

## ABERDEEN CITY COUNCIL

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COMMITTEE:	Communities, Housing and Infrastructure
DATE:	27 <sup>th</sup> October 2015
DIRECTOR:	Pete Leonard
TITLE OF REPORT:	Affordable Housing – Grant Assistance relating to Froghall Terrace, Cloverleaf Hotel, Summerhill Road and Mugiemooss Road
REPORT NUMBER:	CHI/15/295
CHECKLIST RECEIVED	Yes

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### 1. PURPOSE OF REPORT

This report seeks approval from Committee for the provision of grant assistance to (i) Grampian Housing Association Ltd to help deliver additional affordable housing units at Froghall Terrace (ii) Aberdeenshire Housing Partnership to deliver new affordable housing at the Cloverleaf Hotel, Bucksburn, (iii) Langstane Housing Association Ltd to deliver new affordable housing at Summerhill Road, Summerhill, (iv) Castlehill Housing Association Ltd to deliver new affordable housing at Mugiemooss Road, Bucksburn.

### 2. RECOMMENDATION(S)

It is recommended that the Committee:

- a. approve a grant to Grampian Housing Association Ltd of up to £56,000 to help them fund 8 additional affordable housing units at Froghall Terrace.
- b. approve a grant to Aberdeenshire Housing Partnership of up to £308,594 to help them fund 22 additional affordable housing units at Cloverleaf Hotel.
- c. approve a grant to Langstane Housing Association Ltd of up to £151,112 to help them fund 26 additional affordable housing units at Summerhill Road.
- d. approve a grant to Castlehill Housing Association Ltd of up to £398,064 to help them fund 24 additional affordable housing units at Mugiemooss Road.

### 3. FINANCIAL IMPLICATIONS

Any proposal for grant funding to a Registered Social Landlord (RSL) for such a projects requires to be considered against the State Aid rules. The Council has concluded that the proposed grants come 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.

The above is the current advice we have in relation to State Aid, however we will verify this with the State Aid Unit now that we have live applications for them to consider.

Aberdeen City Council grant for 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 £6.176m by the Scottish Government for the year 2015/16. This year's funding will be used to part fund houses which should be completed by 31<sup>st</sup> March 17.

#### 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.

These developments can proceed quickly as the purchase price has been agreed with the developers and the RSLs for the purchase of the sites. All the sites have detailed planning permission except Mugiemoos Road which is pending. They are awaiting the allocation of grant funding to proceed. These projects show the City Council working in partnership with RSLs and developers to deliver affordable housing in the city.

Grampian Housing Association Ltd have submitted an application to deliver 8 social rented properties at Froghall Terrace. There will also be 8 mid- market rent (MMR) units with no City Council top-up grant requirement. The development will deliver 4x 1 bedroom, 4x 2 bedroom.

Aberdeenshire Housing Partnership has submitted a grant application to the Council for 22 social rented units at Cloverleaf Hotel. There will also be 11 MMR units with no City Council top-up requirement. A total of 68 affordable housing units can be delivered from this site, the remaining 35 units will be delivered by Places for People, which will be MMR requiring no City Council top-up grant. The development will deliver 7x 1 bedroom, and 61x 2 bedroom units.

Langstane Housing Association Ltd have submitted a grant application to the Council for 26 social rented units. This Summerhill Road site is an offsite provision for Pinewood/ Hazeldene. The development will deliver 14x 1 bedroom, and 12x 2 bedroom units.

Castlehill Housing Association Ltd have submitted a grant application to the Council for 24 social rented units. The total number of affordable houses to be delivered from this Mugiemoor Road site is 40 units, the other 16 will be MMR requiring no Council grant. This site is offsite provision for Stoneywood. The development will deliver 11x 1 bedroom, and 29x 2 bedroom units.

### **Aberdeen City Council Grant Assistance**

Although there has been an increase in the subsidy level (8<sup>th</sup> July 2013) from the Scottish Government the current grant available for social rented housing is still significantly below what was previously provided. The Scottish Government are currently reviewing the level of grant they provide for the provision of new affordable housing. A decision on this is likely to be announced in January 2016 as part of their Comprehensive Spending Review.

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 developments 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 (under section 75 of the Town and Country Planning (Scotland) Act 1997) 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.

Such agreements to date have provided an income detailed below.

<b>Section 75</b>	<b>£</b>
Income received	3,738,184
Interest received (to 31.3.15)	158,037
Grants paid to RSLs	2,414,250
Commitments to RSLs	1,068,768

**Available Balance as at 30<sup>th</sup> September 2015, £413,203**

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 income of £2,422,954 with agreements currently being negotiated to provide a further projected income of £1,312,500. 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.

	<b>£</b>
Income	12,053,248
Paid	6,129,861
Commitment	552,920

**Available Balance as at 31 March 2015 £5,370,467**

This Council Tax Discount reduction provided an income of £1,124,212 for 2014/15. 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.

Discussions are ongoing with the RSLs to identify the additional grant funding support which would be required to enable the delivery of the sites.

Without this additional grant funding from the Council the RSLs 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	Maximum Grant Shortfall to be provided by the City Council	Private Finance (RSL contribution)	Total cost of development
Froghall	£551,408	£495,408	£56,000	£422,216	£973,624
Cloverleaf Hotel	£1,541,152	£1,232,558	£ 308,594	£2,100,353	£3,641,505
Summerhill Road	£1,572,228	£1,421,116	£151,112	£1,480,349	£3,052,577
Mugiemoss Road	£1,630,622	£1,232,558	£398,064	£1235,464	£2,866,086

This report seeks agreement to provide grant funding to allow the development of the above sites. The grant figures shown for the City Council are the maximum value. We are reviewing the position with the RSLs which may lead to a lower grant requirement.

Development and delivery of affordable housing on these sites would ensure further spending of the Scottish Government affordable housing allocation (RPA) for the City in this financial year. These developments would contribute to the Council's Strategic Investment Programme target to provide 2,000 new houses by 2017.

## 6. IMPACT

### **Improving Customer Experience –**

The proposals in this report will help to meet the identified housing needs of households on low to moderate incomes.

### **Improving Staff Experience –**

N/A

### **Improving our use of Resources –**

The proposals in this report will increase the number of new affordable houses for social rent. It will also partly ensure Scottish Government funding allocated to this Council for affordable housing is spent this financial year. It will also partly ensure developers obligations towards affordable housing and Council tax discount reductions for empty and second homes are used and spent to deliver new affordable housing.

## **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

Aberdeen- Smarter City Vision

We will improve access to affordable housing in both the social rented and private sectors, by supporting first-time buyers, regenerating areas within the city and by working with developers to maximize the effective use of developer contributions.

We will invest in the city where that investment demonstrates financial sustainability based on a clear return on investment

We will work with partners to promote the city as a place to invest, live, work and export from.

Strategic Investment Plan (SIP) Outcomes

To provide 2,000 new homes by 2017, of which 1,000 will be provided by the private/ RSL sectors.

## **Public –**

This report will be of interest to the public because it details the plans for the provision of new affordable housing– something that greatly impacts on the lives of people in Aberdeen. A EHRIA has been carried out as part of the process of preparing this report.

## 7. MANAGEMENT OF RISK

If committee does not approve this report there would be a risk that the provision of new affordable housing will not meet the housing needs identified for the City. There would be a risk that the Council would not be allocated Scottish Government grant this financial and future financial years, which would mean a loss of funding to deliver affordable housing in the City. Aberdeen City Council would not be able to meet the need for affordable housing in the City, which would result in a range of detrimental effects, including economic ones.

## 8. BACKGROUND PAPERS

N/A

9. REPORT AUTHOR DETAILS

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