

ABERDEEN CITY COUNCIL

COMMITTEE	Communities, Housing & Infrastructure
DATE	1 st November 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Strategic Housing Investment Plan 2017/18 – 2021/22
REPORT NUMBER	CHI/16/213
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To seek Committee agreement to the submission of the Strategic Housing Investment Plan (SHIP) for the period 2017/18 – 2021/22.

2. RECOMMENDATION(S)

It is recommended that Committee

1. Approve the submission of the Strategic Housing Investment Plan to the Scottish Government.
2. Refer the Housing Infrastructure Fund Table to the Aberdeen City Region Deal Joint Committee for their consideration in conjunction with the same table from Aberdeenshire Council.
3. Agree that the City Council can provide grant funding for a project where Scottish Government grant funding can not be provided in 2016/17 with the agreement of the Convenors of Communities, Housing & Infrastructure and Finance Policy & Resources along with the Head of Finance and Head of Legal Services and Democratic Services
4. Grant delegated power to the Head of Communities and Housing to agree with the Scottish Government replacement projects from the approved SHIP to the Strategic Local Programme Agreements.

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 continued development of housing 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.

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

Scottish Government Guidance - Strategic Housing Investment Plans

“The core purpose of the SHIP is to set out strategic investment priorities for affordable housing over a 5 year period to achieve the outcomes set out in the LHS. The plan reinforces the local authority as the strategic housing authority, the importance of the outcomes and targets set out in the LHS, and informs Scottish Government housing investment decisions. It is expected that SHIPs will be directly informed by the LHS and developed in consultation with key stakeholders. SHIPs will be the key documents for identifying strategic housing projects to assist the achievement of the 50,000 target.

The SHIP should:

- Set out investment priorities for affordable housing
- Demonstrate how these will be delivered
- Identify the resources required to deliver these priorities
- Enable the involvement of key partners

Programme Process - SHIPS and Strategic Local Programme Agreements(SLPAs)

The SHIP tables provide the basis for the development of agreed SLPAs between local authorities and the Scottish Government. The SLPAs set out the programme of housing projects that will be funded over the next 3 years and will be reviewed and updated annually to ensure delivery remains on track.

It is expected that local authorities will engage and consult with all delivery partners on proposals and priorities for SHIPs and SLPAs.

Once agreed, SLPAs will form the basis of individual RSL and Local Authority programme agreements and be the primary document informing the delivery of the Affordable Housing Supply Programme at the local level.

SLPAs will be reviewed and reissued, at least annually, to enable the programme to roll forward and to maintain a minimum 3 year programme planning horizon, based on the most up to date approved SHIP.

The local authority approved SHIP will normally be the route by which projects will be brought into the SLPA. As part of the SHIP sign-off process, local authority officials should, where possible, get delegated authority to ensure that where projects fall out of the SLPA that they can assign other agreed SHIP projects in their place. For most authorities these decisions will be taken jointly between Scottish Government and local authority officers and discussed with the appropriate delivery agent.”

Preparation of the SHIP

Consultation with local affordable housing delivery partners has been undertaken to populate the required tables attached to this report as Appendices.

The requirement is to submit a SHIP every two years however this Committee have received regular reports seeking agreement to add sites into the SHIP reflecting ongoing discussions with RSLs and developers which identify opportunities for the delivery of affordable housing. The consultation for this SHIP that therefore been based on an ongoing dialogue with partners. After submission of the SHIP new opportunities will be reported to Committee where they arise to ensure the maximisation of the delivery of affordable housing from all available resources with the SHIP being a continually evolving plan through it's lifetime.

Overall the SHIP shows the potential to deliver 1,253 units across the 5 years from grant funded development by the Council and RSLs and a further 1,053 units from outwith the main grant funded development programme.

As would be expected certainty about projects and delivery numbers is clear for the initial 3 years with the final two years showing significant lower numbers. This will change as new projects are developed and with 'windfall' opportunities that arise.

Housing Infrastructure Fund

This version of the SHIP has a new addition in the Housing Infrastructure Fund introduced to support housing development through loans (non RSL & Council developers) and grants (Councils and RSLs) with priority being given to those projects, which will deliver affordable housing. The national fund is a five year programme with initially £50m being made available in 2016/17 which will look to prioritise those sites which are of strategic importance with the funding helping unlock sites for the delivery of housing.

In January 2016, when the City Region deal was signed, the Scottish Government announced an additional £254m would be available to support the implementation of some elements of the original proposals that would not be funded within the parameters of the signed Heads of Terms. This included £20m within the national Housing Infrastructure Fund identified for the City Region area.

Discussions with developers have identified a number of technical questions about how the loans and the application process etc. These have been fed back to the Scottish Government with clarity on the process awaited. In this context the Infrastructure Fund position will continue to develop over the next few months.

The preparation of this element of the SHIP has been prepared in conjunction with Aberdeenshire Council. The City Region Deal Joint Committee will consider the Infrastructure Fund at a future meeting.

To date two developers have identified a potential interest in applying for loan assistance. Dialogue is ongoing with developers and RSLs as they consider how to take forward sites and how the infrastructure fund may provide them with assistance to deliver sites.

Grant Funding

There are current projects with the potential to spend £16m of Scottish Government Grant this financial year, with Scottish Government expenditure currently limited to the allocated grant of £10.956m. Discussions are ongoing with the Scottish Government to ensure that they can reallocate grant to the City from other local authority areas where they are unable to spend their allocation this financial year. In reallocating these monies the Scottish Government will ensure projects continue to move through delivery without any slowdown due to the lack of grant funding. If additional grant is not allocated it could have significant consequences on delivery time frames. In spending their full grant across Scotland the government will maximise their delivery of

affordable housing. If additional grant is not allocated RSLs would have to wait to draw down the remaining grant next financial year. This could have a major impact on the available grants for projects next year and a significant impact on RSL finances and may lead to delays on the current delivery of sites and consequential impact on contractors and their workforce.

This is an ongoing position which will crystallise as we move through the financial year both in terms of the actual grant spend in Aberdeen and across Scotland. As a safety net Aberdeen City Council could consider assisting any project where there is a significant risk to its delivery where the Scottish Government is unable to provide the grant until next year. This would also provide confidence to RSLs that they will not hit significant cash flow issues if they commence a project. If this becomes a real position and projects don't commence because of this concern then there is a risk that full grant expenditure is not achieved in Aberdeen City delaying much needed development.

In replacing Scottish Government grant this financial year the City Council would ensure full expenditure of grant, ensuring developments commence and continue their development. The value of the City Council contribution would then become available as Scottish Government grant for other projects next year, the use of which are directed by the City Council, as the existing project would no longer require those funds from the Scottish Government.

The available funds from Section 75 Contributions and Council Tax Discount on Second Homes and Long-term Empty Properties are detailed below.

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	4,501,471
Interest received (to 31.3.16)	163,501
Grants paid to RSLs	2,301,640
Commitments to RSLs	<u>2,438,850</u>
Available Balance	- 75,518

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

Scottish Government Guidance Note MHDGN 2016/03 -
Guidance on the Preparation of Strategic Housing Investment Plans

9. REPORT AUTHOR DETAILS

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Appendix 1

Strategic Housing Investment Plan 2016/17

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

Note: These are the projects currently agreed within the SHIP agreed. Current site delivery has not been updated.

Strategic Housing Investment Plan 2017/18 – 2021/22

Appendix

Table 1

Housing Supply Programme Years 1 - 3 2017/18 – 2019/20

Table 2

Housing Supply Programme Years 4 - 5 2020/21 – 2021/22

Table 3

Infrastructure Fund

Table 4

Affordable Housing Projects funded or supported by sources other than the RPA budget

Table 5.1

Council Tax on Second and Empty Homes

Table 5.2

Developer Contributions