

ABERDEEN CITY COUNCIL

COMMITTEE: Housing and Environment
DATE : 14th January 2014
DIRECTOR: Pete Leonard
TITLE OF REPORT: Affordable Housing – Grant Assistance
REPORT NUMBER: H&E/14/003

1. PURPOSE OF REPORT

This report seeks agreement from Committee on the provision of grant assistance to Grampian Housing Association to help deliver a housing development at Froghall Terrace.

2. RECOMMENDATION(S)

It is recommended that Committee:-

- Agree a grant of up to £121,360 to enable the provision of 20 social rent units, and
- The grant to be paid from developer contributions received from Section 75 obligations.

3. FINANCIAL IMPLICATIONS

Any grant funding to a Registered Social Landlord (RSL) for such a project falls within the scope of State Aid. The Council has determined that the Grant comes within the ambit of the Services of General Economic Interest block exemption which permits unlimited funding (in accordance with the framework) to Registered Social Landlords in the area of social housing, however the Service routinely consults with Legal Services on a case by case basis.

4. OTHER IMPLICATIONS

The increased provision of good quality affordable housing will make a significant contribution towards tackling the housing need identified in Aberdeen and in particular increase provision of housing for homeless households.

5. BACKGROUND/MAIN ISSUES

Aberdeen City and Aberdeenshire Councils in conjunction with the Aberdeen City & Shire Strategic Development Planning Authority undertook a Housing Need and Demand Assessment in 2011. The assessment identified a need for 415 new affordable houses per annum for the next ten years. This information has been used to inform the Strategic Development Plan, the Local Development Plan and in turn informed the Local Housing Strategy 2012-17.

Strategic Local Programme (SLP)

The SLP agreed at Committee in May 2013 does not include Froghall nor was it included in the Strategic Housing Investment Programme (SHIP) submitted to the Scottish government in August 2013, which was based on the SLP. However discussions with the Scottish Government in November 2013 reached agreement we could include this site in the SHIP and the project would therefore be eligible for Scottish Government grant.

Grampian Housing Association has submitted an application for grant assistance for purchasing affordable housing units from Barratt's site at Froghall Terrace, these are 20 social rent units. There is no affordable housing requirement for this site and Barratts intend that these units be provided in lieu of their affordable housing obligation at Urquhart Road, which is for 16 affordable housing units and an equivalent commuted payment for 9 units. Barratts are offering 20 units affordable housing units at Froghall plus a commuted payment for 9 units at Urquhart Road. The units at Froghall Terrace would be 19 at 1 bedroom flats and 1 at 2 bedroom flat. Taking into consideration recent changes in housing benefits the 1 bedroom flats would help to meet the housing needs identified in the HNDA for smaller affordable housing units and to some extent help those who wish to downsize from the properties they are currently living in. As this proposal is a change from the Section 75 Agreement for Urquhart Road Barratts intend to apply for a Section 75A Agreement to vary the original Section 75 Agreement with the Council. Likely completion date May 2015. The site at Urquhart Road has been included in the SLP for completion in the period 2012- 2015. The provision of off- site affordable housing provision at Froghall will increase the number of affordable houses that would have been due if onsite provision had been provided at Urquhart Road. The site at Froghall is now part of the Aberdeen Strategic Housing Investment Programme agreed with the Scottish Government. One of key goals of the Aberdeen Strategic Infrastructure Plan (SIP) is to achieve a "Step change in the supply of housing", with a target to provide 2,030 new affordable houses by 2017, the site at Froghall would contribute to this overall Council target in the SIP for new affordable housing supply.

Aberdeen City Council (ACC) has been allocated new funding by the Resource Planning Assumption (RPA) of £10.06 million by the Scottish

Government for the three year period to March 2015. Current commitments against the RPA for developments at Copper Beech, Old Church Road and Cattofield amounts to £3.446million, which results in £6.615 million still to be committed to projects from RPA. The Froghall project would require Scottish Government grant of £1,048,640.

Aberdeen City Council Grant Assistance

Although there has been an increase in the subsidy level (8th July 2013) from the Scottish Government the current grant available for social rented housing is still significantly below that they previously provided. The costs of development locally (land and construction costs) together with the rental income generated to service private borrowing can not cover the development costs for projects in Aberdeen without the City Council providing additional grant support. This grant funding can come from two different sources:

a. Section 75 Negotiations

Section 75 agreements negotiated through the planning process with Housing Developers may, on occasion, require that the developer makes a financial contribution toward affordable housing rather than delivering affordable housing on the specific site to which the planning permission applies.

Agreements to date have provided an income detailed below.

Section 75	£
Income received	2,641,888
Interest received (to 31.3.12)	149,774
Grants paid to RSLs	1,777,081
Commitments to RSLs	100,510
Available Balance	914,071

The funding comes with a requirement to be spent within 5 years of receipt, with the money held in an interest bearing account. The oldest payment the Council has received is from August 2011.

Agreements are in place to provide a further income of £806,250 with agreements currently being negotiated to provide a further £906,250. All other forms of affordable housing delivery are explored before accepting a financial contribution.

b. Council Tax Discount on Second Homes and Long-term Empty Properties

The Council used its powers to reduce the Council Tax Discount to 10% for these properties from 2005/06. The extra income raised from

this can be used by local authorities for the direct provision of affordable council housing as well as grant funding for RSLs.

Income received and commitments to date are shown below.

	£
Income	9,604,445
Paid	4,519,930
Commitment	2,079,141
Available Balance	3,005,374

The Council Tax Discount provided an income of £1,371,444 for 2012/13. Based on current void rates in both the private and public sector, projected annual income is assumed to be around this figure but shall be closely monitored every year and assumptions adjusted accordingly.

Froghall Terrace – Grampian Housing Association

20 social rented flats, 19 x 1 bed and 1 x 2 bed.

Discussions have been held with Grampian to identify the additional grant funding support which would be required to see the delivery of the Froghall Terrace site.

Without this additional grant from the Council Grampian HA could not provide the number of social rented housing units proposed based on the development costs, levels of Scottish Government grant and the rental income available to service private borrowing.

The total grant requirement and shortfall is given in the table below:

Total Grant requirement	Scottish Government Grant from RPA	Grant Shortfall to be provided by ACC	Private Finance (RSL contribution)	Total cost of development
£1,170,000	£1,048,640	£121,360	£871,233	£2,041,233

This report seeks agreement to provide grant of up to £121,360 to allow the development of the Froghall Terrace site subject to a Minute of Agreement and Standard Security with Grampian HA . The grant figures shown for Aberdeen City Council are the maximum value. We are reviewing the position and may offer a lower level of grant.

6. IMPACT

Corporate

SOA, National Outcome 10, “We live in well-designed, sustainable places where we are able to access the amenities and services we need”.

- Work with Registered Social Landlords to develop affordable housing including 2,000 new affordable houses

The 5 Year Corporate Business Plan and Housing and Environment Business Plan housing priorities:

- We will build new houses to increase provision of affordable houses for the council
- We will play our part in partnership working on community safety, protecting vulnerable people , health and well being and other community planning priorities

Public

The public would be interested in this report as it shows the Council’s commitment to work with partners in the provision of new affordable housing to meet the identified housing needs in the City.

An Equality and Human Rights Impact Assessment has been carried out in relation to this report.

7. MANAGEMENT OF RISK

A positive decision on this report would result in increasing the provision of affordable housing in Aberdeen City. A negative decision would result in people who having a housing need not having that need met.

8. BACKGROUND PAPERS

Strategic Infrastructure Plan..

9. REPORT AUTHOR DETAILS

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