

Agenda Item	<b>11.</b>
Report No	<b>HP/28/24</b>

# The Highland Council

**Committee:** Housing and Property

**Date:** 6 November 2024

**Report Title:** Delivery Plan Budget Monitoring & Progress Update: Reconfiguring our Assets - Affordable Housing and Net Zero: Energy Efficient Homes

**Report By:** Assistant Chief Executive - Place

## 1 Purpose/Executive Summary

1.1 The Council's Operational Delivery Plan 2024-27 consists of 64 projects/programmes, managed through 6 Portfolio Boards. Each project is reported to a relevant committee for consideration and scrutiny in terms of the Portfolio Reporting Cycle agreed at Council on 9 May 2024. Exceptions to this general rule may apply when circumstances merit a standalone project/programme report to either committee or council.

1.2 This report provides financial, performance and general information on the following Delivery Plan Projects/Programme: -

- **Reconfiguring our Asset Base Portfolio**
  - Highland Investment Plan - Project: New Community Points of Delivery (PODs)
  - Highland Investment Plan – Project: Deliver Affordable Housing Programme
- **Net Zero, Energy, Investment & Innovation Portfolio**
  - Energy Estate - Project: Energy Efficient Homes

1.3 The report also provides Members with initial feedback on the outcomes from the Highland Housing Summit.

1.4 The content and structure of the report is intended to:-

- Assist Member scrutiny and performance management.
- Inform decision making and aid continuous improvement; and
- Provide transparency and accessibility.

## 2 Recommendations

2.1 Members are asked to:-

- i. **NOTE** the progress provided in the Programme and Project updates in this report; and
- ii. **NOTE** that the Deliver Affordable Housing Project will be updated to reflect the outcomes and actions as a result of the Highland Housing Summit.

### **3 Implications**

- 3.1 **Resource** - Resource implications are highlighted in the project/programme updates below.
- 3.2 **Legal** - This report contributes to the Council's statutory duties to report performance and secure best value in terms of; Section 1(1)(a) of the Local Government Act 1992, and Section 1 of the Local Government in Scotland Act 2003, respectively.
- 3.3 **Risk** - There are no risk implications arising as a direct result of this report. Project/Programme risks are identified via the council risk management process and monitored through the Portfolio Boards and are reported by exception as part of the Project updates provided.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – No implications.
- 3.5 **Gaelic** – No implications.

### **4 Impacts**

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring and update report and therefore an impact assessment is not required. Screening for impact has been embedded into the project/programme management for the Delivery Plan.

### **5 Highland Investment Plan - Project: New Community Points of Delivery (PODs)**

- 5.1 An update on the New Community POD project was to be included within the reporting cycle for this committee. However a standalone report on the Highland Investment Plan Progress Update will be considered by Council on 31 October 2024 ([Papers are accessible here](#)) with a further report on 12 December 2024.

### **6 Highland Investment Plan – Project: Deliver Affordable Housing Programme**

#### **6.1 Overall Project RAG Status**

This project is ragged amber due to uncertainty regarding Scottish Government grant funding – the grant available was not adequate to fund the committed affordable housing programme for 2024/25. The availability of front funding by the Council and partners is limited. These both impact on timing and scale of delivery. This has meant delaying projects so that the expenditure falls in a managed way into 2025/26. The completions of affordable homes to date, is reported in the Capital Monitoring Report and the Strategic Housing Investment fund report at items 6 and 10 on the Committee agenda.

6.2 In order to manage this issue weekly meetings are held with the Scottish Government to:-

1. Discuss the availability of funding and the management of the programme to capitalise on slippage elsewhere;
2. Regular meetings with partners to assess their programmes and ability to front fund;
3. Regular meetings with Developers to maximise their ability to front fund; and
4. Use of the Highland Council Landbank to front fund strategic land purchases and project costs.

6.3 **Key Milestones & Requests for Change**

- By the end of Q2, 49 council house build homes were completed and 7 key worker homes were approved.
- A revised affordable housing resource planning assumption was issued by the Scottish Government for £35.780m, the additional monies (0.653m) to be directed towards acquisitions to help address temporary accommodation pressures or, where appropriate, to bring long term voids back into use.

6.4 **Financial Summary**

There are no savings or additional investment attributed to this project within the Delivery Plan at the current time. As noted at 6.3, Scottish Government funding for affordable housing for 2024/25 is £35,780m. This is a reduced sum and has impacted upon the ability to deliver the planned programme in 2024/25. Some programmes of work have therefore been programmed into 2025/26. The funding for 2025/26 is not yet available.

6.5 **Key Risks**

The key risks which have been **identified** for the affordable housing programme are as follows:-

Key Risks	Mitigation
1. Affordability of constructing new housing	<ul style="list-style-type: none"> <li>• Work is being undertaken to assess the space standards and specifications of our newbuild housing to ensure we are delivering the most cost-effective housing solutions. We are considering a small modular contract to test this particular product in terms of cost and quality.</li> <li>• The Highland Housing Summit specifically considered opportunities for new funding models and investment which will form the basis of future actions.</li> </ul>
2. Insufficient contractor capacity to deliver works	<ul style="list-style-type: none"> <li>• Work is ongoing with contractors to programme the tendering of projects to reflect capacity and build capacity within the sector.</li> </ul>
3. High inflation/interest rates may further impact project budgets	<ul style="list-style-type: none"> <li>• We are currently monitoring tender levels and assessing the impact of construction cost inflation on the viability of projects and will seek additional funding if required.</li> </ul>
4. Reduced public sector funding for new affordable housing.	<ul style="list-style-type: none"> <li>• As with 1, ensuring that we are delivering the most cost-effective housing will ensure that we are making the best use of available resources.</li> </ul>

	<ul style="list-style-type: none"> <li>• Developing a flexible pipeline of shovel-ready projects to ensure that as funding becomes available, activity can proceed.</li> <li>• As outlined at risk 1, opportunities for new funding models and investment strategies are a further mitigation to this risk.</li> </ul>
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## 6.6 Forward Plan

Key activities for the Affordable Housing Programme in the next reporting period are as follows:-

- approval of the Strategic Housing Investment plan in Q3;
- finalising the 2024/25 programme to reflect the available funding; and
- updating the Programme to reflect the outcomes of the Highland Housing Summit

## 7. Highland Housing Summit

7.1 In June 2024 the Council declared a 'Housing Challenge', the aim of which is to create a collaborative environment – public/private partnerships - to assist in the delivery of the affordable and private homes which will be required. The Challenge recognises both the demands for housing across the area but also the significant investment and development opportunities coming to Highland. The Challenge identified three key areas of focus to consider when tackling the Challenge: increasing finance for housing, increasing the number and variety of developments and increasing land supply.

7.2 In October 2024 the Council hosted a housing summit designed to bring together all parties from National, Local government and private sector interests, both large and small, from across the fields of energy, housing development and commerce, to focus on the Housing Challenge. The summit provided the opportunity to drive **collaborative action** in the co-design and delivery of a strategic action plan which, addresses the housing needs in the short, medium and long-term future.

7.3 Analysis of the feedback from the summit is ongoing, however an action plan was agreed which includes:

- The Council will commence a planning advisory service which will enable developers to meet senior officers to resolve issues to support a smooth planning process
- The Master Plan Consent Areas will be moved forward once the secondary legislation required is passed by the Scottish Government
- £6m of second homes council tax monies will be repaid to the landbank to support the delivery of further affordable homes
- A call for sites for the Highland Local Development Plan will be initiated immediately in advance of the original timeframe
- The Social Value Charter will be advanced to ensure maximum benefit to the affordable housing programme

7.4 Recognising the shift in the housing landscape and declaration of the Housing Challenge, the intention is to update the Delivery Plan's actions relating to affordable housing to reflect the outcomes from the Summit and the actions to progressed in the coming months.

## 8 Energy Estate - Project: Energy Efficient Homes

### 8.1 Overall Project RAG Status

Working in collaboration with Housing, the Climate Change & Energy Team (CCET) have initiated 2 place-based projects and 1 Highland-wide project to improve the energy efficiency of Highland homes for Council tenants and private householders.

- Caol Swedish Timber (mixed tenure) – Whole House Retrofit;
- Balintore Timber (mixed tenure) – Whole House Retrofit; and
- Cavity Wall insulation (mixed tenure)

Circa £2.8m of external funding has been leveraged to reduce the cost to HRA capital budget for Caol and Balintore.

A Highland-wide project has been initiated for cavity wall insulation which will be 97% externally funded. Desktop analysis and checks have been undertaken and external drill tests have been instructed with work commencing 30 September.

The programme aims to develop place-based projects and achieve economies of scale by aligning the delivery of mixed-tenure projects.

Due to Scottish Government delays issuing the Energy Efficiency Scotland: Area Based Scheme (EES:ABS) grant offers there has been limited progress in Q1 & Q2. Scottish Government issued EES:ABS grant offer letters on 16 September and works to private households will start Q3.

#### Reason for Project RAG Rating and Corrective Action:

M6 24/25

- R
- A
- G
- C

Milestone has been ragged amber as no progress has been made with private households due to delays receiving SG EES:ABS funding (SG issued offer letters 16 September) and limited progress progressing funded energy efficiency projects for Council properties. Currently 2 areas have been identified, works are underway in Caol and due to commence in Balintore when building warrants have been approved. A delay obtaining building warrant approval by end of September will put the Balintore behind and could put the project at risk of delivering on time which would have an impact on external funding for the projects. Approval to leverage GBIS funding for Council properties was given 20 September and delivery timescales will need to be reviewed and consideration given in relation to tenant opt-out and impact this could have on achieving targets. Further consideration of internal processes required to avoid delays to delivery timescales which could impact external funding.

### 8.2 Key Milestones & Requests for Change

This is the first report to committee, four out of the five milestones reported in PRMS are flagged as amber at the end of Q2 due to delays obtaining external funding.

MILESTONES		CURRENT STATUS
<i>Starts Apr24 / Completes Jun 25</i>	Energy Efficient Homes: 20% increase in private delivery	<b>M6 24/25 Some Slippage</b>
<i>Starts Apr 24 / Completes Jun 25</i>	Energy Efficient Homes: Local training courses developed	<b>M6 24/25 Some Slippage</b>
<i>Starts Apr24 / Completes Apr25</i>	Energy Efficient Homes: Alignment of social/private domestic projects	<b>M6 24/25 Some Slippage</b>
<i>Starts / Completes Apr24</i>	Energy Efficient Homes: Programme Plan developed	<b>M1 24/25 Completed</b>
<i>Starts Apr24 / Completes Jun25</i>	Energy Efficient Homes: Roll out of social/private domestic projects	<b>M6 24/25 Some Slippage</b>

Three of the milestones are contingent on securing Scottish Government EES:ABS grant funding which combined with Energy Company Obligation and the SSE Renewable grant allows energy efficiency works to be delivered and scaled up for private households. The Scottish Government issued EES:ABS grant offers 16

September and delivery timescales are currently being reviewed, there is no request to review milestones at this stage as they are linked to Scottish Government funding guidance. Three of the milestones are linked and expected to be back on track Q3.

There has been some slippage developing local training courses following recent engagement with local contractors, follow up engagement is planned, and a review of the approach is underway.

### 8.3 Financial Summary

There is no financial savings or investment currently attached to this programme. However, there is targets within the measures of success to leverage external funding, percentage of project costs externally funded, and number of properties issued by housing.

Measure of Success	Target	Year to date
External leverage of funds for HRA investment. <i>Contingent on match funding from HRA.</i>	£2.4m over 3 years	£2,811,002
Percentage of external funding leveraged.	50% – 80%	59%
Housing properties issued to increase annually	80 in year 1	70

### 8.4 Key Risks

The Key Risks for the Energy Efficient Homes Project are set out in the table below along with mitigating actions.

Key Risks	Mitigation
Availability of funding.	<ul style="list-style-type: none"> <li>Maximise use of external funding by aligning the delivery of retrofit projects for Council &amp; privately owned properties.</li> <li>Adopt a fabric first approach to retrofit to maximise external funding available.</li> </ul>
Tenant opt-outs/ lack of private householder engagement will impact the delivery of retrofit projects and the Council's ability to secure external funding.	<ul style="list-style-type: none"> <li>Robust engagement strategy developed with advice and support throughout.</li> <li>Review of tenant opt-out policy for Council properties.</li> </ul>
Lack of contractors/ skills shortage – availability of accredited contractors.	<ul style="list-style-type: none"> <li>Development of the Highland Energy Efficiency Framework.</li> <li>Development of local training courses.</li> <li>Inclusion of community benefit packages which offer training within communities to deliver ongoing maintenance.</li> </ul>

### 8.5 Forward Plan

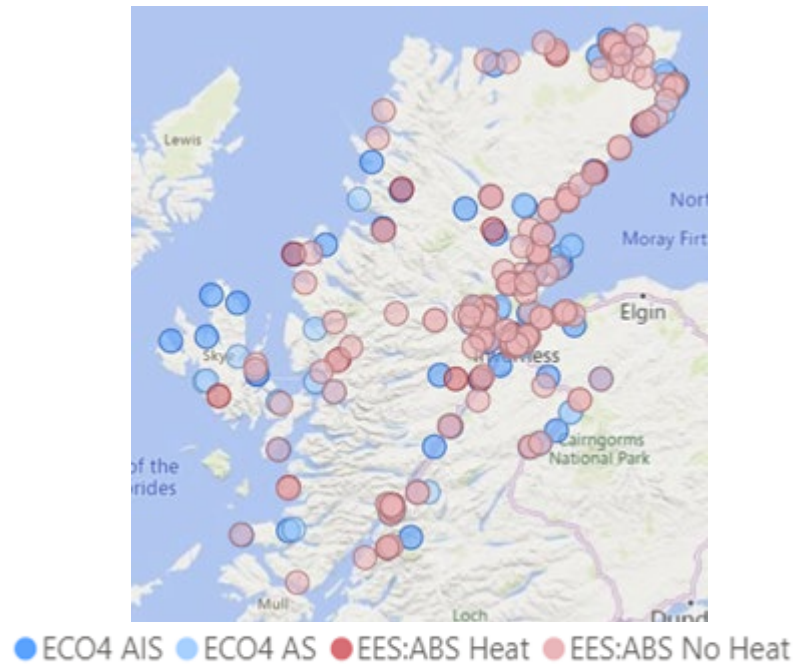
This section sets out the next key activities for the project in the next reporting period.

The Climate Change and Energy Team is currently reviewing opportunities for a new Social Housing Net Zero Fund bid in collaboration with Housing.

Approval was given at the Net Zero Programme Board to progress a cavity wall insulation project for Council properties which will be 97% funded by the Great British Insulation Scheme (GBIS). Data has been analysed, desktop checks undertaken, and target areas identified. Exploratory works, surveys and installs will commence Q3 2024/25.

The Energy Efficient Scotland: Area Based Scheme (EES:ABS) for private householders (subject to eligibility) will re-launch Q3 2024/25.

The below map illustrates private households signed up, to date, for EES:ABS and ECO4 and work is ongoing to align opportunities for Council properties.



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Date: 24 October 2024

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