

ABERDEEN CITY COUNCIL

COMMITTEE	Communities, Housing and Infrastructure
DATE	24 th May 2017
REPORT TITLE	Affordable Housing Delivery
REPORT NUMBER	CHI/17/070
INTERIM DIRECTOR	Bernadette Marjoram
REPORT AUTHOR	Graeme Stuart

1. PURPOSE OF REPORT:-

- 1.1 To provide details of affordable houses completed in 2016/17 and those expected to be completed in 2017/18 and 2018/19
- 1.2 update Committee on the current position with Section 75 financial contributions for affordable housing and the income received from the reduction in the Council Tax Discounts for Second Homes and Long Term Empty Properties.
- 1.3 To seek Committee approval to include new projects in the Strategic Housing Investment Plan.

2. RECOMMENDATIONS

That Committee:

- (a) Notes the content of the report;
- (b) instructs officers to continue to develop proposals for affordable housing projects to utilise the relevant funding (i.e. Section 75 financial contributions for affordable housing and the income received from the reduction in the Council Tax Discounts for Second Homes and Long Term Empty Properties), whether such projects are to be led by the Council or Registered Social Landlords;
- (c) approves the inclusion of the following projects into the Strategic Housing Investment Plan (SHIP) 2017/18 – 2021/22
 1. Grampian Housing Association – 8 mid market rent housing units at Pittengullies Brae, Milltimber West;
 2. Grampian Housing Association – Rowett South, up to 176 units
 3. Sanctuary Housing Association – 45 social housing units at Donside

4. Sanctuary Housing Association – 90 social housing units at North Anderson Drive

(d) Approves the inclusion of projects at Woodside and Rowett South within the Infrastructure Fund section of the SHIP.

3. BACKGROUND/MAIN ISSUES

3.1 Strategic Housing Investment Plan (SHIP)

At the meeting on 1st November 2016 Committee agreed the biennial submission of the SHIP to the Scottish Government for the period 2017/18 – 2021/22. Since then the Scottish Government have advised that the SHIP will require to be submitted on an annual basis by 31st October.

3.2 Additional projects for inclusion in the SHIP.

Discussions on the delivery of affordable housing have identified three projects which could deliver affordable housing and committee are asked to agree their inclusion in an updated SHIP.

Pittengullies Brae, Milltimber West

Grampian Housing Association have requested that a 8 property project for mid market rent be included in the SHIP. This project could provide completed 2 bedroom units by early 2018. The properties are to be built by Bancon Homes.

Rowett South

Grampian Housing Association have requested that a 176 property project be included in the SHIP. The properties are to be built by Bancon Homes. This phase of the Rowett South site would be delivered over a number of years.

Donside

Sanctuary Housing Association are proposing to develop 45 social rental units at the Donside site which will be developed at the same time as 21 mid market rent units which have already been funded by Aberdeen City Council.

North Anderson Drive

The SHIP included basic details of a project at North Anderson Drive. This project has now progressed further following discussion between the City Council, Scottish Government and Sanctuary Housing Association. It is likely that Sanctuary Housing Association can purchase the site in June 2017 with the project continuing to evolve through further discussions. It is therefore now appropriate to include this project in the Affordable Housing Supply Programme for years 2017/18 – 2019/20.

3.3 Housing Infrastructure Fund

During 2016/17 the Scottish Government introduced a five-year Housing Infrastructure Fund with up to £50m annually.

The national fund is managed and administered by the Scottish Government with projects identified within the SHIP. As part of the £254m Scottish Government funding announced along with the City Region deal, £20m of the fund has been ring fenced to Aberdeen City and Aberdeenshire over a 5 year period.

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

Discussions are ongoing with Aberdeenshire Council and the Scottish Government on how the £20m infrastructure funding can be utilised to ensure the greatest impact in unlocking housing delivery in the area. We continue to discuss with developers and RSLs the opportunities which this fund will provide. A Joint Housing Group has been established with Housing officers from Aberdeen City Council and Aberdeenshire Council. The Group will discuss overall programmes across the City Region including Infrastructure Fund issues and deliver the objectives within the Housing Annex to the Memorandum of Understanding which covers the infrastructure funding. It has been agreed by both Councils that the Head of Communities and Housing at Aberdeen City Council will lead this Group and progress will be reported to the Aberdeen City Region Deal Joint Committee.

At present 2 sites in Aberdeen are under discussion with applications for grant funding expected to be submitted. These sites are not currently included in the Infrastructure Fund section of the SHIP. The inclusion of Woodside (150 affordable units) and Rowett South (180 affordable housing units) within the Infrastructure Fund section of the SHIP is sought below to allow these discussions to progress.

3.4 Scottish Government Affordable Housing Grant

On 13th March 2017 the Scottish Government advised that the Grant available for allocation in 2017/18 would increase from the previously advised £9.945m to £12.279m.

The 2016/17 grant available in the city was £10.956m. At the end of the year 14 projects had drawn down £15.371m which was £4.415m above the budget available. This is very positive as it allowed the pace of affordable housing delivery to increase and released these funds for other projects in 2017/18. This was possible by close working with the Scottish Government and RSLs to draw down funds which had not been utilised in other Council areas.

3.5 Section 75 Negotiations

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. Further agreements are in place to provide an anticipated income of £3.0 million with at least £1.0 million expected to be collected during 2017/18.

Section 75

£

Income received	5,160,971
Interest received	166,910
Grants paid to RSLs	2,610,234
Commitments to RSLs	2,130,256

Available Balance (at 31.3.17) 589,072

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 November 2013. There is therefore no likelihood that any money would have to be repaid to developers, permitting the Council to disburse further grant up until November 2018.

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.

3.6 Council Tax Discount on Second Homes and Long-term Empty Properties

The Council used its powers to reduce the Council Tax Discount 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 to date and current commitments are shown below.

	£
Income	15,452,738
Paid	8,098,861
Commitment	<u>469,141</u>

Available Balance (at 31.3.17) 6,884,736

This Council Tax Discount reduction provided an income of £1.87 million for 2016/17. 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.

3.7 Affordable Housing Committed Funding

- Donside - £469,141 – Tenants First Housing Co-operative Ltd from Council Tax income
- Maidencraig - £968,258 – Grampian Housing Association Ltd from Section 75 income
- Summerhill Road - £151,112 – Langstane Housing Association Ltd from Section 75 income
- Mugiemooss Road - £398,064 – Castlehill Housing Association Ltd from Section 75 income
- Countesswells - £309,672 – Castlehill Housing Association Ltd from Section 75 income
- Countesswells - £303,150 – Osprey Housing Ltd from Section 75 income

Total commitments = £2,599,397

3.8 Payments made during 2016/17

- Cloverleaf Hotel - £308,594 – Osprey Housing Ltd from Section 75 income
- Smithfield School - £1,089,000 – Aberdeen City Council from Council Tax income
- Manor Walk - £880,000 – Aberdeen City Council from Council Tax income

3.9 Affordable Housing Completions 2016/17 – 108 units

Location	Developer	Type	Date	No. of units
Mugiemoss Road	NHT	MMR	June 2016	28
Balgownie	Osprey Housing	MMR	July 2016	6
Copper Beech	Langstane HA	MMR	August 2016	20
Copper Beech	Langstane HA	Social rent	August 2016	15
Froghall	NHT	MMR	December 2016	19
Mugiemoss Road	Grampian HA	Social rent	March 2017	13
Cloverleaf	Places for People	MMR	March 2017	6
Smithfield Primary Site	Aberdeen City	Social rent	March 2017	1

4. 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.

5. LEGAL IMPLICATIONS

There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- Customer / citizen - the inclusion of these sites will assist with the provision of new affordable housing helping to meet the housing needs of our citizens. If the report is not approved 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.

7. IMPACT SECTION

Economy

The provision of good quality affordable housing continues to be an important factor in encouraging people to live and work in Aberdeen city.

People

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 of the city.

Place

Increased delivery of affordable housing contributes to the placemaking and infrastructure of the city.

Technology

N/A

8. BACKGROUND PAPERS

See Item 25 on the link below:

[Strategic Housing Investment Plan 2017/18 – 2021/22](#)

9. APPENDICES

1. Expected completions 2017/18 and 2018/19

10. REPORT AUTHOR DETAILS

Graeme Stuart
Housing Strategy and Performance Manager
gstuart@aberdeencity.gov.uk
01224 523043

HEAD OF SERVICE DETAILS

Derek McGowan
Head of Communities and Housing
demcgowan@aberdeencity.gov.uk
01224 522226