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**REPORT TO: HOUSING AND COMMUNITY SAFETY COMMITTEE ON 27  
JUNE 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) 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;**
- ii) scrutinises and notes progress on the delivery of the Council's new build and acquisition programme;**
- iii) agrees the amended strategic approach to the Council's acquisition programme;**
- iv) scrutinises and notes progress on delivery of housing at Bilbohall, Elgin; and**
- v) notes the Council's response to the Additional Dwelling Supplement Consultation.**

**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	<b>2023/24</b>	2024/25	2025/26	Total
Moray	£10.357m	£8.927m	<b>£8.902m</b>	£8.933m	£9.981m	£46.200m

- 3.3 On 15 November 2022, this Committee approved the Council's SHIP (paragraph 10 of the Minute refers).
- 3.4 The last update on the Affordable Housing programme was presented to this Committee on 14 February 2023 (paragraph 6 of the Minute refers).

#### **MORAY STRATEGIC LOCAL PROGRAMME (SLP)**

##### **Outturn 2022/23**

- 4.1 The spend achieved in 2022/23 exceeded RPA by 27%. £11.332m was spent on provision of affordable housing against RPA of £8.927m. This positive outcome was due to Moray's ability to bring projects forward and so take advantage of project slippage and underspend within the wider Highlands and Islands administrative region.
- 4.2 New build completions during 2022/23

Site	Town	No of units	Landlord	Completion date
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
Hamilton Drive	Elgin	4	Osprey	Nov 2022
<b>Total</b>		<b>94</b>		

- 4.3 Open market acquisitions completed 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
<b>Total</b>		<b>36</b>		

## 2023/24

- 4.4 The Scottish Government and the Council have agreed a SLP for 2023/24 based on the resource allocation of £8.902m.
- 4.5 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.
- 4.6 Currently under construction

Site	Town	No of units	Landlord	Completion date (est)
Fyvie Green, Elgin South	Elgin	17	Moray Council	May 2023
Banff Road Phase 1	Keith	33	Moray Council	Jul 2023
Knockomie (R1)	Forres	28	Cairn HA	Oct 2023
Ferrylea R3 Phase 2	Forres	43	Grampian HA	May 2024
<b>Total</b>		<b>121</b>		

- 4.7 Site start expected during 2023/24

Site	Town	No of units	Landlord	Site start (est)
Banff Road, Keith Ph2a	Keith	26	Moray Council	Oct 2023
Speyview Phase 1	Aberlour	30	Moray Council	Mar 2024
Village Green/Bain Ave	Elgin	24	Grampian HA	Mar 2024
Findrassie Ph2b	Elgin	18	Grampian HA	tbc
Muirton, Buckie Ph1	Buckie	16	Osprey Housing	tbc
<b>Total</b>		<b>98</b>		

- 4.8 Site start expected during 2024/25

Site	Town	No of units	Landlord	Site start (est)
Kinneddar Meadows Ph2	Lossiemouth	24	Osprey Housing	Jun 2024
Western Village, Elgin South	Elgin	47	Grampian HA	Jun 2024
Bilbohall Phase 1 (R2)	Elgin	105	Moray Council	Jul 2024
Lesmurdie Field, Elgin	Elgin	18	Places for People	Nov 2024
<b>Total</b>		<b>194</b>		

- 4.9 The amount of More Homes Division grant required 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.
- 4.10 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 approved SHIP.
- 4.11 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 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.
- 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 continue to make achieving financial viability very challenging.
- 5.3 In this context, Moray Council projects have been delayed i.e. Bilbohall, Elgin in common with a Grampian HA project at Garmouth Road, Lhanbryde. 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).
- 5.4 The forward programme illustrated above at Paras 4.7 and 48 will be informed by the ongoing rent restructuring project which is expected to complete during summer/autumn 2023.

## **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 tender received was not financially viable. Officers are pursuing an alternative site design with a density comparable to commercial housebuilders (105 units), which is more likely achieve financial viability. Officers are currently seeking an appropriate procurement route to appointment of a multi-disciplinary design team to prepare further planning application(s), before a further tender can be issued. It is unlikely that this development will achieve site start within 2023/24.

### **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. The purchase was subject to a 1 year buy back agreement. This project features in the Growth Deal Housing Mix full business case. There have been significant delays in agreeing infrastructure provision on the site, particularly with Scottish Water, but these are approaching resolution. The Scottish Government More Homes Division are prepared to front fund some of the cost of infrastructure required for future phases of affordable housing, due to the strategic importance of this development.

### **Banff Road, Keith Phases 1 and 2**

- 6.3 Handover and occupation of the vast majority of Phase 1 development was achieved during Apr/May 2023. Radon testing processes and building control approvals are proceeding on the remaining 2 properties. The Council has taken advice from an independent Radon consultant regarding risk and ongoing testing and maintenance, and has a legal agreement with Springfield Properties which seeks to protect the Council from any ongoing liability arising from the presence of radon gas in the properties, and the mitigation measures which have been fitted.
- 6.4 There is an opportunity to bring forward part of Phase 2 (26 units) into the 2023/24 development programme. This has the support of the Scottish Government as it will minimise the potential loss of grant funding to Moray the 2023/24 programme. Phase 2 development was included in the SHIP approved in November 2022, and in the HRA Business Plan reviewed in February 2023. Proposals will be presented to this Committee for approval once the outputs from the Rent Restructure project are clearer, during summer/autumn 2023.

## **7. LAND AND BUILDINGS TRANSACTION TAX CONSULTATION**

- 7.1 On 8 February 2023, the Scottish Government issued a consultation on the Additional Dwelling Supplement (ADS) which included a variety of proposed amendments to Land and Buildings Transaction Tax (LBTT) and ADS. Most of the questions related to private sector conveyancing and were not directly relevant to the Council's acquisition of properties or development sites. However, the consultation proposed that Councils cease to be liable for LBTT, providing parity with RSLs.
- 7.2 Therefore, in answer to the question "Local Authorities, Do you think that the proposed amendments provide for the Scottish Government's intended change?", where only a yes/no response was required, the Council's response of "yes" was submitted within the deadline, on 5 April 2023.
- 7.3 In answer to a question relating to the impact on equal opportunities and human rights the following response was submitted;

"The relief from LBTT and ADS ... will have a positive impact on local authority budgets, particularly on the resources available to increase provision of affordable housing. Given the priority assigned in Moray's Local Housing Strategy to increasing provision of affordable housing for older and disabled people, the resulting increase in resources will have a positive impact on those needs groups".

## **8. MORAY COUNCIL ACQUISITIONS PROGRAMME**

- 8.1 On 15 November 2022, this committee approved the Strategic Housing Investment Plan 2023/24-2027/28 (SHIP) (paragraph 10 of the Minute refers). The SHIP provides grant funding facility for the Council to purchase properties from the open market for provision of affordable housing, where strategic and value for money criteria have been met.

- 8.2 Officers recommend an expansion of those criteria to facilitate acquisitions which will meet housing need in areas where housing construction is constrained. It is envisaged that this change would increase affordable housing stock in rural areas in particular e.g. Speyside. The criteria would be amended to:

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

## 9. **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 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 Lindsey Robinson, Committee Services Officer.

**10. CONCLUSIONS**

**10.1 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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