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**REPORT TO: COMMUNITIES COMMITTEE ON 6 JUNE 2017**

**SUBJECT: THE AFFORDABLE HOUSING PROGRAMME IN MORAY**

**BY: CORPORATE DIRECTOR (ECONOMIC DEVELOPMENT,  
PLANNING AND INFRASTRUCTURE)**

**1. REASON FOR REPORT**

1.1 This report provides the Committee with details of progress on the Affordable Housing Investment Programme in Moray, including the Council's new build programme and work on the Bilbohall masterplan.

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 Communities Committee:-**

- (i) considers and notes the outturns on the Moray Affordable Housing Supply Programme 2016-17, including the Council's year-end land acquisition programme;**
- (ii) considers and notes the Moray Resource Planning Assumption for 2017-18;**
- (iii) considers and notes the draft Moray Strategic Local Programme 2017-18 programme;**
- (iv) considers and notes progress on the Bilbohall masterplan; and**
- (v) agrees that further reports on programme progress will be presented to this Committee.**

**3. BACKGROUND**

3.1 Councils receive annual resource allocations from the Scottish Government for investment in affordable housing in their areas. Through their Strategic Housing Investment Plans (SHIPs), councils determine how the funding will be used to achieve the affordable housing priorities contained in their local housing strategies. The SHIPs enable councils to effectively plan the delivery of their affordable housing programmes, providing details of projects to be funded from the resource allocation, the level of funding required, the number

and type of houses that will be delivered, when they will be delivered and by whom. Based on the investment priorities set out in their SHIPs, each council enters into an annual Strategic Local Programme Agreement with the Scottish Government. The agreement lists all the affordable housing projects that will be allocated funding during the year as well as the affordable housing providers who will receive the funding. The main developers of affordable housing are councils and Registered Social Landlords (RSLs).

- 3.2 On 18 November 2014, the Communities Committee approved the Council's SHIP for submission to the Scottish Government (paragraph 5 of the Minute refers). The SHIP included investment proposals for the 2016/17 Moray affordable housing programme. On 8 November 2016, the Communities Committee approved the Council's updated SHIP (paragraph 7 of the Minute refers), which included investment proposals for the 2017/18 programme.
- 3.3 On 13 September 2016, the Communities Committee approved the Council's Strategic Local Programme Agreement for 2016-17 (paragraph 9 of the Minute refers). The agreement included Grant Planning Targets for each project included in the programme.
- 3.4 As part of the More Homes Scotland initiative, the Scottish Government has committed to investing over £3 billion to build 50,000 new affordable houses over the next 5 years. This represents a budget increase of 76% on the previous 5 years. To achieve this priority, the Government is encouraging councils to prepare for a significant increase in their resource allocations beyond 2018.
- 3.5 On 24 January 2017, the Communities Committee agreed that the Council could progress a programme of land acquisitions of sites to be developed for affordable housing (paragraph 12 of the Minute refers). The site purchases were to be paid for by additional Scottish Government funding made available to the Moray programme. A condition of the funding was that the purchase transactions had to be settled by 31 March 2017.
- 3.6 On 13 September 2016, the Communities Committee agreed that the Council could appoint consultants to prepare a housing development masterplan for Bilbohall in Elgin (paragraph 18 of the Minute refers)

#### **4. MORAY STRATEGIC LOCAL PROGRAMME 2016-17**

- 4.1 The outturns for the 2016/17 Moray affordable housing programme are provided at **APPENDIX I**.
- 4.2 The resource planning assumption for the 2016/17 Moray programme was initially £6.908m but was increased during the year to £7.192m. At year-end, the outturn spend was £7.541m, which was £0.633m greater than the initial target spend and £349k greater than the revised target. The total number of affordable housing completions in 2016/17 was 46.

- 4.3 During the year, adjustments were made to the programme with spend opportunities brought forward to compensate for slippage on some projects. The projects subject to slippage were the Council's projects at Ferrylea and Strathcona Road, both in Forres. The Ferrylea project forms part of a larger combined affordable and private housing development for which planning consent was obtained only in March 2017. Strathcona Road has been subject to a re-tender procedure as the initial tenders were higher than budget. The causes of slippage on both projects have now been resolved and site starts will be carried forward to 2017/18.
- 4.4 Significant progress was made on the Council's year-end land acquisition programme with sites being purchased at the Driving Range, Linkwood Steading and the former Firs Hospital, all in Elgin, and Banff Road in Keith. For commercial reasons, the proposed purchases at Findrassie and Elgin South and Tombain in Aberlour did not proceed and will now be considered for inclusion in the 2017/18 programme.
- 4.5 During 2016/17, good progress was also made on the programmes of partner RSLs. The year saw the completion of Hanover's extra-care housing for frail elderly at North Road in Forres and significant on-site progress on its new housing for older people at Glassgreen (extra-care) and Haugh Road (amenity). Osprey Homes (formerly Moray Housing Partnership) achieved site starts on projects at Cathcart Street in Buckie and Duncan Avenue in Fochabers and purchased a site for 8 flats at Edindiach Road in Keith.

## **5. MORAY STRATEGIC LOCAL PROGRAMME AGREEMENT 2016/17**

- 5.1 On 13 March 2017, the Scottish Government confirmed the Moray Resource Planning Assumption for 2017/18 as £6.908m. This resource assumption will be used to deliver a programme of investment based on the Council's SHIP. Details of the 2017/18 draft Moray Strategic Local Programme Agreement with the Scottish Government are provided at **APPENDIX II**. The carry-over spend from the projects approved before 2017/18 was £2.923m leaving £3.985m for new tender approvals.
- 5.2 Projects to be progressed to tender approval in 2017/18 include the Driving Range, Linkwood Steading Phase 2, Spynie and Findrassie, all Elgin, and Banff Road, Keith. Also included in the programme are site purchases at Bogton in Forres and Elgin South. A shadow programme of tentative development opportunities has also been identified and includes projects in Elgin and Forres.
- 5.3 As in previous years, the Moray programme will be delivered by a combination of the Council and locally developing RSLs
- 5.4 In addition to these projects, officers will continue to work with local development partners to progress the investment opportunities that will help build up the capacity of the Moray programme. Such opportunities could be brought forward in the event of programme slippage or should additional funding become available during the course of the year.

## 6. MORAY COUNCIL NEW BUILD PROGRAMME

- 6.1 The Council's target number of house completions for the year was 50 but, following review of the Housing Business Plan in 2016, this target will increase to 70 units per annum for the next three years. Due to the complex variables affecting the programming of new build development, including planning, funding and land availability considerations, house completions are not delivered in a linear annual pattern and can vary significantly from year to year.
- 6.2 The Council's programme achieved 16 completions in 2016/17. These were at the housing development at Barhill Road in Buckie. The 16 completions come after two years in which completions exceeded the target – 68 in 2014/15 and 96 in 2015/16. The purchase of a number of sites in 2016/17 will help officers plan the delivery of the future programme but it is unlikely that completions from these sites will be achieved before 2018/19.
- 6.3 In May 2017, the Council completed a 16 unit development at Burdshaugh in Forres. In March 2017, the 15 unit project at Linkwood Steading in Elgin started on site with completion expected in April 2018. The 20 unit development at Ferrylea in Forres is scheduled to start on site in June 2017. A re-tendering exercise for the 12 unit project at Strathcona Road in Forres has been completed and the project is expected to start on site in August 2017. The 21 unit development at the Driving Range in Elgin is programmed to start on site in October 2017. The timescales for other Council projects included in the Strategic Local Programme Agreement – Findrassie and Linkwood Steading Phase 2 – have yet to be agreed with the developer but it is expected that site starts will be achieved later in the year.
- 6.4 The programme agreement allows for the Council's purchase of land at Elgin South for 60 units with a potential site start during 2017/18. Subject to progress with the Bilbohall Masterplan, the Council's future programme will include proposals to build around 100 houses on land it owns within the masterplan area. Although progress will be made on this development during the current year, a site start at Bilbohall will not be achieved before 2018/19.
- 6.5 Details of the Council's new build programme are provided in the table below:

Project	Location	Units	Phase	Status	Start	Complete
Burdshaugh	Forres	16	5	Complete	2016/17	2017/18
Barhill Road	Buckie	15	6	On Site	2016/17	2017/18
Linkwood Ph.1	Elgin	16	6	On Site	2016/17	2018/19
Ferrylea	Forres	20	6	Tender	2017/18	2018/19
Strathcona Rd	Forres	12	6	Tender	2017/18	2018/19
Driving Range	Elgin	21	7	Acquired	2017/18	2018/19
Linkwood Ph. 2	Elgin	15	7	Acquired	2017/18	2018/19
Banff Road Ph.1	Keith	15	7	Acquired	2017/18	2018/19
Findrassie	Elgin	52	7	Planned	2017/18	2019/20
Elgin South	Elgin	60	7	Planned	2017/18	2019-20

Bilbohall Ph.1	Elgin	50	8	Planned	2018/19	2020-21
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Year	2017/18	2018/19	2019/20
<b>Completions</b>	31	99	112

### **Budgets**

- 6.6 In terms of historic expenditure, final accounts have now been agreed on all the projects included in Phase 4 of the Council's new build programme, which included sites in Forres, Keith, Elgin, Buckie and Dufftown. The outturn cost on only one project was greater than budget. However, due to savings made on other projects, the overall costs of the Phase 4 was within budget. As well as the project at Burdshaugh, the Phase 5 programme included other projects in Keith, Elgin and Forres. Final accounts have been agreed with contractor on 3 out of the 4 Phase 5 projects and all are within the approved budget. A final account has yet to be agreed for the remaining project at Burdshaugh but it is expected to be within budget.

## **7. BILBOHALL MASTERPLAN**

- 7.1 Work on the masterplan started in January 2017. To date the consultants have completed the work stages to Gates 1 and Gates 2. Gate 1 was an appraisal of the implications of the draft Elgin Transport Strategy for housing development at Bilbohall. Based on the level of development assumed in the Local Development Plan, the key landowner partners in the Bilbohall consortium – Scotia Homes, Grampian Housing Association and the Council – agreed that work on the masterplan could proceed to the next stage.
- 7.2 The work at Gate 2 involved a physical appraisal of the various sites within the masterplan area as well as a high level Transport Assessment. The Gate 2 assessment has indicated that, depending on the extent of contour re-grading and service diversion, the masterplan area could deliver between 361 and 578 new houses. This includes the Council's site, with an estimated capacity of 100 houses, and Grampian Housing Association's site, with a capacity of upwards of 75 houses. The assessment also indicates that housing development at Bilbohall will require transportation improvements at various junctions within the surrounding road network as well as the provision of new active travel bridge for pedestrians and cyclists across the railway line at Mayne Farm Road.
- 7.3 Following consideration of the consultants' Gate 2 appraisal, which included a high level appraisal of site development and infrastructure costs, the Bilbohall partners were satisfied that viable housing development could be achieved at Bilbohall and agreed to proceed to the full masterplan commissioning stage. The masterplan programme allows for partner sign-off of the preferred design solution in August 2017 after a period of public consultation. The draft masterplan will be submitted to the Planning and Regulatory Services Committee in December 2017 for consideration as draft Supplementary Guidance as part the Local Development Plan.

- 7.4 Details of progress on the masterplan proposals will be presented to this Committee at its meeting in October 2017. It is assumed that partners within the Bilbohall consortium will wait until the masterplan has been approved as Supplementary Guidance before progressing plans for the development of any of the sites within the masterplan area. This means that it is unlikely that work will commence on any of the affordable housing sites – either Grampian’s or the Council’s – before 2018/19.

## 8. **SUMMARY OF IMPLICATIONS**

### **(a) Moray 2026 A Plan for the Future and Moray Corporate Plan 2015-2017**

Addressing the shortage of affordable housing in Moray is a key priority of Moray 2026, 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 Moray 2026 by providing new affordable housing for an increasing population and a growing and diversifying economy. The target of 70 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 70 new council houses will be built per annum for the next three years. The Housing Business Plan has made provision for the level of borrowing required to fund this investment.

### **(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**

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 Corporate Director (Economic Development, Planning and Infrastructure), the Head of Housing and Property, the Head of Direct Services, the Head of Development Services, Kathryn Macpherson (Senior Solicitor), Deborah O'Shea (Principal Accountant), the Payments Manager (Property & Contracts), the Principal Planning Officer (Planning & Development), the Transportation Manager and Lissa Rowan (Committee Services Officer). Any comments received have been reflected in the report.

**9. CONCLUSION**

- 9.1 The report provides an update of progress on the Moray affordable housing programme and includes details of the 2017/18 draft Strategic Local Programme Agreement and the Council's new build programme. The report provides details of progress on the Bilbohall masterplan.**

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Background Papers: Held by HSPM  
Ref: GD/TS – Affordable Housing –6 June 2017

## APPENDIX I

## Strategic Local Programme 2016/17 Outturns

Project	Total Units	Developer	Current Status	Grant Planning Target (£m)	Outturn Spend (£m)
Burdshaugh, Forres	16	Moray Council	Complete – Apr 2017	£0.564	£0.564
Buckie, Barhill Road Phase 5	15	Moray Council	On Site – Nov 2016	£0.675	£0.594
Ferrylea, Forres Phase 2	20	Moray Council	Site Start – June 2017	£0.863	£0.000
Former Health Centre, Forres	12	Moray Council	Site Start – Aug 2017	£0.350	£0.000
Findrassie, Elgin	56	Moray Council	Acquisition – 2017/18	£0.900	£0.000
Linkwood Phase 1, Elgin	16	Moray Council	On Site – March 2017	£0.288	£0.348
Driving Range, Elgin	21	Moray Council	Acquisition – March 2017	£0.000	£0.346
Linkwood Phase 2, Elgin	15	Moray Council	Acquisition – March 2017	£0.000	£0.230
Banff Road, Keith	90	Moray Council	Acquisition – March 2017	£0.000	£1.531
Former Firs Hospital, Elgin	9	Moray Council	Acquisition – March 2017	£0.000	£0.121
<b>Council Total GPT</b>				<b>£3.640</b>	<b>£3.734</b>
Haugh Road, Elgin	21	Hanover HA	Site Start – 2016/17	£1.323	£1.323
Glassgreen Extra Care, Elgin	30	Hanover HA	Site Start – March 2016	£1.657	£1.657
North Road, Forres	30	Hanover HA	Complete- August 2017	£0.000	£0.112
<b>Hanover HA GPT Total</b>				<b>£2.980</b>	<b>£3.092</b>
Cathcart Street, Buckie	3	Osprey Homes	On Site – March 17	£0.000	£0.158
Edindiach Road, Keith	8	Osprey Homes	Site Start – 2017/18	£0.322	£0.208
Duncan Ave, Fochabers	10	Osprey Homes	On Site – March 2017	£0.250	£0.349
<b>MHP GPT Total</b>				<b>£0.572</b>	<b>£0.715</b>
<b>Moray GPT Total</b>				<b>£7.192</b>	<b>£7.541</b>