



**REPORT TO: HOUSING AND COMMUNITY SAFETY COMMITTEE ON 14
FEBRUARY 2023**

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) 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;**
- ii) scrutinises and notes progress on the delivery of the Council's new build and acquisition programme; and**
- iii) scrutinises and notes progress on delivery of housing at Bilbohall, Elgin.**

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 (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 15 November 2022, this Committee approved the Council's SHIP (paragraph 10 of the draft Minute refers).

MORAY STRATEGIC LOCAL PROGRAMME

- 4.1 The Scottish Government have issued the Council with a SLP for 2022/23 based on the resource allocation of £8.927m. On 20 April 2022, Officers submitted a signed SLP to the Scottish Government, which detailed the use of this funding.

- 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, Hanover Housing Association and Osprey Housing.

- 4.3 Completions during 2022/23

Site	Town	No of units	Landlord	Completion date (est)
Ferrylea R3 Phase 1	Forres	37	Grampian HA	Aug 2022
Village Garden, Elgin South	Elgin	25	Hanover HA	Sep 2022
Findrassie Phase 1	Elgin	28	Cairn HA	Sep 2022
Total		90		

- 4.4 Currently under construction

Site	Town	No of units	Landlord	Completion date (est)
Banff Road Phase 1	Keith	33	Moray Council	tbc
Fyvie Green, Elgin South	Elgin	17	Moray Council	May 2023
Knockomie (R1)	Forres	28	Cairn HA	Jul 2023
Hamilton Drive	Elgin	4	Osprey	tbc
Ferrylea R3 Phase 2	Forres	43	Grampian HA	tbc
Total		125		

- 4.5 Site start expected during 2023/24

Site	Town	No of units	Landlord	Site start (est)
Garmouth Road	Lhanbryde	32	Grampian HA	tbc
Speyview Phase 1	Aberlour	30	Moray Council	Jun 2023
Bilbohall Phase 1 (R2)	Elgin	tbc	Moray Council	Dec 2023

4.6 Open market acquisitions expected during 2022/23

Location	Town	No of units	Vendor	completion (est)
Pinegrove	Elgin	33	MOD	Mar 2023
Springfield Drive	Elgin	2	MOD	Mar 2023
Pinegrove	Elgin	1	Private seller	Mar 2023
Total		36		

- 4.7 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.
- 4.8 The amount of More Homes Division grant has been over-committed against RPA, but 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.
- 4.9 Officers and local development partners will continue to take steps to ensure that a sufficient pipeline of alternative development opportunities is available as a contingency against slippage. These will be mainly sites already in the SHIP.
- 4.10 Progress on programme delivery will be reported to this Committee on a biannual basis.

5. HRA BUSINESS PLAN AND WIDER ECONOMIC CONDITIONS

- 5.1 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 February 2022, the Council agreed that 50 council houses will be built per annum.
- 5.2 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 levels of Scottish Government subsidy make achieving financial viability very challenging.
- 5.3 It will be necessary to complete another review of the HRA Business Plan before the Council will be in a position commit to any further construction contracts. The forward programme will also be informed by the ongoing rent restructuring project which is expected to complete during summer 2023.
- 5.4 In this context Moray Council projects have been delayed i.e. Bilbohall, Elgin, and Speyview, Aberlour, or cancelled i.e. the former Spynie Hospital site. Furthermore, it may be necessary to landbank sites and/or delay site starts based on the HRA prudential borrowing position e.g. Banff Road, Keith (Phases 2/3).

6. COUNCIL NEW BUILD AND ACQUISITION PROGRAMME PROGRESS

Bilbohall, Elgin

- 6.1 Planning consent was granted for 194 units and associated shared infrastructure on 23 March 2021. The consented site is owned by Moray Council and Grampian Housing Association. In December 2021, the Council published a tender for 84 units on the Council owned site, and all the associated shared infrastructure, for the second time, with the support of HUB North Scotland Ltd acting as employers agent. Detailed costs have been considered but the current scheme is not financially viable. Officers are currently considering alternative design options in an effort to achieve financial viability.

Speyview, Aberlour Phase 1

- 6.2 Moray Council acquired the land for 30 units, with the support of Scottish Government funding, from Springfield Properties in March 2022. There have been protracted negotiations with Springfield Properties over the development costs, in the context of current volatility in construction industry costs, and also infrastructure difficulties on the site. The purchase was subject to a 1 year buy back agreement. Officers must await the outcome of the next HRA Business Plan review before proceeding.

Spynie Hospital

- 6.3 In the context of financial issues described at Section 5 above, and the procurement difficulties experienced at Bilbohall, the Council has decided that taking forward the proposed development at the former Spynie Hospital site is not the best use of the HRA's available funding. It has therefore withdrawn its interest in the site.

Banff Road, Keith Phase 1

- 6.4 There is a known risk of radon gas in the Keith area, and this has been investigated through the statutory consenting processes for the Banff Road site, where the Building Warrant required Radon measures to be included in the construction. The Council has sought legal advice on the long term liabilities associated with owning these properties and the outcome is awaited. The properties remain in Springfield Properties ownership.

7. 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. The increasing cost of the programme may lead to a higher level of borrowing than anticipated in the business plan and therefore reach thresholds earlier than anticipated. Dialogue has taken place with Finance regarding the approach to managing this and modelling of implications and consideration of mitigations will take place to inform any decision to bring forward developments.

(d) Risk Implications

There are no specific risks arising from this report. However, 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 Lindsey Robinson, Committee Services Officer.

8. CONCLUSIONS

- 8.1 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 procurement of housing at Bilbohall, Elgin.**

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Background Papers:	with author
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