



**REPORT TO: HOUSING AND COMMUNITY SAFETY COMMITTEE ON 13
FEBRUARY 2024**

SUBJECT: MORAY AFFORDABLE HOUSING INVESTMENT 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 Investment Programme in Moray.
- 1.2 This report is submitted to Committee in terms of Section III G (10) of the Council's Scheme of Administration relating to the preparation and implementation of strategic housing plans.

2. RECOMMENDATION

2.1 It is recommended that the Committee:-

- i) scrutinises and notes progress on the Moray Affordable Housing Investment Programme; and**
- ii) scrutinises and notes progress on the delivery of the Council's new build and acquisition programme.**

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 Plan (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 (SLP) between the Council and the Scottish Government. The SLP 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 15 July 2021, the Scottish Government provided the Council with a Resource Planning Assumption (RPA) of £46.2m for 2021/22 to 2025/26.

Year	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Moray	£10.357m	£8.927m	£8.902m	£8.933m	£9.981m	£46.200m

- 3.3 On 21 November 2023, this Committee approved the Council's SHIP (paragraph 8 of the draft Minute refers).
- 3.4 The last update on the Affordable Housing Investment programme was presented to this Committee on 27 June 2023 (paragraph 7 of the Minute refers).

MORAY STRATEGIC LOCAL PROGRAMME (SLP)

- 4.1 The Scottish Government and the Council have agreed a SLP for 2023/24 based on the resource allocation of £8.902m.
- 4.2 As in previous years, the Moray programme will be delivered by a combination of the Council and the RSLs, Grampian Housing Association, Cairn Housing Association, Osprey Housing.
- 4.3 In recent years, the amount of More Homes Division grant has been over-committed against RPA, and this 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 aims of Housing to 2040. However, the Scottish Government has advised that we should expect a revised, lower, RPA for 2024/25. At the time of writing this figure was not available but officers will aim to provide a verbal update to Committee.
- 4.4 In anticipation of a lower RPA for 2024/25, the SLP has been reprioritised and reprofiled. Opportunities to deliver corporate and strategically important projects, housing for people with learning disabilities, Growth Deal Housing Mix Project developments, NHS key worker housing, and open market acquisition of empty homes have been prioritised.
- 4.5 The following tables illustrate the SLP following this reprioritisation exercise:

Currently under construction

Site	Town	No of units	Landlord	Completion date (est)
Banff Road Phase 2	Keith	26	Moray Council	Jan 2025
Ferrylea R3 Phase 2	Forres	43	Grampian HA	May 2024
Findrassie Ph2b	Elgin	16	Grampian HA	tbc
Total		85		

Site start expected during 2023/24

Site	Town	No of units	Landlord	Site start (est)
Speyview Phase 1	Aberlour	39	Moray Council	Mar 2024
Total		39		

Site start expected during 2024/25

Site	Town	No of units	Landlord	Site start (est)
Garmouth Road	Lhanbryde	30	Grampian HA	Jun 2024
Bilbohall Phase 1 (R2)	Elgin	106	Moray Council	Nov 2024
Western Village, Elgin South	Elgin	44	Grampian HA	Mar 2025
Total		180		

Site start expected during 2025/26

Site	Town	No of units	Landlord	Site start (est)
Speyview Phase 2	Aberlour	31	Moray Council	Apr 2025
Dallas Dhu	Forres	24	Grampian HA	TBA
High Street/South Street regeneration	Elgin	38	PfP/ Castle Rock Edinvar	TBA
Bilbohall Phase 2a	Elgin	22	Grampian HA	TBA
Total		115		

- 4.6 Officers will continue to maintain a substantial shadow programme of developments. Should additional grant funding become available, officers will be able to bring a project(s) forward from the shadow programme, in accordance with the priorities set in the SHIP.
- 4.7 Progress on programme delivery will be reported to this Committee on a biannual basis.

5. COUNCIL NEW BUILD PROGRAMME

Bilbohall, Elgin

- 5.1 Planning consent was granted for 194 units and associated shared infrastructure on 23 March 2021. The tender exercises completed after planning approval have not resulted in a commercially viable construction contract. Officers have appointed a multi-disciplinary Design Team who will pursue an alternative site design for Phase 1 with a density comparable to commercial housebuilders. This will increase Phase 1 from 84 units to 106 units, and is more likely to achieve financial viability. The Design Team will prepare and submit a further planning application before a further tender can be issued. It is anticipated that this development will achieve site start during winter 2024/25.

Speyview, Aberlour Phases 1 and 2

- 5.2 Moray Council acquired the land for 30 units, with the support of Scottish Government funding, from Springfield Properties in March 2022. The

purchase was subject to a 1 year buy back agreement. The planning consent had lapsed but a revised planning consent was granted on 19 December 2023. Contractual negotiations with Springfield Properties are at an advanced stage. It is anticipated that Phase 1 (39 units) plus shared infrastructure will achieve site start before 31 March 2024. Both the Growth Deal Housing Mix project and the Scottish Government More Homes Division are contributing to the cost of infrastructure provision which facilitates this development.

- 5.3 There is an opportunity to deliver a further 31 affordable units in Phase 2 of development at Speyview. The Scottish Government More Homes Division have agreed to front fund the cost of infrastructure required for future phases of affordable housing, due to the strategic importance of this development. Best value for the significant amount of publicly funded investment in infrastructure would be achieved by moving sequentially from Phase 1 to Phase 2 construction and avoiding construction site closure. This approach has been reflected in the SHIP approved by this Committee on 21 November 2023. Officers intend to seek Moray Council approval to purchase the land for Phase 2 in Feb/Mar 2024.

6. COUNCIL ACQUISITION PROGRAMME

- 6.1 The SHIP provides facility to purchase properties from the open market for provision of affordable housing, where strategic and value for money criteria have been met.
- 6.2 Open market purchases will be prioritised as follows:
1. Where the purchase will assist the Council with delivery of SHQS/ EESSH/ capital improvements.
 2. Where the purchase will assist the Council to meet housing need in pressured areas and/or where new affordable housing development is constrained.
 3. Where the purchase will assist the Council to meet specialist housing need.
 4. Where the purchase will bring an empty property back into occupation.
- 6.3 Open market acquisitions approved to proceed:

Housing Market Area (HMA)	completion 2023/24(est)	completion 2024/25(est)
Buckie HMA		1
Elgin HMA		1
Forres HMA		1
Keith HMA		
Speyside HMA	1	
Cairngorms National Park HMA		

7. WIDER ECONOMIC CONDITIONS

- 7.1 The timing of the delivery of new Council housing must be within the capacity for prudential borrowing, taking cognisance of the HRA Business Plan assumptions. Following review of the Housing Business Plan in March 2023, the Council agreed that provision for 50 council houses to be built per annum would continue to be made, noting that this is a multi-year outlook and actual output year to year will vary according to development programmes.
- 7.2 The current economic conditions are adversely affecting progress and affordability. Supply chain shortages are easing, but labour shortages persist. Financial issues relating to increased development costs, interest rates and inflation combined with limited Scottish Government subsidy levels continue to make achieving financial viability very challenging.
- 7.3 In this context, Moray Council projects have been delayed i.e. Bilbohall, Elgin in common with a Grampian HA project at Garmouth Road, Lhanbryde which are both being redesigned and retendered. In the context of potential reductions in RPA and uncertainties associated with inflation, it may be necessary to delay site starts of projects which do not meet the criteria identified in Para 4.4.

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 homelessness and meet 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 is a risk that slippage or reduction in the programme will result in loss of Scottish Government More Homes Division grant funding to Moray, with the funds diverted to other LAs.

The programme may be impacted by economic and market conditions and site specific issues as developments proceed. In particular, the increase in interest rates will impact on the cost of borrowing. There are processes in place to manage these risks and mitigations considered.

(e) Staffing Implications

There are no staffing implications arising from this report.

(f) Property

The report details the ongoing programme for development of additional affordable housing in Moray in response to strategic needs and specifically the Council new build programme to increase the Council's own supply of affordable housing.

(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) Climate Change and Biodiversity Impacts

The aims of the affordable housing programme are closely aligned to the Council's Climate Change Strategy, and Local Heat and Energy Efficiency Strategy (LHEES).

(i) Consultations

This report has been subject to consultation with the Depute Chief Executive (Economy, Environment and Finance), the Head of Housing and Property Services, Legal Services Senior Solicitor (Georgina Anderson), the Property Asset Manager, the Head of Economic Growth and Development, the Strategic Planning and Development Manager, the Chief Financial Officer and Lissa Rowan, Committee Services Officer.

9. CONCLUSIONS

9.1 The report provides details of an update on the current and future affordable housing investment programme. The report also provides an update on the Council's own new build and acquisition programme, including an update on development of Bilbohall, Elgin.

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