



REPORT TO: ECONOMIC GROWTH, HOUSING AND ENVIRONMENTAL SUSTAINABILITY COMMITTEE ON 8 JUNE 2021

SUBJECT: THE MORAY AFFORDABLE HOUSING PROGRAMME

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

1.1 To inform the Committee of progress on the Affordable Housing Programme in Moray.

1.2 This report is submitted to the Economic Growth, Housing and Environmental Sustainability Committee following a decision of Moray Council on 17 June 2020 to agree a simplified committee structure as a result of the COVID-19 pandemic. In the case of this committee the combining of the delegated responsibilities of Economic Development and Infrastructure, Community Services (Housing and Property) and Finance (budget, capital and revenue monitoring) (para 9 of the minute refers).

2. RECOMMENDATION

2.1 It is recommended that the Committee:

- i) considers and notes the outturns on the Moray Affordable Housing Programme 2020/21;**
- ii) considers and notes the Moray Resource Planning Assumption for 2021/22;**
- iii) considers and notes the Moray Strategic Local Programme 2021/22 programme;**
- iv) considers and notes progress on the delivery of the Council's new build programme;**
- v) considers and notes progress on delivery of housing at Bilbohall, Elgin; and**
- vi) agrees that further reports on programme progress will be presented to this Committee.**

3. BACKGROUND

- 3.1 The Council receives an annual resource allocation from the Scottish Government to fund the supply of new affordable housing in Moray. The Council's Strategic Housing Investment Plans (SHIP) determines how this funding will be used to plan and deliver the affordable housing priorities of the Local Housing Strategy. The investment and project priorities set out in the SHIP form the basis of an annual Strategic Local Programme Agreement between the Council and the Scottish Government. The agreement details the projects that will be funded during the year, the affordable housing developers who will deliver them, the targets for grant expenditure and the milestones by which progress on delivery will be measured. The Council and Registered Social Landlords (RSLs) are the principal developers of affordable housing in Moray.
- 3.2 On 28 May 2019, the Communities Committee considered a report detailing the 2018/19 outturn on the Strategic Local Programme (SLP) for 2018/19, progress on the SLP for 2019/20, the Resource Planning Assumption for the 2020/21 programme and progress on the procurement of consultants to develop a planning application for houses and infrastructure within the Bilbohall Masterplan area (paragraph 9 of the Minute refers).
- 3.3 The 2019/20 outturn spend was £9.704m (107%) against the Resource Planning Assumption (RPA) of £9.080m, and delivered 78 units.
- 3.4 On 1 December 2020, the Committee approved the Council's SHIP for submission to the Scottish Government (paragraph 10 of the Minute refers).

4. MORAY STRATEGIC LOCAL PROGRAMME 2020/21

- 4.1 The outturn for the 2020/21 programme is provided at **APPENDIX I**.
- 4.2 At year-end, outturn spend was £7.389m (77%) against the RPA budget of £9.633m.

The SLP target of 102 completions was achieved. The COVID-19 pandemic has had a significant detrimental impact on the 2020/21 programme with many projects delayed on site due to the cessation of construction industry activity from March-August 2020. Projects subject to delay were Hopeman; Elgin South Phase 1; Mosstodloch Phase 1; Banff Road, Keith Phase 1 and Highland Yard, Buckie. Several projects will now complete during 2021/22.

- 4.3 Some projects have progressed well despite the restrictions, and have spent more than anticipated e.g. Alba Road and Alba Place, Elgin; and Spynie, Elgin Phases 1, 2 and 3. A tender for the second phase of development at Stynie Road, Mosstodloch was in place prior to March 2020. This allowed the development of Phase 2 to progress well with completion only slightly delayed to August 2021. However, the bulk of the underspend is attributable to developments which were unable to start on site during the year i.e. Findrassie, Elgin; Knockomie and Ferrylea, Forres, and Garmouth Road, Lhanbyde for a combination of reasons related to COVID-19. This included the varying restrictions on construction activities, contractors or sub-

contractors who had placed their staff on furlough and a delayed planning consent.

5. MORAY STRATEGIC LOCAL PROGRAMME AGREEMENT 2021/22

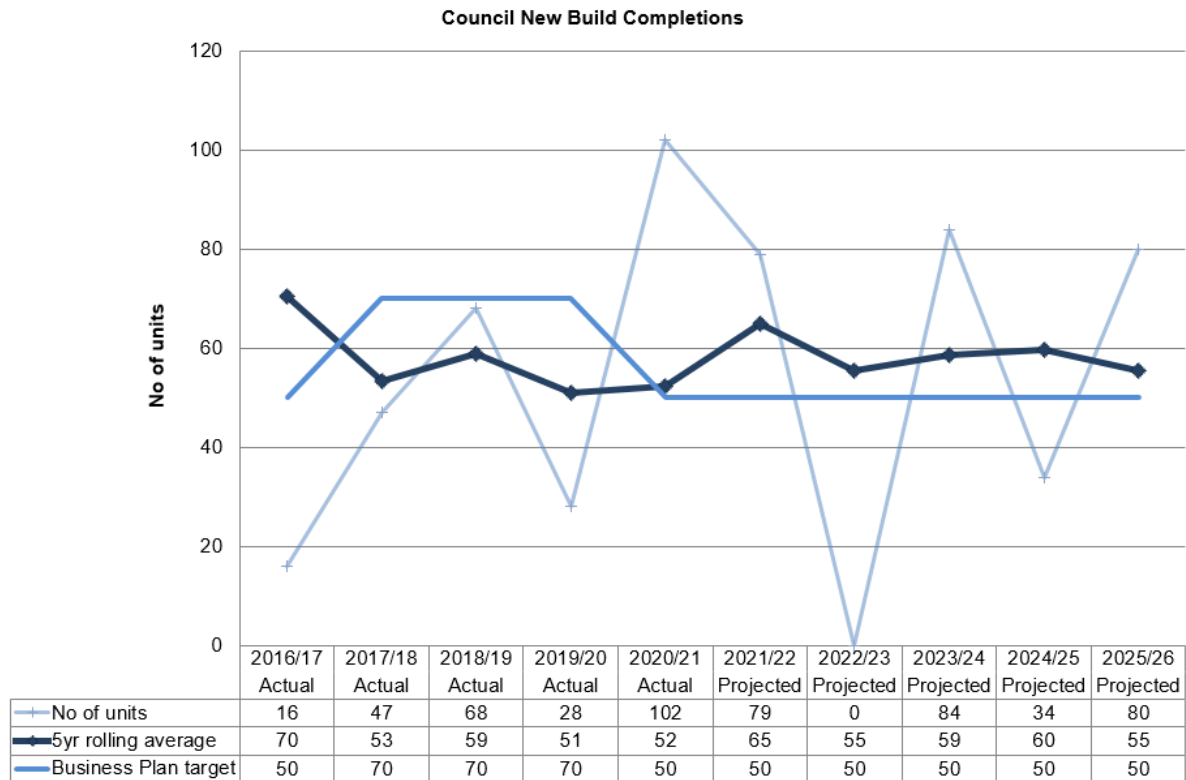
- 5.1 On 7 April 2021, the Scottish Government wrote to the Council confirming that the Council's Resource Planning Assumption (RPA) for the 2021/22 Moray affordable programme would be £10.356m. The Government also advised that RPAs beyond 2021/22 are expected to be communicated in early summer 2021.
- 5.2 The Scottish Government have issued the Council with a Strategic Local Programme Agreement for 2021/22 based on the resource allocation of £10.357m. Details of the proposed programme are provided in **APPENDIX II**.
- 5.3 As in previous years, the Moray programme will be delivered by a combination of the Council and the RSLs, Hanover Housing Association, Osprey Homes and Cairn Housing Association.
- 5.4 The programme agreement makes provision for the following projects to achieve either site start or tender approval during the year:
- Moray Council: Bilbohall Phase 1 (R2), and Speyview, Aberlour
- RSL: Findrassie, Elgin Phase 1; Ferrylea, Forres (R3); Knockomie, Forres (R1); Garmouth Road, Lhanbryde; Kinneddar Meadows, Lossiemouth Phase 1
- 5.5 All the projects that underspent in the 2020/21 programme have been carried forward into 2021/22, including provision for purchase of the former Spynie Hospital site, Elgin.
- 5.6 The underspend in the 2020/21 programme means there is no carry-over spend from the projects previously approved. The value of projects in the 2021/22 programme exceeds the Resource Planning Assumption but this over-commitment will ensure spend is maximised should any unforeseen slippage occur. With several large projects in the programme already nearing site start, officers are confident that spend targets will be achieved, if COVID-19 restrictions permit.
- 5.7 In delivering the programme, officers will continue to work with local development partners to progress investment opportunities. The Committee should note, however, that the programme continues to be dependent on opportunities provided by the affordable housing developer obligations required by planning policy. This presents an element of programme uncertainty with timescales for key projects being determined by the plans of partner private housing developers rather than the affordable housing providers themselves.
- 5.8 The value of the amended projected spend for 2021/22 is £12.8m, excluding the shadow programme, and comfortably exceeds the Resource Planning

Assumption. This over-commitment has the support of the Scottish Government as an opportunity to take advantage of programme slippage in other local authority areas and to contribute to the Scottish Government's Housing to 2040 Route Map.

- 5.9 As a contingency against slippage, officers and local development partners have identified a significant shadow programme of alternative development opportunities, totalling 240 units across Moray, that may be brought forward to compensate for any slippage where partners investment capacity exists. Hanover, Cairn and Osprey HAs all report that their investment capacity is reaching the limits set by their own Boards. Hanover HA report that they may need to significantly reduce their participation in the Moray programme from 2021/22 onward. This means that, despite a consistent supply of development sites going forward; and reassurances of ongoing Scottish Government grant funding and the long term aims detailed in Housing to 2040, constraints on borrowing capacity continues to affect all development partners who participate in the programme, including Moray Council, and represents the main obstacle to delivery at the present time. Officers have been proactively seeking new development partners in an effort to assure delivery of Moray's forward programme. If this activity continues to be unsuccessful it is doubtful that we would be able to spend our funding allocation.
- 5.10 Progress on programme delivery will be reported to this Committee during winter 2021/22.

6. COUNCIL NEW BUILD PROGRAMME PROGRESS

- 6.1 Following review of the Housing Business Plan in 2019, the Council agreed that 50 council houses will be built per annum over the three-year period commencing 2020/21.
- 6.2 The Council's Strategic Programme Agreement for 2020/21 set a target number of 102 house completions and a target grant spend of £2.135m, which was met.
- 6.3 The Strategic Local Programme Agreement for 2021/22 makes provision for grant spend of £3.5m on the Council's new build programme with 79 completions expected and acquisition of sites for a further 80 units. Full details are available in **Appendix II**.
- 6.4 The number of Council completions varies from year to year depending on the size of development sites, therefore to maintain the average of 50 per year there peaks such as 2020/21 and troughs such as 2022/23. The chart below illustrates the rolling average completion rate compared to successive HRA Business Plan targets, projected to 2025/26. The chart shows completion of Bilbohall Phase 1 in 2023/24; Elgin South Phase 2 in 2024/25, Spynie Hospital, Elgin and Speyview, Aberlour in 2025/26, and Banff Road, Keith Phase 2 in 2026/27.



6.5 The planned purchase of the former Spynie Hospital site, Elgin has been significantly delayed pending consideration of a detailed planning application and revaluation of the site. Progress with affordable housing at Speyview, Aberlour has been delayed pending agreement between the developer and Scottish Water on the extent of infrastructure improvements. The timing of the delivery of new Council housing will be dependant on the capacity for prudential borrowing identified within the forthcoming HRA Business Plan review. As a result, it may be necessary to landbank both these sites and delay site start until HRA prudential borrowing becomes available.

6.6 A review of the Housing Business Plan to be carried out during 2021 will make recommendations in respect of the scale of the Council's new build programme in future years. The recommendations will be informed by the Scottish Government's review of the level of grant that will be made available to fund Council new build programmes.

7. BILBOHALL, ELGIN

7.1 At a meeting of the Planning and Regulatory Services Committee on 23 March 2021, full planning consent was granted for 194 units and associated shared infrastructure, subject to conclusion of a legal agreement (Paragraph 7 of the Minute refers). The consented site is owned by Moray Council and Grampian Housing Association. On 16 April 2021, the Council published a tender for 84 units on the Council owned site, and all the associated shared infrastructure. The tender deadline is 7 July 2021. On 16 March 2021 the Scottish Government confirmed that the Council had successfully bid for £1.2m Low Carbon Infrastructure Transition Fund (LCITF) funding for enhanced fabric features to bring the housing up to passivhaus standard. This requirement has been reflected in the tender documents. The enhanced features include triple glazing, air source heat pump heating

system with mechanical heat recovery ventilation, and enhanced building fabric airtightness. Officers intend to present the outcome of this tender to this Committee in Autumn 2021 with a view to starting construction in Jan/Feb 2022, with an anticipated 18-24 month build programme.

- 7.2 The previously reported opportunity to acquire an additional site (R12/6) from Scotia Homes for affordable housing did not progress, due the inability of the parties to agree terms.

8. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Addressing the shortage of affordable housing in Moray is a key priority of the Corporate Plan and 10 Year Plan, the Council's Local Housing Strategy and Strategic Housing Investment Plan (SHIP) and the Housing and Property Service Plan. The Strategic Local Programme reflects priorities for investment in the provision of new affordable housing to meet need identified in the Local Housing Strategy.

The affordable housing programme supports the aims of the 10 Year Plan by providing new affordable housing for an increasing population and a growing and diversifying economy. The target of 50 Council house completions per annum will be delivered within the investment planning and funding framework provided by the programme.

(b) Policy and Legal

The affordable housing supply programme contributes to meeting the Council's statutory duties to address housing need in Moray.

(c) Financial implications

The report provides details of the resources being made available by the Scottish Government to fund affordable housing in Moray. The Council has agreed that 50 new council houses will be built per annum. The current HRA Business Plan has made provision for the level of borrowing required to fund the Council's housebuilding programme.

(d) Risk Implications

There are no risk implications arising from this report.

(e) Staffing Implications

There are no staffing implications arising from this report.

(f) Property

There are no property implications arising from this report.

(g) Equalities/Socio Economic Impact

The housing needs of equalities groups are identified in the Local Housing Strategy (LHS). The Moray Affordable Housing Programme seeks to deliver the housing priorities contained in the LHS.

(h) Consultations

This report has been subject to wider consultation with the Acting Head of Housing and Property, the Head of Direct Services, the Head of Development Services, the Housing Strategy and Development Manager, the Legal Services Manager, Deborah O'Shea (Principal Accountant), the Payments Manager, the Strategic Planning and Development Manager, the Transportation Manager and Lissa Rowan (Committee Services Officer). Any comments received have been reflected in the report.

9. CONCLUSIONS

- 9.1 The report provides details of the outturn on the Moray affordable housing programme 2020/21 and provides details of the 2021/22 programme. The report also provides an update on procurement of housing at Bilbohall, Elgin.**

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