

ABERDEEN CITY COUNCIL

COMMITTEE	Housing and Environment
DATE	25 th May 2010
CORPORATE DIRECTOR	Pete Leonard
TITLE OF REPORT	Affordable Housing Delivery & Financial Assistance
REPORT NO	H&E 10/084

1. PURPOSE OF REPORT

To update Committee on the current position with Section 75 financial contributions for affordable housing and the income received from the reduction in Council Tax Discount for Second Homes and Long Term Empty Properties. To seek agreement on the use of the HRA contributions made to the Council Tax Discount for Long Term Empty Properties to assist in the funding of the first 3 phases of the Council's new build programme.

2. RECOMMENDATION(S)

It is recommended that members of the Committee:-

- i) instruct officers to continue to develop proposals for projects to utilise this funding whether they be City Council or Registered Social Landlord led projects. The Scottish Government should continue to be asked to undertake a financial assessment of all projects to ensure value for money is achieved prior to reporting projects to Committee for approval.
- ii) agree use of £2,041,287 from Council Tax income from second homes and long-term empty properties to be used as funding for the 151 properties in the first 3 phases of the Aberdeen City Council new build programme. (This being the HRA contribution from 2005/6 to 2009/10).

3. SERVICE & COMMUNITY IMPACT

The Community Plan sets out our vision for the future of the city. Our vision is a city which is vibrant dynamic and forward looking, an even better place to live and work, where people can expect high quality services that meet their needs.

The delivery of the new affordable housing aims to provide our citizens with an increased supply of affordable rented homes which would support the following challenge in the community plan:

- ◆ Homes Challenge – improving the quality of housing and environment for individuals and the community and eradicating homelessness by 2011.

The provision of affordable housing also aims to fulfill the following VD&FL objectives:

- Work with Registered Social Landlords to develop affordable housing including 2,000 new affordable houses

An Equalities & Human Rights Impact Assessment has still to be undertaken.

4. OTHER IMPLICATIONS

The increased provision of good quality affordable housing will make a significant contribution towards reducing the population drift to Aberdeenshire and elsewhere and in particular increase provision of housing for homeless households.

Any grant funding to a Registered Social Landlord (RSL) for such a project falls within the scope of State Aid. The Council has determined that the Grant comes 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 routinely consults with Legal and Democratic Services on a case by case basis.

5. REPORT

Affordable Housing Funding

Section 75 agreements 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.

Agreements to date have provided an income detailed below. No further agreements are in place which require a financial contribution to be provided. Given it is normal for payments to be linked to completion, and thus cash flow from sales, it is likely that little additional income will be generated in the next couple of years. This has to be coupled with the slowdown in the house building

industry, both in terms of completion of existing projects and new site starts as well as the low level of new planning applications.

	£
Income received	1,678,201
Grants paid to RSLs	737,435
Commitments to RSLs	<u>700,000</u>
Available Balance	240,766

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 now paid out S75 monies received to 30 March 2007. Once the committed £700,000 has been paid this will mean that monies will have been paid out to those received in October 2008. There is therefore no likelihood that any money would have to be repaid to developers, permitting the Council to disburse further grant until October 2013.

Section 75 negotiations

In negotiating onsite affordable housing through the planning system it is important that the Council can deliver the finance required by RSLs to acquire completed properties from a developer. With Scottish Government Housing Association Grants tied in to Devanha for the next year, it is important that the Council is able to give some level of assurance that new schemes being negotiated can be funded. Without this assurance the planning negotiations may lead to only commuted sums being paid as an alternative to onsite provision or provision by way of Low Cost Home Ownership (discounted house prices) which is ordinarily provided by a developer rather than affordable housing for rent which is the main priority of the Council.

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

The Council used its new powers to reduce the Council Tax Discount to 10% for these properties from 2005/06.

To date income received and commitments are shown below, which are due to be paid now.

	£
Income	5,444,411
Commitment	<u>1,484,047</u>
Available Balance	3,960,364

The Council Tax Discount provided an income of just over £1.1 for 2009/10. 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.

The Government, following discussion with COSLA, changed the rules on the use of Council Tax monies during November 2008. Until then the money could only be provided to a RSL with the agreement of the Scottish Government.

The Council Tax monies can now be used by local authorities for the direct provision of affordable council housing as well as grant funding for RSLs. At this time this money has not been factored into the Council's current new build business plan.

The HRA has in effect made a contribution of £2,041,287 to this budget through the reduced discount it has received for long term vacant properties held on the Housing Revenue Account (HRA). As can be seen the figure for 2009/10 is 49% of the 2005/6 figure reflecting the significant reduction in the number of long term vacant council houses.

2005/6	£637,587
2006/7	£493,778
2007/8	£318,421
2008/9	£278,687
2009/10	£312,814

£2,041,287

The Housing and Environment Committee on 13th April 2010 agreed:

“Subject to Scottish Government approval that members agree in principle that part of the monies from the council tax income from second homes and long term empty properties be used to fund the New Build Council House programme (currently circa £2m) and for officers to report back on the detail at the Housing & Environment Committee on 25th May 2010.”

It is proposed that the £2,041,287 be used as funding against the 151 units across the 4 development sites. This would equate to circa £13,518 per unit.

Financial Implications

The fund for Council Tax Discount on Second Homes and Long Term Empty Properties currently sits at £3,960,364. If the recommendations of this report are agreed then £2,041,287 will be used for the Council's new build programme leaving a balance of £1,919,077 for affordable housing projects.

The S75 fund currently has an available balance of £240,766 to fund RSL affordable housing projects.

Affordable Housing Committed funding

Crombie Road - £450,000 February 2008 – payment imminent to Langstane Housing Association from Council tax income.

Jasmine Terrace - £385,536 March 2009 – Tenants First Housing Co-operative from Council Tax income.

Holland Street £175,000 March 2009 – Tenants First Housing Co-operative from Council Tax income.

Greyhope Road - £450,000 June 2009 – Grampian Housing Association from Council Tax income.

Copper Beech - £700,000 April 2010 – Langstane Housing Association from Section 75 income.

Total commitments = £2,160,536

Payments made during 2009/10

£463,274 – Tenants First Housing Co-operative from Section 75 income towards Kingsford & Kirkhill Janitors Lodges.

£23,511 - Grampian Housing Association from Council Tax income towards 101 & 103 Brimmond View, Ruthriehill

2009/10 Affordable Housing Completions

Millburn St = 18 - LIFT - Grampian Housing Association

Grandholm St = 18 - rent - Grampian Housing Association

Coronation Court - Aberdeen City Council = 33 - rent

School Rd = 24 - rent – Langstane Housing Association

Ruthriehill = 42 - mid market rent (7) & shared ownership (35) - Grampian Housing Association

Kirkhill = 2 – rent – Tenants First Housing Co-operative

Total completions = 137

Affordable housing developments currently onsite (completion 2010/11)

Crombie Rd = 32 - rent – 2010 – Langstane Housing Association

Auchmill Rd = 20 - rent – 2010 – Langstane Housing Association

Holland St = 15 - rent - September 2010 likely – Tenants First Housing Co-operative
Cockers Roses, Lang Stracht = 104 = 87 rent, 17 LIFT - July 2010 likely – Castlehill & Grampian Housing Associations
Kingsford = 2 rent anticipated completion summer 2010 –Tenants First Housing Co-operative
Timmermarket = 53 - rent - Feb 2011 likely – Grampian Housing Association
Byron Park = 28 - Aberdeen City Council
Hayton Road = 30 - Aberdeen City Council
Rorie Hall = 27- Aberdeen City Council
Dyce = 18 - rent - Castlehill Housing Association

Total anticipated completions 2010/11 = 329

**Site preparations - build not commenced
(expected completion 2011/12)**

Greyhope Rd = 46 = 34 rent & 12 Low Cost Home Ownership June 2011 – Grampian Housing Association
Marchburn Primary School = 35 - Aberdeen City Council Dec 2011
Donside = 209 = 144 rent, 65 LIFT - summer 2011 onwards - 7 phases to development – Tenants First Housing Co-operative and Langstane Housing Association

Total maximum completions 2011/12 = 290

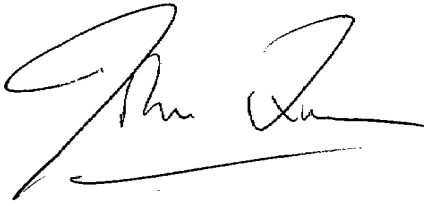
Future sites – awaiting grant funding for construction phase

Stockethill Church = 32 - rent – Langstane Housing Association
Double Two = 20 – rent – Langstane Housing Association
Copper Beech = 35 – rent – Langstane Housing Association

Potential new projects

Officers are currently in discussion with Devanha on the programme they have to deliver as part of their agreement with the Scottish Government. We are also discussing future projects which will take RSL development beyond March 2011 when the current funding arrangements come to an end.

6. AUTHORISED SIGNATURE

A handwritten signature in black ink, appearing to read 'Graeme Stuart', with a long horizontal flourish underneath.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

Guidance on local authority discretion to reduce council tax discount on second homes and long-term empty properties.

GUIDANCE ON LOCAL AUTHORITY DISCRETION TO REDUCE COUNCIL TAX DISCOUNT ON SECOND HOMES AND LONG-TERM EMPTY PROPERTIES

Original Guidance December 2005

In most cases, projects funded or supported will be developed, owned and managed by Registered Social Landlords. Funding provided will be for new build development; except in exceptional circumstances where funding can be used to support the acquisition and upgrading of properties currently not on the market, subject to the agreement of Scottish Government Scotland local offices. Projects will be primarily for social rent, although low cost home ownership can be considered.

With the agreement of Scottish Government local offices, Rural Home Ownership Grants to individuals can be funded or supported.

Local Authorities may use the additional income to:

- Fund or support discrete RSL projects – specifically this can be used for the funding of actual affordable housing projects with eligible RSLs; to secure the purchase of land for future RSL affordable housing developments; or to fund specific water and wastewater infrastructure costs as part of an agreed RSL affordable housing programme developed in consultation with Scottish Government.
- Top up existing Scottish Government funding for specific RSL projects, which the local authority and Scottish Government will have previously worked together to develop.
- Make contributions via Scottish Government Area Offices to provide additional funding for new eligible RSL projects within the Local Authority's area, which the local authority and Scottish Government will have previously worked together to develop.
- Fund Rural Home Ownership Grant projects, subject to agreement with Scottish Government local offices. The local authority may fund or support discrete projects; top up existing Scottish Government funding for specific projects; or make contributions via Scottish Government Area Offices to provide additional funding for new eligible projects within the local authority's area.

October 2008 Amendment

Can now be used by local authorities to support revenue and capital expenditure related to the following housing activities:

- new council house building;
- bringing empty properties back into affordable housing use;
- land acquisition for affordable housing development;
- purchasing off-the-shelf houses from private developers for affordable housing use¹

February 2009

Letter advising that funds can now be used to:

- buy off-the-shelf houses from private developers for affordable housing use;
- be used to support revenue expenditure related to the delivery of agreed housing activities; and
- be disbursed to other organisations and individuals beyond Registered Social Landlords (RSLs) and Councils.

¹ This will be governed by the same criteria applied to the Affordable Housing Investment Programme - Housing Investment Division regional offices can provide further guidance on this.