

ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World

Report Name	Housing Infrastructure Funding
Lead Officer	Derek McGowan, Chief Officer – Early Intervention and Community Empowerment, Aberdeen City Council
Report Author	Derek McGowan
Date of Report	22 August 2018
Governance	City Region Deal Joint Committee

1:	Purpose of the Report
i.	To update Committee on the use of the Housing Infrastructure fund aligned to the City Region Deal.

2:	Recommendations for Action
i.	Committee agrees that Councillor Laing should write on behalf of the Joint Committee to the Scottish Government regarding the future use and administration of the Housing Infrastructure Fund to aid local development.

3:	Summary of Key Information
i.	Alongside the CRD, a £20million Housing Infrastructure Fund was made available to unlock sites for housebuilding, to aid local economic development. In mid 2017, partner organisations across the City Region voiced concern at the restrictive definition of 'infrastructure' provided in the Infrastructure fund application guidance, and also the interest rate applied to any loans provided from the fund which was viewed as prohibitive.
ii.	As Chair of the Group, Aberdeen City Council's Head of Communities and Housing wrote to the Scottish Government in May 2017 (Appendix 1), requesting relaxation of the definition of infrastructure being applied for the infrastructure fund, with a view to encouraging applications and

3:	Summary of Key Information
	<p>use; and also advising that a significant reason the fund was not being used was due to the prohibitive cost of repayments and requesting further consideration of the rate applied.</p> <p>iii. The Scottish Government response (Appendix 2) suggested that definitions were broad for accessing the Housing Infrastructure Fund and encouraging applications. The letter also confirms that EU reference rates plus interest points are used as a base for the indicative interest rate, at that point 4%, and that where projects are able to access appropriate finance in the market they should continue to do so. This was reported to Committee on 10 November 2017, requesting that the Joint Committee contact the Scottish Government and over the use of the fund, following the Scottish Government's update to that Committee. The Scottish Government provided an update on the use of the Housing Infrastructure Fund to Committee (Appendix 3).</p> <p>iv. Since then, local partners have continued to advise that accessing the funding has continued to prove problematic, and that while meetings with Scottish Government staff have seemed positive in terms of application and access, when applications for the fund are made these applications have been refused.</p> <p>v. This has an obvious impact on the provision of housing, including affordable housing provision, in the City Region, and there are a number of sites in Aberdeen City and Aberdeenshire that would benefit from use of the infrastructure fund that remain unlocked (Appendix 4).</p> <p>vi. Both Aberdeen City and Aberdeenshire Councils have established Strategic Housing Investment Plans, that outline significant investment in affordable housing development, and economical access to the Housing Infrastructure Fund would assist this. The Aberdeen City Strategic Housing Investment Plan proposed for 2019/20 for example has no developments listed as being eligible for funding from the Housing Infrastructure Fund for these reasons.</p> <p>vii. We are keen that the economic potential of key sites is unlocked to support the regional economy, and this report seeks to bring to the attention of the Joint Committee the opportunity posed by a number of these sites currently in planning, and requests that the Committee contact the Scottish Government with a view to further clarification and relaxation of the definition applied to 'infrastructure'.</p> <p>viii. Highland Council have reached agreement with the Scottish Government over use of the equivalent Infrastructure fund in that area. Highland Council have been assigned a £9m pot directly for local administration, and have agreed a £1m contribution from their land bank, creating a £10m revolving fund to loan out to developers.</p>

3:	Summary of Key Information
ix.	This scheme involves Highland Council accepting responsibility for all legal and state aid risks, but have the opportunity to set their own interest rate. Much like our own Memorandum of Understanding, Highland Council have a separate agreement for this Housing Infrastructure Fund, and this is not part of their City Region Deal.
x.	The Joint Committee is invited to consider these developments, and enter into dialogue with the Scottish Government over similar use of the fund in the Aberdeen City Region to aid the local economy.

4:	Finance and Risk
i.	The value of the Infrastructure fund allocated through the Memorandum of Understanding is £20m. To date none of this has been successfully allocated to unlock development sites.
ii.	There is a reputational risk that the fund remains unused, and that the City Region is viewed as not accessing available funding to aid local housebuilding.
iii.	There is a political risk related to the Scottish Government's aim of building 50,000 affordable homes.
iv.	There is an economic risk that housebuilding fails to meet the levels required to support the growing economy in the City Region.
v.	There may be legal risks around the potential transfer of the fund to local control and also around state aid. These will be addressed and approval sought as required.