

STRATEGIC HOUSING FUND ANNUAL REPORT 2015-16

1.0 EXECUTIVE SUMMARY

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 2015-16, the current balance on the SHF as at 31 March 2016 and all future commitments against this balance.

1.3 The closing balance as at 31 March 2016 on the SHF is outlined in the table below:

	Opening Balance at 1 April 2015 £m	Income 2015-16 £m	Expenditure 2015-16 £m	Closing Balance at 31 March 2016 £m
Earmarked Balance in General Fund	7.673	1.992	(3.083)	6.582
Useable Capital Receipts Reserve	2.767	0.010	0	2.777
TOTAL	10.440	2.002	(3.083)	9.359

1.4 There are a number of outstanding commitments against the SHF balance, as at 31 March 2016, and these total £3.705m.

1.5 The uncommitted SHF balance as at 1 April 2016 is £5.654m. There are plans to fully utilise this uncommitted balance over 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 2015-16

2.0 INTRODUCTION

- 2.1 This report provides an annual update on the Strategic Housing Fund (SHF) income and expenditure position for 2015-16, the current balance on the SHF as at 31 March 2016 and all future commitments against this balance.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to note the report on income and expenditure for 2015-16 and the balance on the SHF as at 31 March 2016.
- 3.2 Members to note the estimated future income for SHF for 2016-17.
- 3.3 Members to approve the commitment of £143k from the Strategic Housing Fund for 2016-17, in respect of the Service Choices saving agreed by Council in February, and to note that there will be inflationary increases relevant to this Service Choices saving in future years.

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, and
- 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 2016 on the Strategic Housing Fund is outlined in the table below:

	Opening Balance at 1 April 2015 £m	Income 2015/16 £m	Expenditure 2015/16 £m	Closing Balance at 31 March 2016 £m
Earmarked Balance in General Fund	7.673	1.992	(3.083)	6.582
Useable Capital Receipts Reserve	2.767	0.010	0	2.777
TOTAL	10.440	2.002	(3.083)	9.359

4.8 Further detail of the income and expenditure for 2015-16 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 prior to 31 March 2016.

4.10 Included in Appendix 2, as an additional outstanding commitment for 2016-17, is the total relating to the Strategic Housing staff to be charged to the Strategic Housing Fund as a result of the Service Choices saving agreed by Council in February 2016. The total cost to the Strategic Housing Fund will be £143k and this figure will in turn be subject to inflationary increases in future years.

4.11 The table below sets out the uncommitted balance on the fund as at 31 March 2016.

	£m
Balance at 31/03/16	9.359
Commitments re Appendix 2	3.705
Uncommitted Balance	5.654

4.12 There are plans to fully utilise this uncommitted balance over 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.

4.13 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. That process has recently been reviewed and the latest study is currently with the Centre for Housing Market Analysis to determine whether it meets the Scottish Government's robust and credible criteria. The SHIP is currently under review and part of the review process is an evaluation of the costs associated with the development programme over the last five years. This will help to determine appropriate levels of top up funding from the SHF moving forward. The outcome of the evaluation and the revised SHIP is to be presented to the Community Services Committee in September.

4.14 The estimated income from council tax on second homes for 2016-17 is £1.9m.

4.15 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 2016 are set out below:

RSL	Scheme Name	Amount Committed £m	Amount Advanced £m	Rate of Interest %	Repayment Period (years)	Amount o/s 31/03/16 £m
FYNE	Courthouse	1.9	1.9	1.93	3	0.931
ACHA	Glenshellach	2.305	2.305	4.45	25	2.200
ACHA	Bonawe	0.123	0.123	4.43	25	0.119
ACHA	Hood Court	0.603	0.603	4.43	25	0.586
FYNE	St Cuthbert's	0.201	0			0
WHHA	Port Ellen	0.955	0			0
Total		6.087	4.931			3.836

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 2016 was £9.359m with future outstanding commitments of £3.705m, leaving an uncommitted balance of £5.654m 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

Kirsty Flanagan, Head of Strategic Finance
Councillor Dick Walsh, Council Leader – Policy Lead Strategic Finance
Councillor Robin Currie – Policy Lead Community and Culture, Gaelic and Strategic Housing
18 May 2016

APPENDICES

Appendix 1: SHF Income and Expenditure 2015-16

Appendix 2: Outstanding SHF Commitments

Strategic Housing Fund (SHF) 2015-16**Earmarked Balance in General Fund Reserve 2015-16**

£ £ £

SHF Opening Balance 2015-16 **7,672,441**

2015-16 INCOME

Income from Council Tax on Second Homes 1,991,918

2015-16 EXPENDITURE

RSL	Scheme	£	£
ACHA	Shoreline, Bowmore	65,436	
ACHA	Barn Pk, Inveraray	264,000	
ACHA	Carsaig, Tayvallich	50,000	
ACHA	Travelling Person Sites	38,659	
Total ACHA			418,095
DHA	East King St	528,000	
Total DHA			528,000
FYNE HOMES	St Cuthbert's, Dunoon	554,500	
FYNE HOMES	Kilmun	176,000	
Total FYNE HOMES			730,500
WHHA	Iona	361,000	
WHHA	Dunbeg, Greener Standard	646,593	
WHHA	Benderloch	300,000	
Total WHHA			1,307,593

2,984,188

Other Spend

SHQS Upgrades	42,407	
Furnace Coastal Protection	21,874	
Empty Homes Officer Post	34,481	98,762

SHF Closing Balance 2015-16

6,581,409

Strategic Housing Fund (SHF) 2015-16**Usable Capital Receipts (UCR)**

	£	£
<u>UCR Opening Balance 2015-16</u>		2,766,934
<u>2015-16 INCOME</u>		
HRA Revenue Interest on UCR Reserve	10,001	<u>10,001</u>
<u>UCR Closing Balance 2015-16</u>		<u>2,776,935</u>

Outstanding Strategic Housing Fund Commitments

RSL	Scheme	Grant Approved	Total Drawn Down as at 31/03/16	Commitment Remaining
		£	£	£
ACHA	Shoreline, Bowmore	679,996	679,996	0
ACHA	Barn Pk, Inveraray	264,000	264,000	0
ACHA	Carsaig, Tayvallich	50,000	50,000	0
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	Victoria Park, Dunoon	125,000	0	125,000
ACHA	St Oran's Place, Connel (Phase 3)	250,000	0	250,000
ACHA	Travelling Person Sites	77,659	38,659	39,000
DHA	Succoth, greener standard	941,000	0	941,000
DHA	East King St	528,000	528,000	0
FYNE HOMES	St Cuthbert's, Dunoon	554,500	554,500	0
FYNE HOMES	Kilmun	176,000	176,000	0
WHHA	Iona	361,000	361,000	0
WHHA	Dunbeg, greener standard	646,593	646,593	0
WHHA	Imeraval, Islay	540,000	0	540,000
WHHA	Benderloch	300,000	300,000	0
RHDF	Ulva	180,000	0	180,000
ABC	Council Serviced Tenancies (SHQS)	572,000	57,623	514,377
ABC	Furnace Coastal Protection	69,000	21,874	47,126
ABC	Strategic Housing Staff	143,362	0	143,362
TOTAL		7,383,110	3,678,245	3,704,865