

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	17 th August 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Affordable Housing Delivery
REPORT NUMBER	CHI/16/181
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

Council at its meeting on 25th February 2016 agreed to “instruct the Chief Executive to bring forward to the Communities, Housing and Infrastructure Committee proposals for the Council to accelerate the delivery of affordable and social housing within the Aberdeen city boundary utilising all relevant fiscal mechanisms, including asking the Scottish Government to use their devolved powers to help support these opportunities and to report back to Council at its meeting in August 2016”.

This report provides the background on the extent of affordable housing in the city, the current delivery mechanisms and potential future issues.

2. RECOMMENDATION(S)

It is recommended that the Council:-

1. Note the content of this report
2. Instruct the Chief Executive to develop specific actions to accelerate the delivery of housing in the city and report any actions which need agreement by Council to its meeting in December 2016.

3. FINANCIAL IMPLICATIONS

No direct financial implications arise from this report.

The report provides information on a number of the financial issues associated with the delivery of affordable housing.

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

The report highlights key issues impacting on the delivery of affordable housing, current affordable housing stock, current new build projects and funding issues.

5.1 Organisational roles in delivering affordable housing

The City Council has a number of roles in the delivery of affordable housing;

- as a landlord with a new build programme within a 30 year business plan;
- as a partner in Shaping Aberdeen Housing LLP it is delivering new affordable housing;
- as the housing authority it is responsible for directing Scottish Government Affordable Housing Grant through the Strategic Housing Investment Plan liaising with RSLs and developers, preparing a Local Housing Strategy (LHS), Housing Needs and Demand Assessment (HNDA) etc;
- as the housing authority it can assist all housing delivery organisations by co-ordinating services and working to maximise delivery;
- as a funding organisation it is responsible for disbursing grant to RSLs;
- as the planning authority it is responsible for ensuring a Local Development Plan and associated Affordable Housing Policy is in place and for processing planning applications;
- as a land owner it ensures that land in the council ownership is used to deliver affordable housing.

Scottish Government

The Scottish Government is the main grant funder for affordable housing to the City Council and RSLs for their new build programmes; It sets national housing and planning policy frameworks to enable the delivery of housing

Registered Social Landlords (RSLs)

RSLs are a direct provider of affordable housing as a landlord with new build programmes.

Grant funding from the Scottish Government and City Council are required to deliver housing at affordable rent levels. RSLs undertake

private borrowing to cover the rest of the delivery costs ensuring that they are in financial position to achieve this. Due to market values for land in Aberdeen most of their new build programme is in partnership with developers as open market land values are normally too high to facilitate the delivery affordable of housing.

Housing Developers

A number of housing developers operate in the Aberdeen Housing market. Their affordable housing obligations are normally delivered by sale of units to RSLs or as Low Cost Home Ownership to individual households. It is essential that developers are supported to build housing for the market, without market housing their delivery of affordable housing would not happen.

Infrastructure Delivery Organisations

Scottish Water delivers public drinking water and sewerage services as a public sector corporation. Scottish Water is accountable to Scottish Ministers and through Ministers to the Scottish Parliament. Delivery of capacity through Scottish Water for new housing developments is critical to facilitating new affordable housing delivery.

5.2 Existing Affordable Housing Stock

Details of the existing affordable housing stock is provided at Appendix 1.

There are 26,787 affordable units within the housing stock of 114,234 (NRS) in the city which equates to 23.4% of the total housing stock.

5.3 Housing Needs and Demand Assessment

The Scottish Government requires that development plans and local housing strategies are informed by the preparation of a housing need and demand assessment. The HNDA estimates the future number of additional homes to meet existing and future housing need and demand. It also captures information on the operation of the housing system to assist local authorities to develop policies on new housing supply, management of existing stock and the provision of housing-related services.

Its purpose is to provide a robust, shared and agreed evidence-base for housing policy and land use planning and to ensure that both LHSs and Development Plans are based upon a common understanding of existing and future housing requirements.

The HNDA also provides a calculation for the number of additional affordable housing units required to meet the need for affordable housing. To meet this requirement an annual need for an additional 415 affordable units has been assessed over a 10 year period (2011).

The HNDA is currently being updated by Aberdeenshire Council, Aberdeen City Council and the Aberdeen City and Shire Strategic Development Planning Authority.

5.4 Future affordable housing delivery

Aberdeen City Council as a landlord should ensure that it maximises its own delivery of affordable housing within the financial parameters of its 30 year business plan. This will include reviewing land opportunities in the ownership of the Council, other public sector bodies and in private ownership. This review could also highlight opportunities for Shaping Aberdeen LLP and RSLs to deliver further affordable housing beyond those opportunities which already have a committed deliver.

5.5 Strategic Housing Investment Plans

The Scottish Government Affordable Housing Supply Programme for the delivery of new build RSL and Council housing is managed in association with local authorities. Local authorities are responsible for preparing Strategic Housing Investment Plans (SHIPs) which are part of the Local Housing Strategy (LHS) process and set out the key development priorities in each local authority to inform Scottish Government housing investment decisions.

The SHIP then becomes the investment programme jointly agreed between the Council and Scottish Government directing the grant allocation to specific new build projects.

The Communities, Housing & Infrastructure Committee receive regular reports seeking agreement to new projects being added to the programme. The SHIP is therefore able to respond to new delivery opportunities as they arise.

Increased grant levels for RSLs and Councils were announced in January 2016 which will help ensure projects are deliverable.

	Old Grant Level	New Grant Level January 2016
Social Rent	£58,000 (3 person equivalent, benchmark)	£70,000 (3 person equivalent, benchmark)
Mid Market Rent	£30,000 (3 person equivalent, benchmark)	£44,000 (3 person equivalent, benchmark)
Council	£46,000 flat rate	£57,000 flat rate

To reflect this grant increase the overall investment budget for Aberdeen was also increased and certainty for this funding over a 5 year provided as part of the £254m Scottish Government funding announced along with the City Region deal. The 2014/15 budget was £6.176m.

This 5 years funding is at a higher level than published for other local authorities for the period 2017/18 – 2019/20 due to the City Region deal position. The figures for Aberdeen are shown below

	RPA £m	Minimum RPA £m
2016/17	10.956	10.956
2017/18	9.945	8.765
2018/19	9.945	6.574
2019/20	9.945	4.382
2020/21	9.945	Not yet published

One significant issue remains with the Affordable Housing Funding process which is that it is managed as an annual budget with no carry forward of funds available. As with all building projects affordable housing delivery can take longer than planned. Where a project is programmed to draw down funds in a financial year but this is not achieved, this funding can not be transferred to the next financial year. To utilise these funds another project needs to be able to take forward earlier spend than programmed. Programme management by RSLs and the Council new build teams and a close working relationship with developers is critical to ensure full utilisation of funds.

Currently there are potential projects to spend £15 - £21m this financial year but Scottish Government expenditure is limited to the grant of £10.956m. If this funding shortfall can not be addressed then development opportunities could be delayed or lost due to a lack of certainty over their funding. This could be resolved by the Scottish Government identifying further funding for the city as soon as possible.

5.6 Discretion To Reduce Council Tax Discount On Second Homes And Long-Term Empty Properties

From 1 April 2005 Ministers granted local authorities the discretion to reduce or retain the council tax discount on second homes and long-term empty properties. Aberdeen City Council has used this power and the additional income is retained locally and used as grant funding for RSLs and the Council for the provision of new-build affordable social housing.

Income received to date and current commitments are shown below.

	£
Income	13,580,835
Paid	6,129,861
Commitment	<u>2,438,141</u>
Available Balance	5,012,833

This Council Tax Discount reduction provided an income of £1.527 million for 2015/16. 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. These funds are disbursed by the Communities Housing & Infrastructure Committee to support the delivery of affordable housing. As projects come forward these monies will be of particular assistance as there may not be sufficient funding or certainty of funding from the Scottish Government.

5.7 Section 75 Affordable Housing 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. Agreements are in place to provide an anticipated income of £1.77 million during 2016/17 with agreements currently being negotiated to provide a further anticipated income of £1.5 million.

Section 75	£m
Income received	4,464,434
Interest received (to 31.3.16)	163,501
Grants paid to RSLs	2,301,640
Commitments to RSLs	<u>1,826,028</u>
Available Balance	500,267

The funding received comes with a requirement to be spent within 5 years of receipt, with the money held in an interest bearing account. The Council has used all funds received up until July 2012. There is therefore no likelihood that any money would have to be repaid to developers, permitting the Council to disburse further grant up until July 2017.

In negotiating onsite affordable housing through the planning system it is important that the Council can assist in the delivery of the finance required by RSLs to acquire completed properties from a developer.

5.8 Strategic Housing Investment Plans

The current plan is detailed at Appendix 2

5.9 Shaping Aberdeen

The availability of housing, including the cost, in both the rental and buying markets, is a fundamental problem and is recognised as one of the key priorities of Shaping Aberdeen.

Shaping Aberdeen will support and under pin these priorities by delivering the following numbers of affordable housing units starting in 2017:

- A new, Council led development pipeline, which will deliver an additional 1026 units.
- The establishment of a joint venture company with a development partner to ensure delivery

On 8th October 2015, the council selected housing developer Places for People Group Limited as preferred bidder to deliver this step change in the supply of affordable housing. The partnership deal was signed on 22 March 2016 and a company in the name of Shaping Aberdeen Housing LLP has been formed.

The deal follows a commitment in the local authority's Strategic Infrastructure Plan (SIP) to start building 2,030 homes by 2017, including those from the new pipeline and those in the SHIP.

Shaping Aberdeen LLP will build, own and manage housing for rent targeted at a range of needs, which include key workers on modest incomes.

5.10 Infrastructure Fund

The Scottish Government has introduced a new five-year Housing Infrastructure Fund with up to £50m available in 2016/17.

They have recently announced that the fund will support the delivery of housing through the use of financial assistance. While all types and tenures of housing are eligible for support, the Scottish Government has prioritised those projects delivering affordable and private rented housing within the next five years.

The fund will operate at a national level and will be managed and administered by the Scottish Government. As part of the £254m Scottish Government funding announced along with the City Region

deal, £20m of the £50m has been ring fenced to Aberdeen City and Aberdeenshire.

Local authorities have been invited as part of the development of their Strategic Housing Investment Plans to identify priority housing sites that could, with support from the fund, be unlocked to bring forward housing within the next five years.

The Housing Infrastructure Fund comprises two main elements:

- Infrastructure loans (to non-public sector organisations)
- Infrastructure grant available to local authorities and registered social landlords (RSLs) to support affordable housing delivery

Housing Infrastructure Grant will be available to local authorities and RSLs for the delivery of affordable housing sites where the scale and nature of infrastructure costs would prevent it from being supported through the Affordable Housing Supply Programme.

Previous Infrastructure Funds have been made available without any draw down of monies in this area. This is disappointing as infrastructure continues to be identified as a significant factor limiting the delivery and development of many of the larger housing sites.

The City Council will therefore work with Aberdeenshire Council, Scottish Government, RSLs and developers to identify appropriate projects where grant or loan funding could be utilised with the greatest economic benefit for the area.

The £20m infrastructure funding is welcomed but a longer term plan to deliver infrastructure requirements has to be the outcome with the necessary funding secured for local priorities. The infrastructure funding offered at a project level does not provide a holistic approach to resolving the issues.

Individual discussions with developers will take place to ensure that all appropriate opportunities to utilise the infrastructure funds are considered and to refocus a coordinated strategic approach to the delivery of new housing in the city ensuring that the Council works to support and accelerate housing delivery which in turn supports the delivery of affordable housing.

5.11 Aberdeen City Council Planning Policy – Affordable Housing Supplementary Guidance

Policy H5

Housing developments of 5 units or more are required to contribute no less than 25% of the total number of units as affordable housing.

The affordable housing is secured as part of a Section 75 agreement and is delivered directly as Low Cost Home Ownership by the developer, by sale of units to a RSL or in a design and build contract to a RSL for delivery as rented accommodation.

When residential land opportunities come on the Aberdeen housing market the land values are higher than RSLs are able to pay to allow the delivery of affordable housing within the previous and new grant regimes. Most of the delivery of affordable housing by RSLs has therefore been as part of these Section 75 agreements. The affordable housing policy has therefore been and will continue to be a very important mechanism for the delivery of affordable housing in the city.

This reliance on developers taking forward sites and agreeing the affordable housing delivery with RSLs has also created issues as the timing and speed of delivery is largely outwith the control of RSLs which when set against annual grant budgets from the Scottish Government adds further difficulties.

The existing challenges in the local housing market also has an impact by providing greater uncertainty on when developments will commence and the speed at which affordable housing may be delivered.

However, there are also opportunities to see the delivery of affordable housing earlier on a site when a RSL can fund such opportunities. When a RSL is buying property they will normally pay for the delivery as it is being built which could provide a cash flow for the developer in advance of market sales which are paid for on settlement.

5.12 Emerging Policy – Aberdeen Local Development Plan 2016 & Supplementary Guidance

Due to the challenging nature of the market and the reliance on planning policy to secure affordable housing, every effort is being made to broaden the spectrum of opportunities. As part of ongoing engagement with the development industry, through the Affordable Housing Forum, the proposed Supplementary Guidance for the 2016 LDP, due for adoption in January 2017, has looked at a number of other opportunities to deliver affordable housing. These include:

1. Alternative methods for delivering affordable housing such as Off-Site delivery are being considered. Other options such as banking affordable housing which is provided up front against future market housing is also being considered, but does require further discussion.
2. An increase of the level of commuted payments on a banded basis across the city, ranging from £35,000-£85,000. This is an increase from the current figure of £25,000.
3. The inclusion of both Student Accommodation and Key Worker Accommodation within the guidance with an understanding developers of this accommodation will be exempted from having to

provide affordable housing. While this does not provide additional affordable housing units it does relieve pressure on the more affordable end of the housing market, in the case of student accommodation, and makes the delivery of key worker accommodation more attractive to non housing organisation like the NHS/universities to deliver.

4. Greater guidance being provided about what information is required at the planning stage to help speed up the process of agreeing S75's and help design out problems which may impact on the delivery of affordable housing.
5. Clarity on when a reduction in affordable housing contribution is sought in the new guidance. It is clear that only where the actual viability of the development is at risk will a reduction be considered. In such cases a full financial assessment of the development will be required.

All of the above is aimed at providing clarity and speeding up affordable housing delivery.

Areas for continued improvement and further investigation

It is also recognised that there are other areas where the service can improve and work is underway to address a number of topics including:-

Earlier engagement

It is clear that one of the most valuable tools available to the planning service is early engagement. While this is something which the council actively seeks, it is not always availed of by the development industry. Within the revised guidance we have emphasised the importance of early engagement and have stated that where alternative options for the delivery of affordable housing are being proposed, such as offsite delivery, they will only be considered where early engagement takes place. The planning service will also continue to communicate this directly to applicants and through the affordable housing forum.

More clarity

As noted earlier work is ongoing to provide greater clarity both within supplementary guidance and the planning process more generally. The purpose of this is to speed up the determination of applications and S75 legal agreements. It is noted however that this can only work where the development industry works with the planning service to both provide the information required and engage with the development industry at an early stage.

S75 & Planners Reports

Work is already underway examining ways to provide more information within the planners report in relation to developer obligations, including affordable housing. The purpose of this is to provide greater clarity before an application is determined about the detail of how the affordable housing policy will be satisfied.

Additional delivery options

As mentioned earlier while a number of delivery options are included within the guidance, the Planning and Housing services will continue to examine any alternative method of securing affordable housing through the planning process. Discussions are already underway through the Affordable Housing Forum, and alternatives such as banking affordable housing units are being considered before a wider discussion with elected members.

Site acquisition

An alternative option for securing affordable housing contribution is for the developer to offer the equivalent portion of the site to the Council or an RSL for those parties to deliver the affordable housing. This may be beneficial where an RSL, the Council or the Council's joint venture company has capacity to deliver these units. In such cases it could significantly speed up the delivery and allow greater control over the type and tenure of units to be provided.

Unlocking Development Potential

While not solely a planning issue, there may also be opportunities through the developer obligations process and the City Region Deal to support the opening up of sites where initial infrastructure investment is required. This could be of interest where it provides the opportunity to unlock larger sites, particularly where it provides access to council owned land which could be developed for affordable housing. Work on this is currently underway across a number of services and with the Scottish Government.

5.13 National Planning Review

In September 2015, an independent panel was appointed by Scottish Ministers to review the Scottish planning system. The panel was tasked with bringing together ideas to achieve a quicker, more accessible and efficient planning process.

On the 31st of May 2016 the panel produced a report with recommendations called, "Empowering Planning to Deliver Great Places". This report was considered by the Scottish Government and on the 11th of July 2016 it produced its response. Included in this was support for a number of recommendations relating to housing. While none were specifically aimed at delivering additional traditional affordable housing a strong emphasis was placed on the need to adapt and look at alternative delivery methods.

The report included *10 Immediate Actions* to "...demonstrate our commitment to the planning review and ensure the report has an immediate impact, ten key actions will be taken forward as a priority."

These actions included:-

1. Help local authorities to strengthen their skills and capacity for housing delivery in the short term through a range of measures including financial assistance where appropriate (Recommendations 13 and 16).
2. Finalise the draft advice on planning for housing and infrastructure delivery, including a clear definition of effective housing land which will be consistently applied within the current system. (Recommendation 13).

13. There is an urgent need to establish a clearer definition of effective housing land so that local development plans can move on from this to take a positive and flexible approach to addressing the housing land requirement for their area.

Much of the problem with defining whether or not land is suitable for housing development arises from ongoing confusion about what is needed to unlock development and specifically the definition of 'effectiveness'. Understanding development viability is essential to allocating effective land, requiring an open book approach by developers which is properly scrutinised. This will require planning authorities to have fuller access to expertise in development economics. Independent adjudication on effective housing land, much earlier in the plan preparation process, could significantly reduce conflict.

16. A programme of innovative housing delivery should be progressed in a way which is fully aligned with local development plans.

Planning needs to become more responsive to the diverse housing needs of Scotland's current and future population. This could drive a step-change in affordable housing provision and drive forward alternative models including self-build, private rented sector, off-site construction and energy efficient homes. Work with disabled people's organisations and building standards to innovate and embed accessible housing, and a proactive approach to expanding homes for the elderly are key priorities. It is, however, important to ensure that support for new sectors does not inadvertently provide opportunities to build mainstream homes which do not meet established needs. Where special measures are introduced to promote the private rented sector, an assurance of the retention of use in perpetuity would therefore, in our view, be essential.

Supported recommendations 13 and 16 from the initial report "Empowering Planning to Deliver Great Places".

From the recommendations supported by the Scottish Government it appears that they are placing greater emphasis on the deliverability of housing rather than simply on its allocation. They also appear to be willing to support this through improving skills within local authorities and direct financial assistance. Support is also shown for "innovative housing delivery" which may include "alternative models" for affordable housing.

A commitment to finalise the Draft Planning Delivery Advice: Housing and Infrastructure, which was consulted on earlier this year and which the Communities, Housing & Infrastructure Committee agreed a response to on the 15th March 2016, is also included. The guidance would see a significant increase in the work required at the site identification and allocation point of the Local Development Plan process. While the impact of this guidance could be beneficial, careful consideration will be required to examine its impact on the capacity and skills within the planning service.

5.14 Scottish Cities Alliance - Empowering Scotland's Cities

In June 2016, the Scottish Cities Alliance published "Empowering City Government." The report sets out a range of fiscal and non-fiscal levers that if devolved under a New Deal for Scottish cities would ensure that they continue to build on their current economic success and compete effectively with other cities at home and abroad. It includes specific powers around housing policies detailed below.

The housing issues have significant similarities to the issues identified in this report.

<p>Greater power for Scotland's cities to deliver Scottish Government's affordable housing targets</p> <p>The cities want to be consulted on new housing policies set at a national level</p> <p>The cities want new regional housing infrastructure funds to be administered locally, in addition to the national housing infrastructure fund</p> <p>Cities to have first refusal on all surplus public sector land for affordable housing.</p> <p>The cities want five year certainty over affordable housing grant.</p>	<p>Work as a cross city collective to accelerate the use of newly available tools and powers to increase affordable homes supply</p> <p>Work as the hubs of city regions to deliver solutions to unlock regional housing supply at scale</p>	<p>Planning authorities</p> <p>Scottish Government</p> <p>Registered Social Landlords</p> <p>Housing developers</p> <p>Communities</p> <p>Business (including financiers)</p>	<p>A better opportunity to achieve Scottish Government's target of 50,000 new affordable homes</p> <p>Acceleration of housebuilding across the cities which will attract and retain key talent and skills.</p> <p>A cohesive housebuilding strategy has the potential to create local skills in the construction market</p> <p>Better use of surplus public sector land could have a range of inclusive growth benefits, e.g. creation of affordable housing for veterans, elderly, etc.</p>
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4.5.3 Delivering Scotland's Affordable Housing Targets

The proposal

The cities want greater powers and levers from Scottish Government to deliver Scottish Government's affordable housing targets.

The need for change

The Scottish Government's target of building 50,000 affordable homes across Scotland over the next five years will require a step change in the approach to housing development across the country. The Agenda for Cities report highlights that many will be built in Scotland's cities.

On 29th February, the Scottish Government announced a new national £50m infrastructure fund to unlock priority sites. The fund, to be administered at a national level, would consist of flexible grant and loan. The Scottish Government also announced that further innovative financing mechanisms are being explored to enable local authorities to deliver.

The cities recognise that the national fund is a welcome step in the right direction to enable Scotland's local authorities to deliver on the 50,000 new affordable homes target. However, to deliver such a step change in housing supply, Scottish local government will require a range of new tools and freedoms in relation to land supply, funding, financing and housing delivery.

The overarching view of the cities is that the current relationship between cities and Scottish Government housing teams is strong. Cities have strong links with Government departments and sit on influential committees such as the Joint Housing Policy and Delivery Group. Innovation in housing has been allowed to develop as evidenced by new models such as the National Housing Trust. However, greater development of this relationship and continuity with Scottish Government finance colleagues will be required in order to accelerate the roll out and use of new mechanisms going forward if Government ambitions are to be achieved.

The solution

The cities want:

- To be consulted on new housing policies set at a national level
- New regional housing infrastructure funds to be administered locally, in addition to the national housing infrastructure fund
- To have first refusal on all surplus public sector land for affordable housing
- Five year certainty over affordable housing grant

The cities will:

- Work as a cross city collective to accelerate the use of newly available tools and powers to increase affordable homes supply
- Work as the hubs of city regions to deliver solutions to unlock regional housing supply at scale

Benefits and impact

A range of benefits could flow from the proposed new approach to joint working:

- The impact of the proposed changes to working would be that cities carry greater confidence in the ability to meet Scottish Government's ambitious target of 50,000 affordable homes in the next parliament.
- Critically this confidence can be passed on to the private sector who will play a key role in the delivery of these ambitious targets. The housebuilding sector and investment market offer opportunities for critical mass in terms of delivery structures and funding models. The delivery of 50,000 affordable homes over the next parliament could require up to 150,000 private homes over the same period in order to create sustainable mixed tenure communities
- The acceleration of housebuilding across Scotland's cities is vital if they are to attract and retain the talent and skills to enable city economies to grow
- A key target for cities would be to create local skills in the construction market as opposed to the previous house building surge that saw a large amount of imported temporary labour. A more cohesive strategy and secure pipeline of housebuilding could reap significant benefits at the city level in terms of skilled job creation
- In addition, the cohesion delivered by better use of surplus public sector land could have a range of benefits in particular linked to inclusive growth. Specific examples could include MOD land being transformed into affordable housing for veterans and surplus NHS land being used to develop purpose built facilities for the elderly. This type of flexible and pragmatic approach to a wide range of housing needs would be unlocked by greater partnership working.

5.15 Scottish Government Advice

The Scottish Government has recently indicated that from conversations with stakeholders it believes that there may be additional resources, skills and expertise which might assist increase housing supply.

For example, some issues which have come up in conversations as being worthy of further consideration have included: support with legal expertise; project and programme management; procurement advice; technical skills to support compulsory purchase orders; and addressing particular issues in respect of specific housing development sites. The Scottish Government proposes to specify and put in place a flexible resource that can provide a range of assistance and which can be called upon when needed. We welcome this opportunity and will look to the assistance as appropriate to further the delivery of affordable housing in the city.

5.16 Key drivers and issues

The delivery of affordable housing requires access to land to allow the construction to proceed and appropriate levels of finance to deliver housing at an affordable value.

Availability of land in Aberdeen continues to be a critical issue with the market value for land higher than the value from which affordable housing can be delivered. This means that RSLs are not able to compete for the purchase of land with most of their delivery being in

association with developers where they have a planning obligation to deliver affordable housing. Only Sanctuary HA own land on which they can deliver affordable housing. This land is at Craiginches a site facilitated by the Scottish Government and at Donside where there are still some development opportunities.

The value a RSL can pay for land could be increased if their cash flow was increased by charging higher rentals or by greater levels of grant being provided. As detailed below the levels of grant per unit were significantly increased in January 2016.

A reduction in land values to make land more accessible for affordable housing is not strictly under the control of the government or the council as it is largely determined by market forces and their interaction with the Council's affordable housing policy.

The use of surplus public sector land is currently facilitating the delivery of affordable housing. Capturing future opportunities when Public Sector land is declared surplus will be of great importance in continuing the delivery of affordable housing.

The City Council is delivering housing at the former Smithfield Primary School site and at Manor Walk. These developments are being funded through the SHIP with additional grant funding having been agreed from the Income from the Reduced Council Tax Discount.

Shaping Aberdeen LLP is also delivering affordable housing on a number of sites which are owned by the City Council across the city.

At Craiginches the Scottish Government facilitated the purchase of the site from the Scottish Prison Service by Sanctuary Housing Association. They are now taking forward the delivery of 124 affordable housing units which are to be targeted at key workers. This project is being funded outwith the SHIP funding allocated to Aberdeen City.

Other than Council facilitated developments this is probably the first project solely delivering affordable housing on ex public sector land. Other public sector land has been disposed of for market housing delivery with an element of affordable housing delivered through the planning process. This disposal has been to the market to ensure maximum receipt for NHS, Universities etc to reinvest in their services.

There is currently a joint planning application by NHS and Grampian Housing Association for the delivery of 110 affordable units on a site owned by the NHS at the Foresterhill Campus.

Further work is required to ensure that such sites deliver the housing outcomes to the benefit of the city as a whole.

The Scottish Cities Alliance has an ask that "Cities to have first refusal on all surplus public sector land for affordable housing". This needs to go further with the land being available at an affordable housing value

to facilitate affordable housing delivery. The North East Public Sector Property Group also has a role to play in taking these issues forward.

The Scottish Government has indicated that the use of Compulsory Purchase Order powers for land could be considered where housing development is not progressing. This currently requires that the land be purchased at market value which makes the use of these powers unlikely when the aim is to accelerate the delivery of affordable housing. Is there a case for this market value requirement to be reviewed?

As a planning authority the Council is responsible for processing planning applications. Proposed changes to the planning system have been announced by the Scottish Government with the aim to help deliver more homes and speed up the planning process. This is welcomed and the Council along with other parties needs to be engaged in dialogue to deliver the best outcome from this opportunity. Whilst this will take time to deliver the Council needs to continue to determine planning applications in the current system.

The £20m infrastructure funding announced alongside the City Region Deal is welcomed but a longer term plan to deliver infrastructure requirements has to be the outcome with the necessary funding secured for local priorities. The infrastructure funding offered at a project level does not provide a holistic approach to resolving the issues. The Aberdeen City Region Deal Joint Committee should have the lead role in agreeing where the funds should be directed. Opportunities to utilise the £20m Infrastructure funds need to be developed to maximise the delivery of housing and the wider economic benefits that the funding can deliver.

Delivery of market housing must be supported to ensure affordable housing delivery as part of the Affordable Housing Planning process is delivered. Land allocated for future housing through the planning system needs to be able to deliver that housing effectively.

Annuality of Scottish Government funding for affordable housing is a limiting factor for the delivery of affordable housing. A move to a minimum 3 year rolling programme with the ability to carry forward funds would assist in the delivery of affordable housing which would also assist the government meet their own 50,000 affordable housing target. The Scottish Government grant available to the city for 2015/16 was £6.17m with an outturn of £4.796m. A number of projects which were forecast to draw down funding were delayed. The funding is an annual budget with no ability to carry forward to meet known commitments. With Scottish Government funding utilised for the purchase of the Craiginches site the total expenditure in the city was £9.198m. Currently the potential exists to spend £15 - £21m but this limited to the grant of £10.956m. If this funding shortfall can not be addressed this year then development opportunities could be delayed or lost due to a lack of certainty over their funding. This could be

resolved by the Scottish Government identifying further funding for the city as soon as possible.

The Scottish Government offer of Expert Advice should be used. They have indicated that the use of Compulsory Purchase Order Powers could be considered where development is not progressing.

5.17 Actions the Council can undertake to accelerate delivery of affordable housing

- The City Council use their resources to maximise delivery of affordable housing within the financial parameters of the Housing Revenue Account business plan;
- The City Council ensures that the £20m infrastructure fund for the City Region is discussed with all housing developers including Shaping Aberdeen LLP, the City Council and RSLs to identify opportunities to maximise its benefits with a view to ensuring longer term plans to deliver infrastructure meeting local priorities;
- The City Councils ensures that a focused, coordinated strategic approach to the delivery of new housing in the city is adopted ensuring that the Council works to support and accelerate housing delivery which in turn supports the delivery of affordable housing;
- The City Councils ensures that changes to supplementary planning guidance and the planning process locally are implemented as soon as possible to maximise the delivery of housing along with changes following the National Planning Review;
- The City Council supports the work of the Scottish Cities Alliance in seeking greater powers for Scotland's cities to deliver Scottish Government's affordable housing targets.

5.18 Actions the Council can pursue with the Scottish Government and other partners to accelerate delivery of affordable housing

- Work with Shaping Aberdeen LLP and RSLs to ensure they use their resources to maximise delivery of affordable housing within the financial parameters of their individual business plans;
- Work with the Scottish Government and other public sector partners to ensure the effective use of all surplus public sector land to maximise housing delivery;
- Work with the Scottish Government to ensure that when public sector land is declared surplus it should be available for purchase at affordable housing value if it is to be used for the delivery of affordable housing;
- Work with the Scottish Government to ensure that where CPO powers are used for land where the intended delivery is affordable housing that the purchase be at affordable housing values;

- Work with the Scottish Government to ensure its housing grant changes from annual funding to a minimum 3 year rolling fund to maximise delivery opportunities;
- Work with the Scottish Government to ensure that the grant funding shortfall identified for 2016/17 is addressed to ensure affordable housing projects are not delayed or potentially lost;

6. IMPACT

Improving Customer Experience –

The accelerating of housing delivery and in particular affordable housing will help meet the housing needs of the citizens of Aberdeen;

Improving Staff Experience –

Not applicable

Improving our use of Resources –

The accelerating of housing delivery and in particular affordable housing will help ensure that the most effective use of all financial and land resources is achieved.

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 and RSL sectors.

Public –

This report will be of interest to the public because it details the plans for the provision of affordable housing– something that greatly impacts on the lives of people in Aberdeen.

7. MANAGEMENT OF RISK

If the Council does not approve this report there is a risk that the provision of new affordable housing will not meet the housing needs identified for 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.

Any delay in the delivery of market housing is likely to impact on the delivery of affordable housing.

8. BACKGROUND PAPERS

Scottish Cities Alliance - Empowering Scotland's Cities

9. REPORT AUTHOR DETAILS

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Existing Affordable Housing Stock

At 31st March 2016 the City Council owned an affordable housing stock of 22,098 units held on the Housing Revenue Account.

The 8 RSLs operating in the city had a combined 'social' rental stock of 4,561 with a small stock of mid market rent, shared equity and shared ownership properties.

RSL	Number of Properties
AHP	8
ARK	12
Blackwood Homes	81
Castlehill HA	976
Grampian HA	1295
Hanover HA	121
Langstane HA	1373
Sanctuary	703
Total	4,561

The National Housing Trust initiative currently provides 37 units as mid market rent housing.

Low Cost Home Ownership Properties delivered directly by house developers provides a further 86 units.

This provides 26,787 affordable units against a housing stock of 114,234 (NRS) in the city which equates to 23.4% of the total housing stock.

On 31st July 2016 the Right to Buy for those Council and RSL tenants who still had a tenancy which allowed this opportunity ended. The change in legislation was introduced to protect the remaining affordable housing. There will still be the potential for specific disposals of existing stock for management reasons in the future.

Strategic Housing Investment Plan

Project	Developer	Units - Tenure		Units - Completions	
		Social Rent	Mid Market Rent	2016/17	2017/18
Maidencraig Phase 1	Castlehill Housing Association	36		36	
Manor Walk / Park	Aberdeen City Council	80			80
Mugiemoss Road	Castlehill Housing Association	22	16	38	
Smithfield Primary School	Aberdeen City Council	99		99	
Countesswells Phase 2	Aberdeenshire Housing Partnership	35	34		69
Ashgrove Road	Langstane Housing Association		6	6	
Burnside Gardens	Grampian Housing Association		97	50	47
Eastneuk Pub	Langstane Housing Association	26		26	
Granton Place	Langstane Housing Association		6	6	
Mugiemoss Phase 2	Grampian Housing Association	20		20	
Summerhill Road	Langstane Housing Association	26		26	
Woodside	Sanctuary Housing Association	30	89		119
Cloverleaf	Aberdeenshire Housing Partnership	22	11	33	
Abbotswell Road	Aberdeenshire Housing Partnership	24		24	
Pittengullies Brae	Grampian Housing Association	8			8
Mugiemoss Road	Grampian Housing Association	11	2	13	
Loirston	Hillcrest Housing Association	23			23
Froghall Road	Langstane Housing Association	6		6	
Cloverleaf	Places for People		35	35	
Maidencraig Phase 2 South	Grampian Housing A Association	12			12
Total		480	296	418	358
Non SHIP Project Craiginches	Sanctuary Housing Association		124		124

Shaping Aberdeen LLP

East Woodcroft	LCHO	2016/17	14
Tillydrone	MMR	2017/18	92
Tillydrone	Social rent	2017/18	10
Craighill	MMR	2017/18	46
Craighill	LCHO	2017/18	20
Summerhill	MMR	2017/18	116
Greenferns	MMR	2018/19	75
Tillydrone	MMR	2018/19	92
Craighill	MMR	2018/19	30
Summerhill	MMR	2018/19	113
Greenferns	MMR	2019/20	292
Tillydrone	MMR	2019/20	92
Summerhill	MMR	2019/20	140