

ABERDEEN CITY COUNCIL

COMMITTEE: Housing and Environment
DATE : 20th May 2014
DIRECTOR: Pete Leonard
TITLE OF REPORT: Affordable Housing – Grant Assistance
Maidencraig and Hopetoun Grange
REPORT NUMBER: H&E/14/037

1. PURPOSE OF REPORT

This report seeks approval from Committee for the provision of grant assistance to

- (i) Grampian Housing Association to help deliver additional affordable housing units at Hopetoun Grange, Bucksburn and
- (ii) Grampian Housing Association and Castlehill Housing Association to help deliver an affordable housing development at Maidencraig, Lang Stracht.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- a. approve the funding of 5 additional affordable housing units at Hopetoun Grange with a grant to Grampian Housing Association of up to £103,126 to enable the provision of social rented units.
- b. considers one of the following two options for funding the development of 36 Affordable Housing Units at Maidencraig with officer recommending Option 1 as it represents best value for the Council. :-
 - i. Option 1: the grant of up £968,258 to Grampian Housing Association (12 units) and Castlehill Housing Association (24 units) to enable the provision of 36 social rent units
 - ii. Option 2: grant of up £1,046,439 to Grampian Housing Association (12 social rent) and Castlehill Housing Association (12 social and 12 mid market rent) to enable the provision of 24 social rent and 12 mid-market rent units

- c. the grants will be paid from developer contributions received from Section 75 obligations with any balance to be paid from the income received from the reduced Council Tax Discount for Second Homes and Long Term Vacant Properties.

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. Aberdeen City Council grant to these developments will contribute to spending the Scottish Government's grant for affordable housing by the end of this financial year.

Aberdeen City Council (ACC) has been allocated funding by the Resource Planning Assumption (RPA) of £10.061m by the Scottish Government for the three year period to March 2015. The funding will be used to fund houses which should be completed by 31st March 2015. Current commitments against the RPA are £5.534 million, which results in £4.527 million still to be committed to projects.

Option 1 of the Maidencraig project would require Scottish Government grant of £2,326,728, option 2 would be £1,914,168. Hopetoun Grange would require Scottish Government grant of £324,626.

Officers would recommend Option 1, as this would ensure the most effective use of Scottish Government grant, reduce the grant required from the Council and help to open other development opportunities in this area.

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 August 2012 included the developments at Maidencraig and Hopetoun. These developments can proceed quickly as the purchase price has been agreed with the developer and Grampian and Castlehill Housing Associations for Maidencraig and by Grampian HA for Hopetoun. Both these sites have detailed planning permission pending, and are part of a Section 75 Agreements. They have been awaiting the allocation of grant funding to be able to proceed. These projects show two RSLs working in partnership to deliver affordable housing in the city.

Grampian and Castlehill Housing Associations have submitted two options for developing the site at Maidencraig, these are, Option 1 for 36 social rent units or Option 2 for 24 social rent and 12 mid- market rent units.

Grampian Housing Association has submitted a grant application to the Council for 5 social rented units at Hopetoun Grange. The Council has previously approved funding for 16 social rented units at Hopetoun at the Housing and Environment Committee on 11th March 2014. The additional affordable housing units are the result of the developer increasing the number of units on the site and therefore increasing the affordable housing obligation.

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 what was previously provided.

RSLs fund their new development work from Scottish Government grants and by borrowing against their future rental streams.

Given the higher costs of housing development in this locality (land and construction costs) the Scottish Government grants and the borrowing RSLs can generate are not sufficient to fund RSL development. The City Council has therefore been requested to provide additional grant funding support to allow RSL development to proceed. This grant funding can come from two different sources and in this interest it is proposed to use both sources:

a. Section 75 Financial Contributions

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 at 31st March 2014.

| Section 75 | £ |
|--------------------------------|-----------|
| Income received | 2,708,138 |
| Interest received (to 31.3.14) | 153,237 |
| Grants paid to RSLs | 1,777,081 |
| Unpaid Commitments to RSLs | 634,553 |

A further £159,375 was received on the 3rd April 2014 making the full balance available £609,116

The funding comes with a requirement to be spent within 5 years of receipt, with the money held in an interest bearing account.

Agreements are in place to provide an anticipated income of £346,875 during 2014/15 with a a further projected income of £1.2 million.

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 | 10,929,035 |
| Paid | 4,519,930 |
| Commitment | 2,162,920 |
| Available Balance as at 31 March 2014 | 4,246,254 |

The Council Tax Discount provided an income of £1,325 million for 2013/14. Projected annual income is assumed to be around this figure but shall be closely monitored and assumptions adjusted accordingly.

Maidencraig – Grampian and Castlehill Housing Associations

Option1 will deliver 36 social rent houses, 12 units to be delivered by GHA and 24 by CHA

Option 2 will deliver 24 social rent houses, and 12 Mid Market Rent, 12 social rent by GHA and 12 social rent and 12 MMR by CHA.

Size and Type of units to be delivered for Options 1 and 2 above, 11 x 2 bedroom houses and 25 x 3 bedroom houses.

Hopetoun Grange – Grampian Housing Association

Additional units at Hopetoun Grange will deliver 5 social rented, 3 x 2 bedrooms and 2x 3 bedrooms houses.

Discussions have been held with Grampian and Castlehill to identify the additional grant funding support which would be required to see the delivery of the Maidencraig site and with Grampian for additional units at Hopetoun Grange.

Without this additional grant from the Council Grampian and Castlehill HAs could not provide the number of 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 | Maximum Grant Shortfall to be provided by ACC | Private Finance (RSL contribution) | Total cost of development |
|-----------------|-------------------------|---------------------------|---|------------------------------------|---------------------------|
| Option 1 | £3,294,986 | £2,326,728 | £968,258 | £2,118,907 | £5,413,893 |
| Option 2 | £2,960,607 | £1,914,168 | £1,046,439 | £2,486,240 | £5,446,847 |
| Hopetoun Grange | £427,752 | £324,626 | £103,126 | £264,354 | £692,106 |

This report seeks agreement to provide grant to allow the development of either Option 1 or 2 of the Maidencraig site and Hopetoun Grange. The grant figures shown for ACC are the maximum value. We are reviewing the position and may offer a lower level of grant. The provision of affordable housing at Maidencraig would open up further development on this site as some of the infrastructure requirements are put in place. Both Maidencraig and Hopetoun would ensure further spending of the Scottish Government affordable housing allocation (RPA) for the City in this financial year.

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 and is attached to this report.

7. BACKGROUND PAPERS

None

8. REPORT AUTHOR DETAILS

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