



**REPORT TO: HOUSING AND COMMUNITY SAFETY COMMITTEE ON 6
SEPTEMBER 2022**

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;**
- iii) **considers the potential for accelerated delivery within the Council's own new build programme; and**
- iv) **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 19 October 2021, this Committee approved the Council's Strategic Housing Investment Plan (SHIP) for submission to the Scottish Government (paragraph 5 of the Minute refers).
- 3.4 On 7 December 2021, the Committee considered a report detailing the 2020/21 outturn on the Strategic Local Programme (SLP), progress on the SLP for 2021/22 and the Resource Planning Assumption (RPA) for the 2022/23 programme (paragraph 9 of the Minute refers).

4. MORAY STRATEGIC LOCAL PROGRAMME

- 4.1 The Scottish Government have issued the Council with a Strategic Local Programme Agreement (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 Currently under construction

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
Banff Road Phase 1	Keith	33	Moray Council	Dec 2022
Fyvie Green, Elgin South	Elgin	17	Moray Council	May 2023
Knockomie (R1)	Forres	28	Cairn HA	Jul 2023
Hamilton Drive	Elgin	4	Osprey	TBC
Total		172		

4.4 Site start expected during 2022/23

Site	Town	No of units	Landlord	Site start (est)
Speyview Phase 1	Aberlour	30	Moray Council	Nov 2022
Bilbohall Phase 1 (R2)	Elgin	84	Moray Council	Dec 2022
Ferrylea R3 Phase 2	Forres	43	Grampian HA	TBC
Village Green/Bain Ave	Elgin	24	Grampian HA	TBC
Total		181		

4.5 Land acquisitions expected during 2022/23

Location	Town	No of units	Vendor	completion (est)
Former Spynie Hospital site	Elgin	45	NHS Grampian	TBC
Total		45		

4.6 Open market acquisitions expected during 2022/23

Location	Town	No of units	Vendor	completion (est)
Pinegrove, Elgin	Elgin	29	MOD	Oct 2022
Springfield Drive, Elgin	Elgin	2	MOD	Oct 2022
Total		31		

4.7 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.

4.8 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 programme.

4.9 Progress on programme delivery will be reported to this Committee on a biannual basis.

5. COUNCIL NEW BUILD AND ACQUISITION PROGRAMME PROGRESS

5.1 Since submission of the signed SLP in July 2021, Moray Council projects have been delayed i.e. Bilbohall, Elgin, Speyview, Aberlour and the acquisition of the former Spynie Hospital site.

Bilbohall, Elgin

5.2 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. This has resulted in the appointment of Ogilvie Construction as preferred developer. Detailed cost negotiations are underway, with the ultimate aim of agreeing a fixed price,

Design and Build contract which is acceptable to all parties. Officers anticipate this will take some months, but also anticipate that construction could begin by the end of 2022.

Banff Road, Keith Phase 1

- 5.3 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 mitigations to be included in the construction, i.e. impermeable membrane to the floor slab with appropriate seals at foundation entry points e.g. drains and other services. During super-structure construction, Springfield Properties identified flaws in these seals. This resulted in a small risk of radon gas emissions entering some of the houses. Nevertheless, Springfield Properties have begun to fit remediation measures to all 33 properties. This will involve additional mechanical ventilation at below-floor level, powered by an independent electrical supply, separate to all the housing, paid for, and subject to regular inspection by Springfield Properties at their expense on an ongoing basis. These measures will be subject to further Building Warrant approval, which includes a 90 day testing period. The properties cannot be occupied until a Completion Certificate has been issued by Moray Council.
- 5.4 The design and installation of the remedial solution has resulted in a substantial delay in handover, from March to December 2022.

Speyview, Aberlour Phase 1

- 5.5 Moray Council acquired the land, 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 anticipate contractual agreement and site start by autumn 2022.

HRA Business Plan and Prudential Borrowing

- 5.6 Following review of the Housing Business Plan in February 2022, the Council agreed that 50 council houses will be built per annum.
- 5.7 The timing of the delivery of new Council housing will be within the capacity for prudential borrowing, taking cognisance of the HRA Business Plan assumptions. As a consequence, it may be necessary to landbank sites and/or delay site starts based on the HRA prudential borrowing position. Current examples where landbanking may be required are Banff Road, Keith (Phases 2/3), former Spynie Hospital, Elgin.
- 5.8 The forward programme will be informed by the ongoing rent restructuring project, with progress expected to be reported to Committee in Autumn 2022.

Accelerated delivery programme

- 5.9 In anticipation of increased demand for social housing from refugees from Ukraine and Afghanistan, officers have prepared options for an accelerated programme of delivery of new build Council housing, in consultation with our Accountancy colleagues. There could be potential to bring these projects forward to achieve early completion.

Site	Town	No of units	Landlord	Site start (est)
Banff Road, Keith Phase 2	Keith	42	Moray Council	Jan 23
Buckie R8 Barhill Road Phase 1	Buckie	25	Moray Council	Apr 23
Speyview, Aberlour Phase 2	Aberlour	20	Moray Council	Dec 23
Total		87		

Acquisition programme

- 5.10 The Strategic Housing Investment Plan (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.
- 5.11 Officers are investigating the potential for purchasing properties from the open market in an effort increase supply. Officers have entered into negotiations with the Defence Infrastructure Organisation with a view to purchasing surplus RAF married quarters at Pinegrove and Springfield Drive, Elgin, totalling 31 properties.
- 5.12 This activity has the support of the Scottish Government and will be reflected in the Strategic Housing Investment Plan (SHIP) to be considered by this Committee later in 2022.

6. 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. Any acceleration 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) Consultations

This report has been subject to consultation with the Depute Chief Executive (Economy, Environment and Finance), the Head of Housing and Property, Georgina Anderson (Legal Services Senior Solicitor), 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.

7. CONCLUSIONS

7.1 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, and information on the potential for an accelerated Council programme of delivery through 2022/23.

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Background Papers: with author
Ref: SPMAN-1285234812-1147