

## STRATEGIC HOUSING FUND ANNUAL REPORT 2014-15

**1.0 EXECUTIVE SUMMARY**

1.1.1 In December 2004, Council decided to exercise its discretion to reduce the discount for council tax for second and holiday homes across the whole council area from 50% to 10%. Subsequently, on 18 May 2006, the Strategic Policy Committee agreed that this revenue should be used flexibly, depending on local circumstances, for the establishment of:

- A Landbanking fund
- An Empty Homes Strategy
- And to promote additional investment in infrastructure capacity, where further development of affordable housing is otherwise constrained.

In line with Scottish Government guidance, which states that additional income arising from the reduced discount of council tax on second and holiday homes be retained locally by the local authority and used specifically for the provision of affordable social housing, the Strategic Housing Fund (SHF) was created to allow for allocations in support of priority projects emerging from the Local Housing Strategy (LHS).

1.2 This report provides an annual update on the Strategic Housing Fund (SHF) income and expenditure position for 2014-15, the current balance on the SHF as at 31 March 2015 and all future commitments against this balance.

1.3 The closing balance as at 31 March 2015 on the SHF is outlined in the table below:

	<b>Opening Balance at 1 April 2014 £m</b>	<b>Income 2014-15 £m</b>	<b>Expenditure 2014-15 £m</b>	<b>Closing Balance at 31 March 2015 £m</b>
Earmarked Balance in General Fund	7.484	1.927	(1.738)	7.673
Useable Capital Receipts Reserve	2.757	0.010	0	2.767
<b>TOTAL</b>	<b>10.241</b>	<b>1.937</b>	<b>(1.738)</b>	<b>10.440</b>

1.4 There are a number of outstanding commitments against the SHF balance, as at 31 March 2015, and these total £6.188m.

1.5 The uncommitted SHF balance as at 1 April 2015 is £4.252m. There are plans to fully utilise this uncommitted balance over the next 3 years (2015-18) to support the affordable housing development programme, including empty homes grants and loans, as set out in the Strategic Housing Improvement Plan (SHIP) report that went to Council in November 2014.

**STRATEGIC HOUSING FUND ANNUAL REPORT 2014-15**

---

**2.0 INTRODUCTION**

2.1 This report provides an annual update on the Strategic Housing Fund (SHF) income and expenditure position for 2014-15, the current balance on the SHF as at 31 March 2015 and all future commitments against this balance.

**3.0 RECOMMENDATIONS**

3.1 Members are asked to note the report on income and expenditure for 2014-15 and the balance on the SHF as at 31 March 2015.

3.2 Members to note the estimated future income for SHF for 2015-16.

**4.0 DETAIL**

4.1 In December 2004, Council decided to exercise its discretion to reduce the discount for council tax for second and holiday homes across the whole council area from 50% to 10%. Subsequently, on 18 May 2006, the Strategic Policy Committee agreed that this revenue should be used flexibly, depending on local circumstances, for the establishment of:

- A Landbanking fund
- An Empty Homes Strategy
- And to promote additional investment in infrastructure capacity, where further development of affordable housing is otherwise constrained.

Subsequently, in line with Scottish Government guidance, which states that additional income arising from the reduced discount of council tax on second and holiday homes be retained locally by the local authority and used specifically for the provision of affordable social housing, the Strategic Housing Fund (SHF) was created to allow for allocations in support of priority projects emerging from the Local Housing Strategy (LHS).

4.2 In September 2007, a further report went to Council to formally agree the arrangements for the operation of the SHF. The following items of expenditure were deemed appropriate and agreed:

- Expenditure incurred in relation to assets formally held on the Housing Revenue Account
- Expenditure relating to the acquisition of land for the landbank
- Expenditure related to the purchase of homes under the empty homes initiative
- Payments to enhance infrastructure where this is restricting the development of affordable housing

- Payments to registered social landlords (RSLs) to partially fund proposed projects to deliver houses in accordance with the local housing strategy.
- 4.3 The introduction of the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012 provided enabling powers for further regulations to modify council tax discounts. The new legislation defined new categories of unoccupied properties which differed from the previous categories, and provided new discretions for charging council tax on these new categories.
- 4.4 The new regulations allow the council to determine that, instead of a reduced discount of a minimum of 10%, no discount, or an increase in council tax of up to 100% may apply. There has been no change to the Council decision in December 2004 to reduce the discount on second and holiday homes from 50% to 10% and the additional council tax income collected as a result of this continues to be ring-fenced to the SHF.
- 4.5 The Council exercised the discretion to increase the council tax charge on empty properties, where the dwelling has been unoccupied for over 12 months, by 100% across the whole council area with effect 1 April 2014 and this additional income is not ring-fenced to the SHF.
- 4.6 There are currently two elements to the SHF balance:

#### **Earmarked Balance in General Fund Reserve**

Income collected from council tax on second homes which can only be used for investment in affordable, sufficient and suitable housing. The current balance in this reserve represents income from council tax collections from previous financial years. Each year the actual income collected is transferred into this earmarked balance and is, on average, c. £1.9m.

#### **Useable Capital Receipts Reserve**

This relates to the accumulated unspent capital receipts from the sale of council houses prior to the transfer of the housing stock. Any sale of residual HRA property or land is transferred to this reserve when the capital receipts are received.

- 4.7 The closing balance as at 31 March 2015 on the Strategic Housing Fund is outlined in the table below:

	<b>Opening Balance at 1 April 2014 £m</b>	<b>Income 2014/15 £m</b>	<b>Expenditure 2014/15 £m</b>	<b>Closing Balance at 31 March 2015 £m</b>
Earmarked Balance in General Fund	7.484	1.927	(1.738)	7.673
Useable Capital Receipts Reserve	2.757	0.010	0	2.767
<b>TOTAL</b>	<b>10.241</b>	<b>1.937</b>	<b>(1.738)</b>	<b>10.440</b>

- 4.8 Further detail of the income and expenditure for 2014-15 is included as Appendix 1.

4.9 There are a number of outstanding commitments against the Strategic Housing Fund. There is usually a delay between grants being approved and the monies being released. Included as Appendix 2 is a list of these outstanding commitments, these funds were not released before 31 March 2015.

4.10 The table below sets out the uncommitted balance on the fund as at 31 March 2015.

	£m
Balance at 31/03/15	10.440
Commitments re Appendix 2	6.188
<b>Uncommitted Balance</b>	<b>4.252</b>

4.11 There are plans to fully utilise this uncommitted balance over the next 3 years (2015-18) to support the affordable housing development programme, including empty homes grants and loans, as set out in the Strategic Housing Improvement Plan (SHIP) report that went to Council in November 2014.

4.12 In 2011, Council set a target of 110 affordable housing completions per annum, based on the need evidenced through the Housing Need and Demand Assessment (HNDA) process. Assuming that this target is sustained, the total cost to the SHF over the 3 year period 2015-18 would equate to £8.25m, plus a £500k allocation for Empty Homes Grants and £110k for Empty Homes Loans, giving a total commitment on the SHF for 2015-2018 of £8.86m. Estimated Council Tax income over this period is £7.6m leaving a funding gap between SHF commitments and council tax income of £1.26m. Any uncommitted balance currently on the SHF, as a result of prior year arrangements, will be used to fund this gap and facilitate any fluctuations in the estimated income figure.

4.13 The estimated income from council tax on second homes for 2015-16 is £1.9m.

4.14 In addition to the above, the council has used reserves to advance loans to RSL's in line with the approach agreed in August 2013. Details of the loans advanced and balance outstanding at 31 March 2015 are set out below:

RSL	Scheme Name	Amount Committed £m	Amount Advanced £m	Rate of Interest %	Repayment Period (years)	Amount o/s 31/03/15 £m
FYNE	Courthouse	1.9	1.9	1.93	3	1.115
ACHA	Glenshellach	2.305	2.305	4.45	25	2.254
ACHA	Bonawe	0.123	0.123	4.43	25	0.122
ACHA	Hood Court	0.603	0.603	4.43	25	0.600
FYNE	St Cuthbert's	0.201	0			0
WHHA	Port Ellen	0.955	0			0
<b>Total</b>		<b>6.087</b>	<b>4.931</b>			<b>4.091</b>

## 5.0 CONCLUSION

5.1 The Strategic Housing Fund makes a significant contribution to the new affordable housing development programme in Argyll and Bute. The closing balance on the fund at 31 March 2015 was £10.440m with future outstanding commitments of £6.188m, leaving an uncommitted balance of £4.252m to further support the affordable housing development programme as set out in the

Strategic Housing Improvement Plan (SHIP) report 2014.

## **6.0 IMPLICATIONS**

6.1 Policy: None

6.2 Financial: None, Strategic Housing Fund will continue to be administered in line with approved policy.

6.3 Legal: None

6.4 HR: None

6.5 Equalities: None

6.6 Risk: None

6.7 Customer Service: None

**Steve Barrett, Interim Head of Strategic Finance**  
**Councillor Dick Walsh, Council Leader – Policy Lead Strategic Finance**  
**Councillor Robin Currie – Policy Lead Community and Culture and Strategic Housing**  
**22 May 2015**

## **APPENDICES**

Appendix 1: SHF Income and Expenditure 2014-15

Appendix 2: Outstanding SHF Commitments

**Strategic Housing Fund (SHF) 2014-15****Earmarked Balance in General Fund Reserve 2014-15**

	£	£	£
<b><i>SHF Opening Balance 2014-15</i></b>			<b>7,483,782</b>

**2014-15 INCOME**

Income from Council Tax on Second Homes			1,926,944
---	--	--	-----------

**2014-15 EXPENDITURE**

RSL	Scheme	£	£
ACHA	Hood Court, Helensburgh	125,657	
ACHA	Oakfield, Tarbert	224,597	
ACHA	Shoreline, Bowmore	614,560	
ACHA	Dunraineach, Connel	176,000	
ACHA	Bonawe	63,408	
ACHA	Travelling Person Sites	38,120	
<b>Total ACHA</b>			<b>1,242,342</b>
<b>FYNE HOMES</b>	<b>Ardfern</b>		<b>422,865</b>
<b>WHHA</b>	<b>Taynuilt Filling Station</b>		<b>29,719</b>

1,694,926

**Other Spend**

SHQS Upgrades	15,216		
Empty Homes Officer Post	28,143	<b>43,359</b>	

**SHF Closing Balance 2014-15****7,672,441**

**Strategic Housing Fund (SHF) 2014-15****Usable Capital Receipts (UCR)**

	£	£
<b><u>UCR Opening Balance 2014-15</u></b>		<b>2,757,256</b>
<b><u>2014-15 INCOME</u></b>		
HRA Revenue Interest on UCR Reserve	9,678	<u>9,678</u>
<b><u>UCR Closing Balance 2014-15</u></b>		<b><u>2,766,934</u></b>

**Outstanding Strategic Housing Fund Commitments**

RSL	Scheme	Grant Approved	Total Drawn Down as at 31/03/15	Commitment Remaining
		£	£	£
ACHA	Bonawe (RHDF)	156,000	156,000	0
ACHA	Hood Ct, Helensburgh	125,657	125,657	0
ACHA	Shoreline, Bowmore	679,996	614,560	65,436
ACHA	Dunraineach, Connel	176,000	176,000	0
ACHA	Barn Pk, Inveraray	264,000	0	264,000
ACHA	Carsaig, Tayvallich	50,000	0	50,000
ACHA	St Oran's Place, Connel	250,000	0	250,000
ACHA	Sealladh Na Mara, Bowmore	250,000	0	250,000
ACHA	Glenshellach, Oban	425,000	0	425,000
ACHA	Travelling Person Sites	38,120	38,120	0
DHA	Succoth, greener standard	941,000	0	941,000
DHA	Oakfield, Tarbert	224,597	224,597	0
DHA	East King St	528,000	0	528,000
FYNE HOMES	Ardfern	422,865	422,865	0
FYNE HOMES	St Cuthbert's, Dunoon	598,500	0	598,500
FYNE HOMES	Kilmun	176,000	0	176,000
Gigha Heritage Trust	Drumyeonmore	26,000	0	26,000
WHHA	Iona	361,000	0	361,000
WHHA	Dunbeg, greener standard	647,000	0	647,000
WHHA	Taynuilt Filling Station	29,719	29,719	0
WHHA	Imeraval, Islay	540,000	0	540,000
WHHA	Benderloch	300,000	0	300,000
RHDF	Ulva	180,000	0	180,000
ABC	Council Serviced Tenancies (SHQS)	572,000	15,216	556,784
ABC	Empty Homes Officer Post	84,211	55,178	29,033
<b>TOTAL</b>		<b>8,045,665</b>	<b>1,857,912</b>	<b>6,187,753</b>