

ADDITIONAL CIRCULATION

ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World

To: Councillor Jenny Laing, Chairperson; Councillor Jim Gifford; Vice Chairperson; Councillors Marie Boulton and Douglas Lumsden; Councillors Peter Argyle and Richard Thomson; Professor Stephen Logan, Mr Patrick Machray OBE and Sir Ian Wood.

Aberdeen City Council Substitute Members:- Councillors Stephen Flynn, Gordon Graham and Ian Yuill.

Aberdeenshire Council Substitute Members:- Councillors John Cox, Allison Evison and one vacancy.

ONE Substitute Members:- Colin Crosby, Jennifer Craw and Professor Ferdinand von Prondzynski.

Please note that a substitute member may only participate in the meeting when a substantive member is absent.

Town House,
ABERDEEN 29 August 2018

ABERDEEN CITY REGION DEAL JOINT COMMITTEE

The undernoted items are circulated in connection with the meeting of the **ABERDEEN CITY REGION DEAL JOINT COMMITTEE** in **Committee Room 2 - Town House on THURSDAY, 30 AUGUST 2018 at 9.30 am.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE

B U S I N E S S

6a Housing Infrastructure Funding (Pages 3 - 10)

CONFIDENTIAL/EXEMPT BUSINESS

10 Housing Infrastructure Funding - Exempt Appendices (Pages 11 - 20)

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Should you require any further information about this agenda, please contact Mark Masson, email mmasson@aberdeencity.gov.uk, or telephone 01224 522989

SUBMISSION OF LATE REPORT

NAME OF COMMITTEE : Aberdeen City Region Deal Joint Committee
DATE OF COMMITTEE : 30/08/18
TITLE OF REPORT : Housing Infrastructure Funding

Please explain why this report is late.

Report was late Housing had a misunderstanding of committee timescales and were also awaiting feedback from partner agencies on plans for inclusion.

Please explain:

- why this report must be submitted to the next meeting of the Council/Committee; and
- why it cannot be submitted to a meeting of the Council/Committee at a later date.

The report requests an intervention on behalf of the CRD JC and cannot wait 3 months until the next committee.


Director: Andy MacDonald

Date: 29 August 2018

The following section must be completed by the Convener where a report must be submitted less than three clear days¹ before a meeting of the Council/Committee.

By law, an item of business must be open to inspection by members of the public for at least three clear days before a meeting.

An item of business not open to inspection for three clear days may be considered at a meeting only by reason of special circumstances, which shall be specified in the minutes, and where the Convener is of the opinion that the item should be considered as a matter of urgency.

Please explain why you are of the opinion that the item should be considered as a matter of urgency.



Convener

Date 29/08/18

¹ For example if a letter is posted on Monday advising of a meeting on Friday, it gives 3 clear days notice (i.e. Tuesday, Wednesday, Thursday). Saturday, Sunday and public holidays are included within the definition of Clear Days.

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ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World

Report Name	Housing Infrastructure Funding
Lead Officer	Derek McGowan, Chief Officer – Early Intervention and Community Empowerment, Aberdeen City Council
Report Author	Derek McGowan
Date of Report	22 August 2018
Governance	City Region Deal Joint Committee

1:	Purpose of the Report
i.	To update Committee on the use of the Housing Infrastructure fund aligned to the City Region Deal.

2:	Recommendations for Action
i.	Committee agrees that Councillor Laing should write on behalf of the Joint Committee to the Scottish Government regarding the future use and administration of the Housing Infrastructure Fund to aid local development.

3:	Summary of Key Information
i.	Alongside the CRD, a £20million Housing Infrastructure Fund was made available to unlock sites for housebuilding, to aid local economic development. In mid 2017, partner organisations across the City Region voiced concern at the restrictive definition of 'infrastructure' provided in the Infrastructure fund application guidance, and also the interest rate applied to any loans provided from the fund which was viewed as prohibitive.
ii.	As Chair of the Group, Aberdeen City Council's Head of Communities and Housing wrote to the Scottish Government in May 2017 (Appendix 1), requesting relaxation of the definition of infrastructure being applied for the infrastructure fund, with a view to encouraging applications and

3:	Summary of Key Information
	<p>use; and also advising that a significant reason the fund was not being used was due to the prohibitive cost of repayments and requesting further consideration of the rate applied.</p> <p>iii. The Scottish Government response (Appendix 2) suggested that definitions were broad for accessing the Housing Infrastructure Fund and encouraging applications. The letter also confirms that EU reference rates plus interest points are used as a base for the indicative interest rate, at that point 4%, and that where projects are able to access appropriate finance in the market they should continue to do so. This was reported to Committee on 10 November 2017, requesting that the Joint Committee contact the Scottish Government and over the use of the fund, following the Scottish Government's update to that Committee. The Scottish Government provided an update on the use of the Housing Infrastructure Fund to Committee (Appendix 3).</p> <p>iv. Since then, local partners have continued to advise that accessing the funding has continued to prove problematic, and that while meetings with Scottish Government staff have seemed positive in terms of application and access, when applications for the fund are made these applications have been refused.</p> <p>v. This has an obvious impact on the provision of housing, including affordable housing provision, in the City Region, and there are a number of sites in Aberdeen City and Aberdeenshire that would benefit from use of the infrastructure fund that remain unlocked (Appendix 4).</p> <p>vi. Both Aberdeen City and Aberdeenshire Councils have established Strategic Housing Investment Plans, that outline significant investment in affordable housing development, and economical access to the Housing Infrastructure Fund would assist this. The Aberdeen City Strategic Housing Investment Plan proposed for 2019/20 for example has no developments listed as being eligible for funding from the Housing Infrastructure Fund for these reasons.</p> <p>vii. We are keen that the economic potential of key sites is unlocked to support the regional economy, and this report seeks to bring to the attention of the Joint Committee the opportunity posed by a number of these sites currently in planning, and requests that the Committee contact the Scottish Government with a view to further clarification and relaxation of the definition applied to 'infrastructure'.</p> <p>viii. Highland Council have reached agreement with the Scottish Government over use of the equivalent Infrastructure fund in that area. Highland Council have been assigned a £9m pot directly for local administration, and have agreed a £1m contribution from their land bank, creating a £10m revolving fund to loan out to developers.</p>

3:	Summary of Key Information
ix.	This scheme involves Highland Council accepting responsibility for all legal and state aid risks, but have the opportunity to set their own interest rate. Much like our own Memorandum of Understanding, Highland Council have a separate agreement for this Housing Infrastructure Fund, and this is not part of their City Region Deal.
x.	The Joint Committee is invited to consider these developments, and enter into dialogue with the Scottish Government over similar use of the fund in the Aberdeen City Region to aid the local economy.

4:	Finance and Risk
i.	The value of the Infrastructure fund allocated through the Memorandum of Understanding is £20m. To date none of this has been successfully allocated to unlock development sites.
ii.	There is a reputational risk that the fund remains unused, and that the City Region is viewed as not accessing available funding to aid local housebuilding.
iii.	There is a political risk related to the Scottish Government's aim of building 50,000 affordable homes.
iv.	There is an economic risk that housebuilding fails to meet the levels required to support the growing economy in the City Region.
v.	There may be legal risks around the potential transfer of the fund to local control and also around state aid. These will be addressed and approval sought as required.

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Your Ref.
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ABERDEEN
CITY COUNCIL

19 May 2017

Sue Lane
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Dear Sue

It was good to meet you earlier this week, thanks to you, Maureen and Keith for taking the time to come to Aberdeen.

During our meeting, we discussed barriers to achieving the 50,000 homes target set by the Scottish Government. I advised that as both Head of Housing and Communities here at Aberdeen City Council and Chair of the Housing Workstream Group aligned to the City Region Deal, the major barrier I was aware of was the £20m Infrastructure fund attached to the £130m grant funding aligned to the City Region Deal for housebuilding.

I agreed to write to you to set out these concerns. Please find below an explanation of these concerns, which are representative of the views of members of the Housing Workstream Group – Local Authorities, Local Housebuilders and Local Registered Social Landlords.

Locally, public and private sector partners applaud the intentions of the Infrastructure Fund, and view it as a valuable contribution to increasing housebuilding rates. However, we are concerned that the potential limitations of the fund could mean its aims are unfulfilled. We feel it is important to understand, and where possible, remove these barriers to ensure the Scottish Government's expectations of the fund are delivered.

The main concern relating to the Infrastructure Fund is that the terms of the fund are not advantageous commercially, and that more cost effective borrowing is available from existing loan providers. We appreciate the Scottish Government has made this fund available with the desire that it is used, and feel that a more beneficial rate would increase the uptake of the fund.

BERNADETTE MARJORAM
INTERIM DIRECTOR



A separate concern about the fund relates to eligibility criteria, and the 'unknowns' surrounding it. For example, clarity is sought on whether planning consents have to be in place before funding can be accessed through the fund. We also discussed the definition of 'infrastructure' and whether this would extend to the installation of broadband during initial construction, and potentially to utilities as well. This reflects the desire to have all groundworks undertaken at the same time as road construction, to ensure that houses are technology enabled to meet future demand and predicted demographic and service changes relating to Health and Social Care, for example. It would be helpful therefore, if a definitive list of what cannot be considered through this fund could be provided. While the fund clearly does not support the provision of new community infrastructure, a definitive list of exceptions would be helpful for local discussions on developer obligations.

We would also welcome any clarification from you on how other City Region Deals in Scotland are operating with regard to the Infrastructure Fund, for example overall subscription, and value of funds remaining nationally. It is felt that more regular provision of this information would assist in the planning stages of development.

My colleague Eric Owens, Head of Planning and Sustainable Development, also discussed the 'One Public Estate' model and the desire to understand more coherently the extent of asset ownership in the region by public sector agencies. You advised that work was ongoing to assess this regionally, and we look forward to further discussion on that issue to ensure that where potential housebuilding sites can be assembled locally we can progress effectively. I believe the North East Property Group, chaired by my colleague John Quinn, Head of Land and Property Assets, has a wealth of information on this and I'm sure John would be happy to discuss further with you.

I also advised I would include you in future meetings of the Housing Workstream Group aligned to the City Region Deal, and will send invites in due course.

I trust this is of use to you, please do get in touch if you have any queries, and I look forward to meeting you and your team again.

Yours sincerely



Derek McGowan
Head of Communities & Housing

Exempt information as described in paragraph(s) 4, 6 of Schedule 7A of the Local Government (Scotland) Act 1973.

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