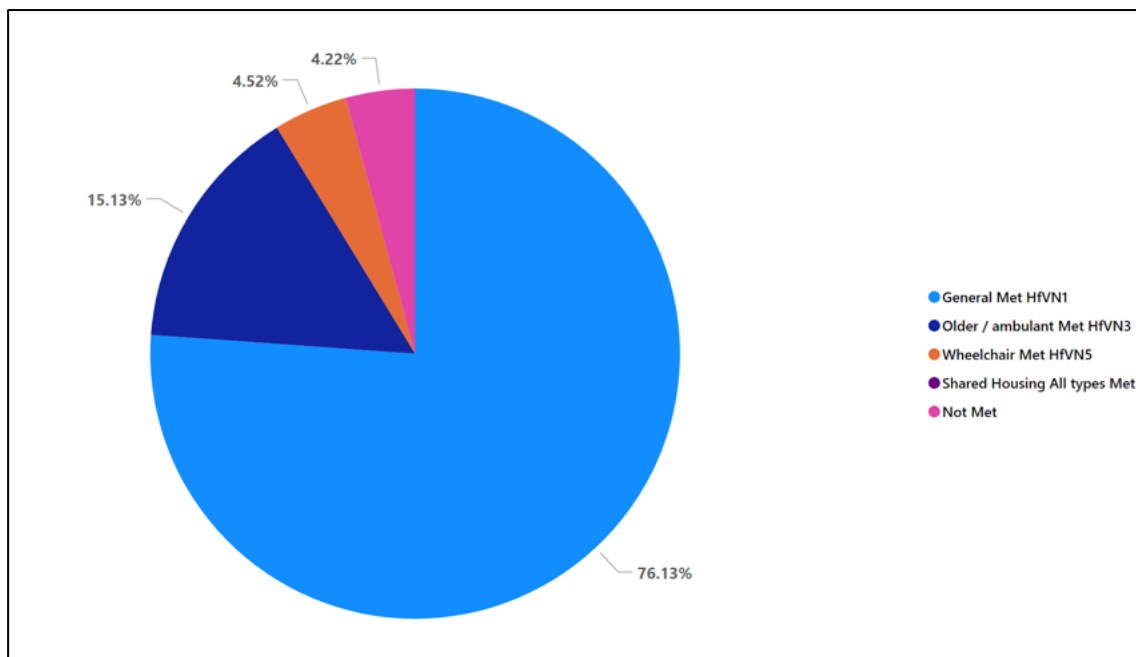
Quality Indicators

Housing for Varying Needs (HfVN)

This is the design standard for meeting specialist needs, with three categories for self-contained housing – HfVN1 for general needs, HfVN3 for Older/Ambulant Disabled, and HfVN5 for other specialist housing (such as amenity or ambulant disabled housing).

Information was available for 38 projects. In total 96% of homes in these projects met the standard, with only two projects with no properties meeting the relevant level. 19 projects delivered units which met HfVN3 (older/ambulant disabled), resulting in 154 properties to this standard, while 13 projects delivered units meeting HfVN5 (Wheelchair accessible housing) resulting in 46 units to this standard.

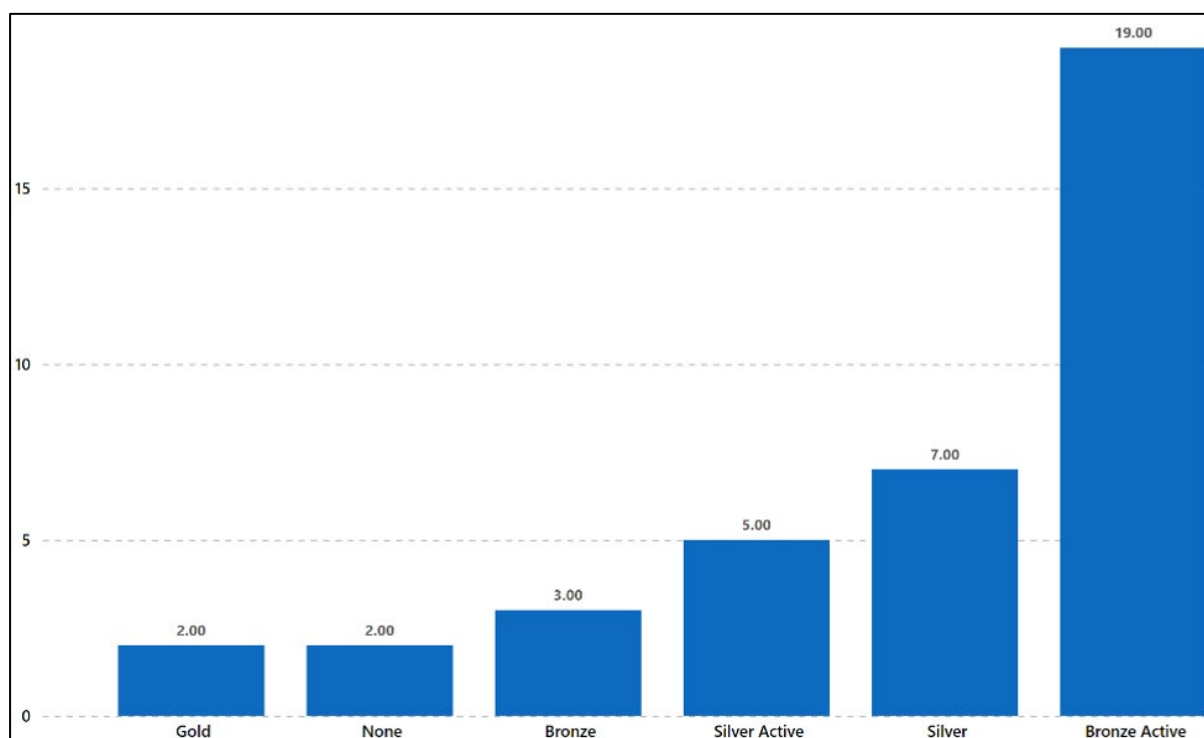
Figure 25: Proportion of properties meeting Housing for Varying Needs, all projects 2022/23



Greener Homes Standard

The Scottish Government's Greener Homes standard was developed as a way of encouraging sustainable new build development, with projects meeting this standard receiving a greater degree of AHSP funding.

Figure 26: Number of projects accredited to Greener Homes level, 2022/23



We can see from the data available that the majority of projects met the Bronze Active standard or better – this is described as the “baseline level where the dwelling meets the functional standards set out in Sections 1 – 6 of this [Building Standards Domestic 2013] Handbook, but in addition the dwelling includes the use of a low and zero carbon generating technology (LZCGT) in respect of meeting Standard 6.1 within Section 6, Energy. This level is primarily to assist local authorities to meet their obligations under Section 72 of the Climate Change (Scotland) Act 2009 by identifying the use of LZCGT. In this respect, LZCGTs include: wind turbines, water turbines, heat pumps (all varieties), solar thermal panels, photovoltaic panels, combined heat and power units (fired by low emission sources), fuel cells, biomass boilers/stoves and biogas”.

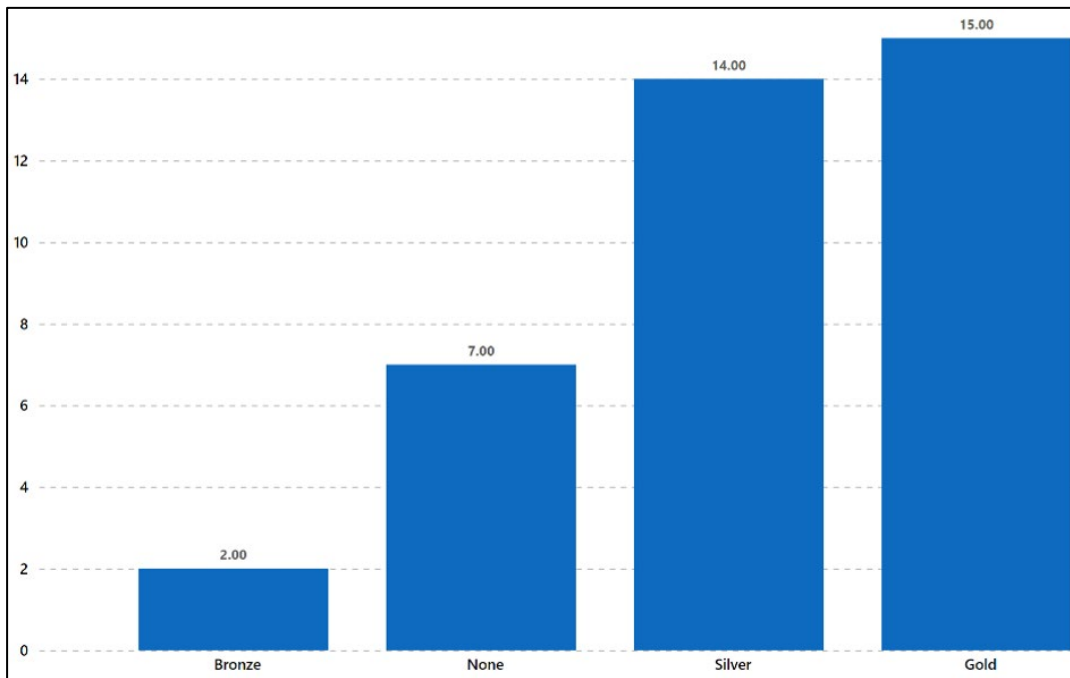
14 projects met the higher Silver Active or Silver Award or better, while only two met the Gold Greener Homes standard. Only two projects reported ‘none’ for this indicator.

Secured by Design

Most projects achieved the Secured by Design standard, the official police security initiative with the aim of reducing crime by improving the physical security of buildings ‘using products, such as doors, windows, locks and walling systems that meet SBD security requirements’ as well as including ‘proven crime prevention techniques and measures into the layout and landscaping of new developments’¹².

¹² More information at <https://www.securedbydesign.com/>

Figure 27: Number of projects accredited to Secured by Design standards, 2022/23

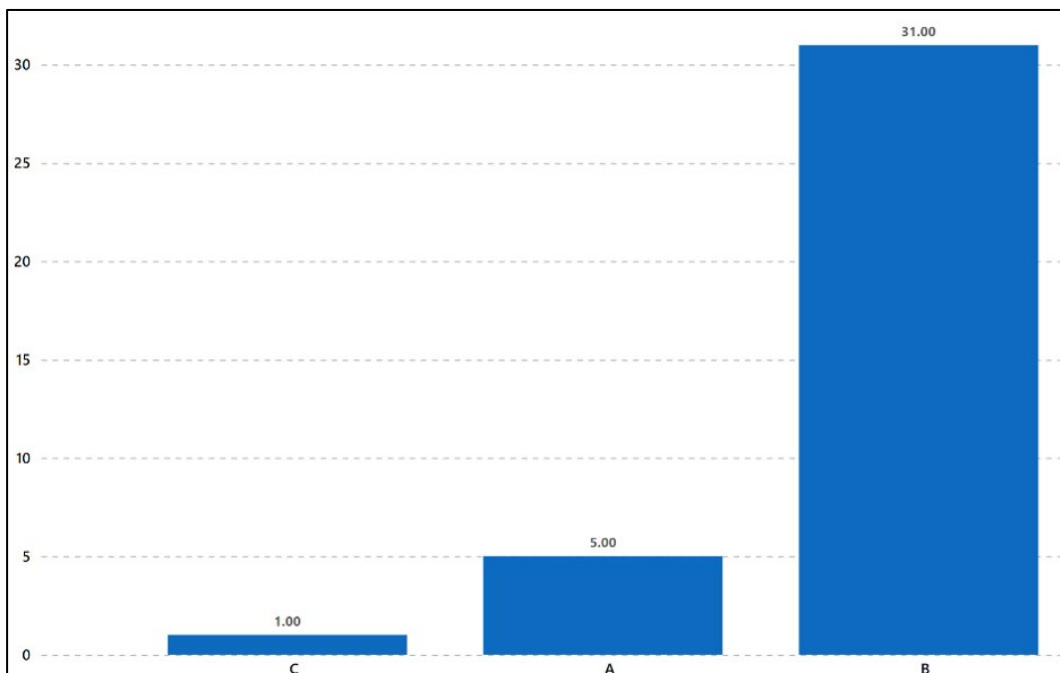


As seen above, about three quarters of projects met the Secured by Design standard at Silver or higher.

Energy Performance Certificates

Given the urgent need to focus on sustainability in both new build development and across our existing stock profile, as well as the proposed Energy Efficiency Standard for Social Housing (EESH2) milestone of all properties meeting EPC Band B or better by December 2032, it is perhaps unsurprising that almost all projects reported an EPC Band in line with this. One project reported an EPC band of C, while data was not available for 1 project.

Figure 28: EPCs by project, 2022/23

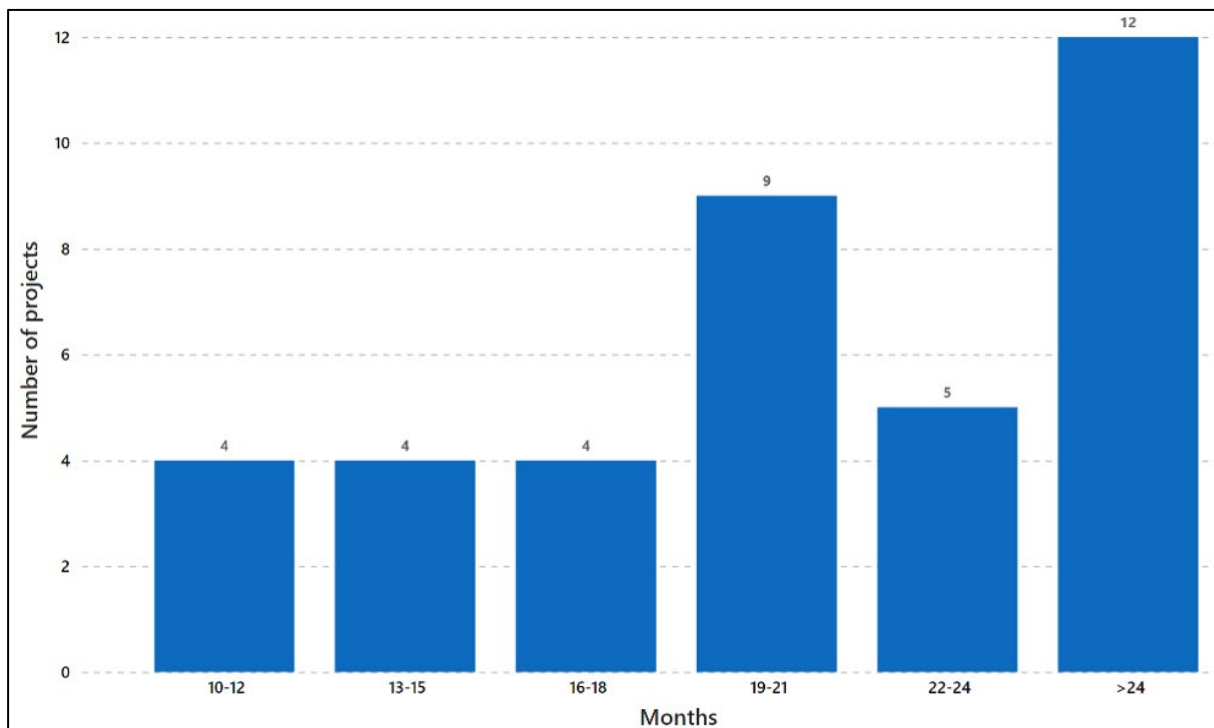


Timescales

Most projects were completed within 21 months from tender acceptance, however it is important to note that our pre-pandemic pilot (relating to completions between 2018 and 2020) indicated that most projects would tend to complete within 10-18 months – suggesting that the pandemic has had a real impact on projects completing during 2022/23.

Indeed this year, we can see a very significant number of projects – around 45% of projects – taking longer than 22 months to complete, while 68% took longer than 19 months.

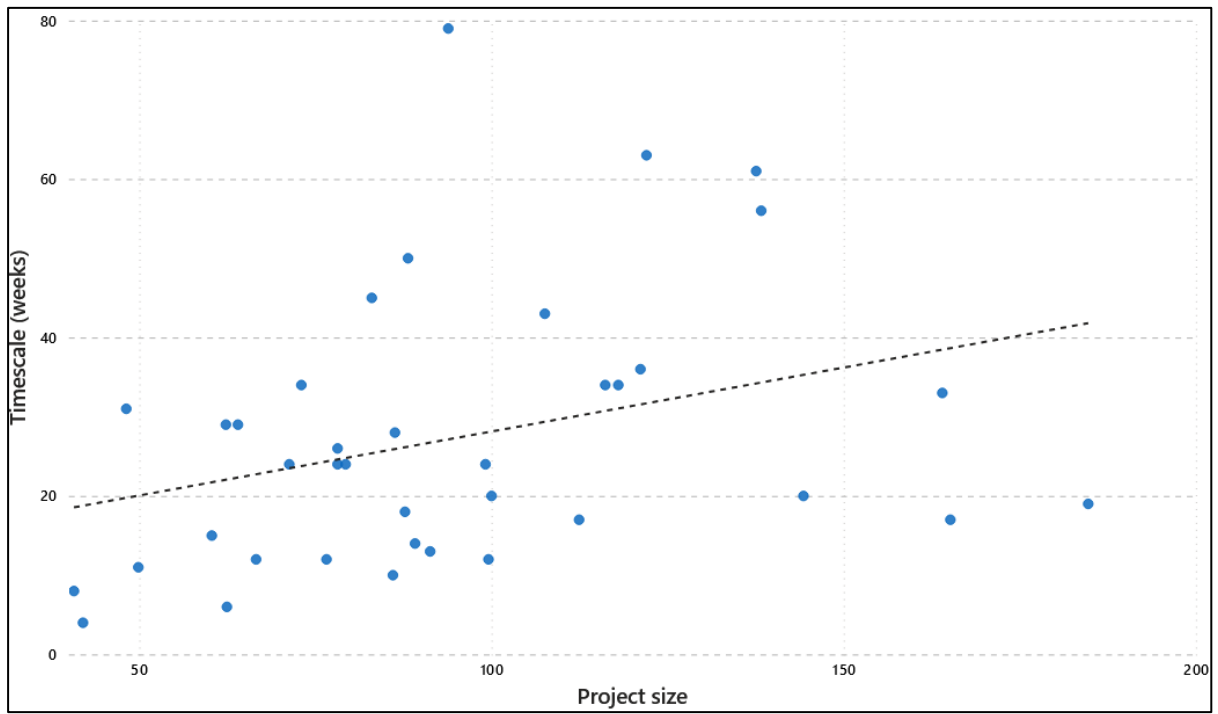
Figure 29: Number of projects by timescale, 2022/23



There can be said to a broad relationship between size of project and timescale, but we can again see the impacts of the pandemic (and related societal shifts, including contractors and tradesmen exiting the social rented sector in favour of more lucrative private work) in this. Our pre-pandemic pilot suggested a relatively strong correlation of 0.61 between these variables – reviewing the data for these 38 projects indicates a far weaker correlation – 0.31.

The graph below plots project size against actual timescales. Projects below the trend line are those which are producing less units than expected within the timescale, whereas those above the trendline are those which are producing more. Given the significant variation – particularly in the context of the pandemic – it is important to take this with a pinch of salt. Many development projects were impacted by the pandemic and some contractors were better equipped to deal with this than others, while some of these projects will have commenced in the post-pandemic context.

Figure 30: Project size by timescale (weeks)



Conclusion

This report has attempted to give an overview of social housing development in Scotland during 2022/23. We can see that the social housing sector is continuing to develop good quality accommodation built to meet various external standards and to meet a range of customers' needs. We can see some limited evidence of economies of scale in the data so far, as well as some evidence that project costs are influenced by contextual factors, such as rurality or the presence of specialist provision in the project. While AHSP Grant continues to play the leading role in funding social housing development overall, it is important to recognise that a high proportion of the costs of new build are being met by tenants' rents, either in servicing debts or through HRA reserves.

While these conclusions give us an overview of development activity in Scotland in 2022/23, it is important to recognise firstly that this is based on a relatively small number of projects completing in the immediate aftermath of a global pandemic, and secondly that only with longitudinal data will we be able to draw meaningful conclusions about cost and time.

As more organisations submit data during 2023/24, we will be able to understand trends better and to look at correlations more fully between various design and quality elements, and the overall cost and timeframe of a project.

In addition, as the second part of the Development Value for Money tool looks at Tenant Satisfaction linked to specific projects, we will also be able to analyse how satisfaction is impacted by a range of different indicators, not restricted to cost and time but also to issues like space standards, new technology and specific design features.

Scotland's Housing Network would like to take this opportunity thank all landlords who have participated in this project so far – we look forward to continuing to work with you to make the most of this data for the years to come.



Scotland's Housing Network

About Us

Scotland's Housing Network is the national benchmarking club in Scotland and supports social landlords to improve services by benchmarking cost and performance results and sharing best practice. The organisation provides support to landlords through our data collection and benchmarking service, our invaluable forums and through our self-assessment resources. With over two thirds of social landlords in Scotland as members of the network, representing almost 90% of the sector by stock, the organisation plays an important role in driving up service standards across the social rented sector in Scotland.

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