

ABERDEEN CITY COUNCIL

COMMITTEE	Communities, Housing & Infrastructure
DATE	25 th August 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Strategic Housing Investment Plan – Site Update
REPORT NUMBER	CHI/16/129
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

Committee has previously approved the Strategic Housing Investment Plan (SHIP) 2015 – 2020 which sets out plans for affordable housing delivery in Aberdeen City Council. The current list of agreed projects is attached as Appendix 1

Following discussion with the Scottish Government and RSLs approval is now sought to add additional units at Mugiemoos and Countesswells and to the provision of top-up funding for the Countesswells project.

2. RECOMMENDATION(S)

It is recommended that Committee

1. Approves the inclusion of additional units at Mugiemoos in the Strategic Housing Investment Plan (SHIP) 2015 – 2020 with Grampian Housing Association now delivering 61 units replacing the previously agreed 20 units.
2. Approves the inclusion of additional units at Countesswells in the Strategic Housing Investment Plan (SHIP) 2015 – 2020 with AHP & Castlehill Housing Association now delivering 106 units replacing the previously agreed 69 units.
3. Approve a grant to Castlehill Housing Association of up to £309,672 to help them fund 39 social rent affordable housing units at Countesswells.
4. Approve a grant to AHP of up to £303,150 to help them fund 43 social rent affordable housing units at Countesswells.

3. FINANCIAL IMPLICATIONS

Any proposal for grant funding to a Registered Social Landlord (RSL) for such a project requires to be considered against the State Aid rules. The Council has previously concluded that such 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 consults with Legal Services on individual cases where necessary.

This report seeks agreement to provide grant funding to allow the development of the above sites from either Section 75 financial contributions or the income from Council Tax Discount on Second Homes and Long-term Empty Properties making best use of these funding sources when the grant is to be paid.

The Scottish Government have allocated Aberdeen City Council a Resource Planning Assumption (RPA) of £10.956m for 2016/17 and £9.945m per annum for the subsequent four years. This is the value of Scottish Government grant available to RSLs and the Council to use for delivering new affordable housing.

The RPA 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.

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

Mugiemoss

The SHIP currently identifies the delivery of 20 units at Mugiemoss. Discussions with Barratt Homes, Grampian Housing Association and the Scottish Government have identified the opportunity to increase the number of affordable units in the development to 61 properties. The detail on the housing mix is still at an early stage but it is anticipated that early delivery and completion of affordable homes can be achieved by spring 2018 and completed by late 2018 - early 2019.

Countesswells

The development will see the delivery of 3,000 new homes, consisting of a full range of building typologies and tenures creating a diverse and inclusive community at Countesswells is now under way. In line with the Local Development Plan policy 25% affordable housing will be delivered on site being integrated within the phasing of the development and designed as part of each relevant development parcel.

Affordable housing will be predominantly located in areas which are:

- Well connected in terms of footpath and cycle networks.
- Well connected to the proposed public transport network.
- Accessible to the proposed mixed use centres.

The SHIP currently identifies the delivery of 69 units at Countesswells with a further 30 units included in the National Housing Trust Initiative. The proposal to replace the NHT delivery with properties owned by Castlehill and AHP will mean that these properties would continue to be delivered in perpetuity. The NHT delivery would have seen mid market rent properties delivered for a maximum of 10 years.

Discussions with Stewart Milne Group, AHP, Castlehill Housing Association and the Scottish Government have identified the opportunity to increase the number of affordable units in the first development stage to 106 properties. These units are part of the delivery of 239 units in this stage.

It is proposed that AHP take delivery of 31 flats in 2 blocks with 24 houses and Castlehill HA 30 flats in 2 blocks and 21 houses.

A mix of property sizes is proposed with 16 flats being fully wheelchair accessible.

	Social rent	Mid market rent	Total
1 bed	4		4
2 bed	69	20	89
3 bed	9	4	13

The flats are to be built first with one block per month delivered from March to June 2017. The construction of the houses will commence in April 2017 with all completions by April 2018.

RSLs fund their new development work from Scottish Government grants and by borrowing against their future rental streams. The City Council has been requested to provide additional grant funding support to allow the RSL developments to proceed. This grant funding can come from two different sources Section 75 Financial Contributions or Council Tax Discount on Second Homes and Long-term Empty Properties.

Without 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 shortfall to be funded by the City Council	Private Finance	Total development cost
Castlehill MMR	£528,000	£528,000	£0	£1,022,338	£1,550,338
Castlehill SR	£3,285,372	£2,975,700	£309,672	£1,891,168	£5,176,540
AHP MMR	£555,280	£555,280	£0	£1,122,339	£1,677,619
AHP SR	£3,515,170	£3,212,020	£303,150	£1,968,566	£5,483,736
Total	£7,883,882	£7,271,000	£612,822	£6,004,411	£13,888,233

This report seeks agreement to provide grant funding to allow the development of the above sites from either Section 75 financial contributions or the income from Council Tax Discount on Second Homes and Long-term Empty Properties making best use of these funding sources when the funding is paid. 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.

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.

	£
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 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 £1.77 million with agreements currently being negotiated to provide a further projected income of £1.5 million. 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	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 £1,527,584 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.

6. IMPACT

Improving Customer Experience –

The addition of these extra sites to the SHIP will result in an increased supply of affordable housing to help meet the housing needs of residents in the city.

Improving Staff Experience –

Not applicable

Improving our use of Resources –

The addition of these sites to the SHIP and their subsequent delivery as affordable housing will ensure that effective use of available affordable housing funds is made.

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 committee 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.

8. BACKGROUND PAPERS

List any papers which you consulted in the preparation of your report, if they include facts on which your report is based, and which have been relied upon to a material extent. It is a statutory requirement to list these, although you should not list papers which are confidential as defined by the Access to Information Act, or published works ie books or magazines.

9. REPORT AUTHOR DETAILS

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Appendix 1

Strategic Housing Investment Plan

Project	Developer	Units - Tenure		Units - Completions	
		Social Rent	Mid Market Rent	2016/17	2017/18
Maidencraig Phase 1 North	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 Association				12
Total		468	296	418	358