

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth & Resources Committee
DATE	18 September 2018
REPORT TITLE	Aberdeen City's Affordable Housing Delivery Programme
REPORT NUMBER	PLA/ 18/061
DIRECTOR	
CHIEF OFFICER	Gale Beattie
REPORT AUTHOR	Mel Booth
TERMS OF REFERENCE	Purpose 4 & 5

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide an update on the Aberdeen City affordable housing delivery programme.

2. RECOMMENDATIONS

That the Committee:

- 2.1 Note progress made at section 3.1 of the report in relation to the number of affordable houses completed in 2017/2018 through the affordable housing supply programme;
- 2.2 Note the current financial position at sections 3.2 & 3.3 of the report in relation to contributions for affordable housing obtained through Section 75 arrangements with developers and funds received through the reduction in the Council Tax Discount for Second Homes and Long Term Empty Properties for the delivery of affordable housing; and
- 2.3 Approve the allocation of the Section 75 and Council Tax monies detailed at section 3.4 of the report for the future delivery of affordable housing.

3. BACKGROUND

3.1 Affordable Housing Supply Programme

- 3.1.1 £12.279m was allocated to Aberdeen City Council in 2017/2018. Additional funding of £2.361m was made available in February/March 2018. The additional funding was made available through the close working relationships the Housing Strategy team has developed over many years with the Scottish

Government and Registered Social Landlords. It allowed Aberdeen City Council to draw down funds which had not been utilised in other council areas and allowed the pace of affordable housing delivery to increase which released funds for other projects in 2018/2019.

3.1.2 In 2017/2018 there were 367 affordable housing completions. This is a significant improvement on previous years. The bad weather in March delayed the completion of 58 units. These subsequently completed in April 2018 which has increased completions for 2018/2019. As at 30 July 2018, 258 affordable housing completions have taken place across the city, with 410 units projected to be completed in 2018/2019.

3.1.3 The table below shows the location, developer and type of affordable homes completed in 2017/2018.

Location	Developer	Type	No. of units
Manor Walk	ACC	Social Rent	20
Smithfield Primary	ACC	Social Rent	12
Countesswells	Castlehill	Social Rent	9
Countesswells	Castlehill	Social Rent	30
Maidencraig	Grampian	Social Rent	12
Dubford	Grampian	Social Rent	11
Mugiemoos Road	Grampian	Social Rent	17
Cloverleaf	Osprey	Social Rent	22
Countesswells	Osprey	Social Rent	31
Countesswells	Osprey	Social Rent	12
Countesswells	Castlehill	Mid-Market Rent	11
Milltimber	Grampian	Mid-Market Rent	8
Shaw Road	LAR Housing	Mid-Market Rent	15
Park Road	LAR Housing	Mid-Market Rent	28
Cloverleaf	Osprey	Mid-Market Rent	11
Countesswells	Osprey	Mid-Market Rent	12
Cloverleaf	Places for People	Mid-Market Rent	29
Craiginchies	Sanctuary	Mid-Market Rent	52
Dubford	CALA	Low Cost Home Ownership	11
Dubford	Barratt	Low Cost Home Ownership	11
Allan Park, Cove	Barratt	Low Cost Home Ownership	3
Total			367

3.2 Section 75 Agreements

3.2.1 Section 75 agreements are provided through Section 75 of the Town and Country Planning (Scotland) Act 1997 and are negotiated through the planning process. Housing developers may, on occasion, be required to make a financial contribution towards affordable housing rather than delivering affordable housing on the specific site to which the planning permission applies.

3.2.2 Such agreements to date have provided an income as detailed at section 3.2.3. Further agreements are in place to provide an anticipated income of £3.0m with around £1.0m expected to be collected during 2018/19.

3.2.3 Section 75	£
Income received	7,989,628
Interest received	168,932
Grants previously paid to RSLs	3,613,801
Available Balance (at 31.3.18)	4,544,759

3.2.4 The funding comes with a requirement to be spent within five years of receipt and must be held in an interest-bearing account. Aberdeen City Council has utilised all funds received up until July 2015. There is therefore no likelihood that any money would have to be repaid to developers, permitting Aberdeen City Council to disburse further grant up until July 2020.

3.2.5 In 2017/2018, the following payments were made through Section 75 income:

- Castlehill Housing Association (Countesswells)- £169,300
- Osprey Housing Association (Countesswells) - £189,167
- Castlehill Housing Association (Maidencraig) - £645,100

3.2.6 The additional funding was provided to RSLs to help make the projects financially viable.

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

3.3.1 The Council used its powers to reduce the Council Tax discount for these properties from 2005/2006. This income can be used by local authorities to support revenue and capital expenditure related to a range of affordable housing activity including:

- Providing new build affordable housing through Registered Social Landlords or council house new build projects;
- Bringing empty properties back into affordable housing use – including topping up or establishing an Empty Homes Loan Fund;
- Land acquisition for affordable housing development;
- Purchasing off-the-shelf houses from private developers for affordable housing use.

3.3.2 Income received and paid to date is shown below.

	£
Income received	16,998,012
Paid	8,098,861
Available Balance (at 31.3.18)	8,899,151

3.3.3 The Council Tax income on second homes and long term empty properties provided an income of £1.535m in 2017/2018. 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.

3.4 Allocation of Section 75 and Council Tax funds

3.4.1 There is £13,443,910m which is to be allocated for the delivery of affordable housing. It is proposed that the funding is allocated as follows:

Project	Funds (£)
Council house new build programme	13,381,560
Top up funding for Empty Homes Officer post – 2-year costs	7,350
Empty Homes Loan Fund	50,000
Advertising Low Cost Homes for Sale	5,000
Total	13,443,910

3.4.2 Council House New Build Programme

Aberdeen City Council has made a commitment to build 2,000 additional council homes for social rent. Funding has been identified through the allocation of Section 75 agreements and Council Tax funds to contribute to this with business cases being prepared for each site.

3.4.4 Empty Homes Officer

An Empty Homes Officer is being recruited on a two-year temporary basis to reflect the changing requirements of empty homes across the city and to ensure empty homes are brought back into use. The post is to be funded on a 50:50 basis with kick-starter funding from the Scottish Empty Homes Partnership. This funding allows councils to test the waters of empty homes work via a 2-year pilot project. The maximum costs for the post are £47,350 per annum which includes salary and associated staffing costs. £47,350 will be funded from the Scottish Empty Homes Partnership. £40,000 was identified at Council's budget meeting, with the remainder of the funding (£7,350) to come from Council Tax second home funds.

3.4.5 Empty Homes Loans Fund

There are currently more than 2,000 long term empty homes across the city. The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendments Regulations 2016 allow local authorities to charge increased Council Tax on certain homes that have been empty for one year or more. The power contained in the Regulations is intended as an additional tool to help local authorities encourage owners to bring empty properties back into use, both to increase the supply of housing for those who need homes and to reduce the blight on communities caused by houses being left empty and allowed to fall into disrepair. It is therefore proposed that £50,000 is allocated to allow Aberdeen City Council to establish an empty homes loan fund with its objective being to bring empty properties back into use for those people who currently have an unmet housing need on the council's housing lists. The criteria relating to how

the scheme will operate will be developed and submitted to the relevant committee for approval.

3.4.6 Advertising Low Cost Home Ownership

Low cost home ownership units are properties sold at a reduced cost to people who are unable to purchase on the open market. New properties are provided by private developers to meet their obligation to provide an affordable contribution on each new site developed in Aberdeen. They are advertised and sold directly by the developer to people who meet the qualifying criteria set by Aberdeen City Council.

3.4.7 Resale low cost home ownership properties occasionally become available and are advertised on the Council website/Facebook/Twitter and are also emailed to people who have expressed an interest in low cost homes for sale. Each resale property is emailed to approximately 1,500 people. Due to the recent slowdown in house sales, these properties are becoming more difficult to sell through the usual means, therefore, it is proposed that £5,000 is allocated to help advertise low cost home ownership properties through local newspapers and/or ASPC. Whilst the council's template legal agreements allow for the owner of the low cost home to advertise their property for 6 weeks at their own expense, they are reluctant to do this. Owners generally expect the council to source and nominate a suitable purchaser.

3.4.8 The template legal agreements state that where the owner, after using all reasonable endeavours to conclude missives with qualifying purchasers or is unable to conclude missives with the Council/RSL to buy the low cost home, the properties can be sold on the open market subject to prescribed timescales determined in the legal agreement. Widening the scope of advertisements to include newspapers and/or ASPC will allow the council to market the properties as widely as possible with the aim of ensuring the properties remain available as low-cost homes for sale rather than be sold on the open market. This is subject to the owners' agreement and the properties would only be advertised in this way at the point in which the owner is permitted to market the properties on the open market. The timescales for this are stated in the legal agreements for each particular property. This would help prevent the properties from being sold on the open market and remain available as low cost home ownership for any subsequent purchasers.

4. FINANCIAL IMPLICATIONS

4.1 Failure to allocate developer obligations funds within the prescribed timescale may mean they need to be repaid to the developer. The Housing Strategy team closely monitors the contributions made through developer obligations to ensure the funds are fully disbursed for affordable housing.

4.2 The allocation of Section 75 funds and Council Tax Second Homes monies allows the council to increase the provision of affordable housing across the city.

4.3 The full financial implications of the report are as set out in the body of the report in Section 3.

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Failure to allocate fund through developer obligations may result in funds being paid back.	H	Approval of the recommendations would prevent this from occurring.
Customer	Provision of affordable housing is a priority for residents of Aberdeen City Council. Failure to deliver may result in housing need and demand levels not being met.	H	Approval of the recommendations would prevent this from occurring.
Environment	Provision of new build affordable housing is built to current building regulations which has a reduced carbon footprint.	L	Approval of the recommendations would prevent this from occurring.
Reputational	Failure to fully utilise funds may harm the council's reputation when affordable housing is much needed across the city.	H	Approval of the recommendations would prevent this from occurring.

7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	The affordable housing programme represents significant investment in the city which contributes to a prosperous economy.
Prosperous People	Provision of good quality affordable housing can make people more resilient and protect them from harm.
Prosperous Place	Provision of affordable housing contributes to the creation of sustainable and mixed communities.

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	The purpose of this report is to ensure customer outcomes are maintained and services continue to be developed. As such, the provision of affordable housing seeks to maintain the Council's customer focus and prevent any reputational damage.
Organisational Design	The report reflects recognition of the process of organisational design. The development of services in relation to supply of housing will support the redesign of the organisation.
Governance	The Housing supply and place-making strategic working group will lead on the development, implementation, monitoring and evaluation of the affordable housing provision across the city which will be reported to committee on an annual basis.
Workforce	Whilst the report itself doesn't directly impact on workforce, the increased supply of affordable housing may be of benefit to some of the council employees.
Partnerships and Alliances	Partnerships and alliances have been developed through working groups which lead on the delivery, implementation, monitoring and evaluation of affordable housing provision across the city. These partnerships involve all relevant partners and stakeholders, both internal and external.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Full EHRIA not required.

Privacy Impact Assessment	Privacy Impact Assessment not required.
Duty of Due Regard / Fairer Scotland Duty	Not applicable.

9. BACKGROUND PAPERS

Not applicable.

10. APPENDICES (if applicable)

Not applicable.

11. REPORT AUTHOR CONTACT DETAILS

Mel Booth
Senior Housing Strategy Officer
Mebooth@aberdeencity.gov.uk
01224 523252