

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	14 December 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Shaping Aberdeen Housing LLP Business Plan Update
REPORT NUMBER	CHI/16/223
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to provide Council with an update on progress regarding the production and timescale for the Business Plan for Shaping Aberdeen Housing LLP.

2. RECOMMENDATION(S)

To note the contents of this report and the associated timescale for the production of the Shaping Aberdeen Housing LLP Business Plan. To note that the Business Plan will be reported to Communities Housing and Infrastructure Committee on the 24 January 2017, then to Full Council immediately thereafter for Council ratification.

3. FINANCIAL IMPLICATIONS

There are no financial implications for the Council arising from the recommendations contained within this report.

4. OTHER IMPLICATIONS

There are no other implications for the Council arising from the recommendations contained within this report.

5. BACKGROUND/MAIN ISSUES

A Progress Report was made to Council on 17th August 2016 entitled 'Strategic Mixed Tenure Housing for Aberdeen City: Progress Report'

Report No. CHI/16/182, this progress report stated that: “It is intended that the finalised business plan will be reported to the next meeting of the Council on 6th October 2016” The LLP’s financial Business Plan is currently still under preparation by Places for People who have intimated a draft Business Plan being submitted to the Council on the 25 November 2016. Council officers will then review the validity and assumptions of the travelling draft Business Plan prior to reporting to Council. It is anticipated, subject to receiving the travelling draft Business Plan, that a report and recommendation to approve the Business Plan will be made at the next appropriate Full Council meeting or extra ordinary Council meeting.

The Business Plan will require to be formally agreed and approved by Shaping Aberdeen Housing LLP’s Management Board, then approved by both the Council and Places for People Homes Limited and implementation thereafter by Shaping Aberdeen Housing LLP. It should be noted that the travelling draft Business Plan being prepared still demonstrates viability over the 30 year term with the same commentary as reported in Appendix 1 of the ‘Strategic Mixed Tenure Housing for Aberdeen City: Progress Report’ Report No. CHI/16/182 dated 17 August 2016.

The delays in the production of the Business Plan are directly related to a number of issues including:-

- i. The deletion of 270 affordable homes from the ‘three’ sites at Tillydrone, namely, the Former St Machar Primary School site, the Former Tillydrone Primary School site and the Former Aberdon Care Home site from the proposed Business Plan (reference ‘Future Primary Education Provision in Tillydrone and Old Aberdeen’ reference: ECS/16/060 dated 6 October 2016).

The Former Aberdon Care Home site is considered unviable in isolation resulting from the deletion of the former Tillydrone P.S. site and the former St Machar P.S. site. Reference should also be made to the key development sites referenced in Appendix 1 of Council report dated 17 August 2016 ref: CHI/16/182 of which the three sites at Tillydrone contribute in excess of 25% of the total new build housing numbers.

The aforementioned has resulted in modifications to the Shaping Aberdeen Housing Business Plan due to change in asset base, change in funding requirements, change in rental stream and importantly changes in available cash / loan note facility from Places for People to the LLP.

- ii. The Business Plan has necessitated considerable review in respect of the previously reported “significantly more mezzanine finance” reference Appendix 1 of Council report dated 17 August 2016 ref: CHI/16/182 this relates to scenario testing of each site which has impacted again on the production timescale of the Business Plan.

- iii. Changes in the Aberdeen Housing Market which have impacted on the Business Plan and necessitated review in relation to the core rental market and Private Sector Rental levels, together with 'time to let' being assessed relative to MMR rental need and demand. The changes within the housing market in Aberdeen impacts on the bench marking process for the Business Plan.

The Business Plan provides comfort in relation to the MMR and the core market of key workers (Public Sector Workers such as teachers / nurses / etc.) on modest incomes. The fundamental element to the changing market in Aberdeen is that of residential property valuations and their impact on Shaping Aberdeen Housing LLP's borrowing capacity. In simple terms this is based upon the Market Valuation (MV) of property. MMR borrowing is based upon 80% of MV with lending based upon 70% of the principle i.e. 56% of MV. Therefore as property valuations reduce the amount that can be borrowed against the properties reduces and the mezzanine debt levels increase. The updated Business Plan takes cognisance of this in its assumptions and solutions and again this has impacted on the production of the Business Plan and timescale.

- iv. Appendix 1 of Council report dated 17 August 2016 ref: CHI/16/182 stated "The recent Brexit vote has introduced a degree of uncertainty in the future of the economy and local markets. Over the coming weeks a detailed review of the tenure mix on the existing sites together with the delivery programme will be undertaken while the impact of the Brexit vote is monitored." This work has now concluded and ironically the availability of funding in the housing rental market has improved significantly as a direct result of Brexit this is due to the greater degree of certainty in respect of housing need and demand as demonstrated in the significant under supply of all tenures in Scotland and the UK as a whole. This was demonstrated in the Places for People bond issue of (£400m) which was twelve times oversubscribed. This 'testing' of Brexit is important in relation to the Business Plan and the timing thereof.

The aforementioned challenges have necessitated review, scenario and stress testing of the travelling draft Business Plan in relation to tenure mix and funding options, this in turn has created the delay in finalisation of the Business Plan being reported to Full Council in October / December 2016. The draft Business Plan will be received on the 25th November 2016 when Council officers will then review the validity and assumptions of the Business Plan prior to reporting to Communities Housing and Infrastructure and thereafter to full Council for ratification.

6. IMPACT

Improving Customer Experience –

Impact of proceeding with this Strategic Mixed Tenure Housing Project was previously reported to the Council meeting on 8th October 2015.

Improving Staff Experience –

Not Applicable.

Improving our use of Resources –

Impact of proceeding with this Strategic Mixed Tenure Housing Project was previously reported to the Council meeting on 8th October 2015.

Corporate -

This report is in accordance with the Council's Strategic Infrastructure Plan as reported • 20th August 2014 (H&E/14/054)

Public –

The Equality and Human Rights Impact Assessment (EHRIA) form has been completed and an impact assessment is not required.

Privacy Impact Assessment (PIA) screening has been undertaken and a PIA is not necessary.

7. MANAGEMENT OF RISK

There are no decisions required of the Council in relation to this report and therefore there is no consequential requirement for an assessment of risks identified with the potential to impact negatively or positively.

8. BACKGROUND PAPERS

Strategic Infrastructure Plan

Committee Reports:

- 20th August 2014 (H&E/14/054)
- 10th June 2014 (EPI/14/165)
- 8th October 2014 (CHI/14/038)
- 8th October 2015 (CHI/15/241)
- 17 August 2016 (CHI/16/182)
- 6th October 2016 (ECS/16/060)

9. REPORT AUTHOR DETAILS

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