

## STRATEGIC HOUSING FUND ANNUAL REPORT 2017-18

**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 2017-18, the current balance on the SHF as at 31 March 2018 and all future commitments against this balance.

1.3 The closing balance as at 31 March 2018 on the SHF is outlined in the table below:

	<b>Opening Balance at 1 April 2017 £m</b>	<b>Income 2017-18 £m</b>	<b>Expenditure 2017-18 £m</b>	<b>Closing Balance at 31 March 2018 £m</b>
Earmarked Balance in General Fund	6.176	1.989	(2.190)	5.975
Useable Capital Receipts Reserve	2.783	0.005	0	2.788
<b>TOTAL</b>	<b>8.959</b>	<b>1.994</b>	<b>(2.190)</b>	<b>8.763</b>

1.4 There are a number of outstanding commitments against the SHF balance, as at 31 March 2018, and these total £2.008m.

1.5 The uncommitted SHF balance as at 1 April 2018 is £6.755m. There are plans to fully utilise this uncommitted balance over 3 years (2018-21) 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 September 2017.

The Scottish Government have allocated £51.57m in Resource Planning Assumption (RPA) to Argyll and Bute to deliver affordable housing until 2021. This will deliver over 700 affordable housing units. In order for Argyll and Bute Council to support this ambitious programme with the current SHF agreed funding level of £12,000 per affordable housing unit delivered, the SHF will be required to contribute £8.4 million over the period to 2021.

The expected future income to the SHF of £1.9 million per annum will ensure that there will be sufficient money in the fund to contribute to the delivery of the SHIP and enable the RSLs to make full use of the RPA allocated by the Scottish Government up to 2021.

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**2.0 INTRODUCTION**

2.1 This report provides an annual update on the Strategic Housing Fund (SHF) income and expenditure position for 2017-18, the current balance on the SHF as at 31 March 2018 and all future commitments against this balance.

**3.0 RECOMMENDATIONS**

3.1 It is recommended that the Council:

(a) Note the report on income and expenditure for 2017-18 and the balance on the SHF as at 31 March 2018.

(b) Note the estimated future income for SHF for 2018-19.

**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. The new regulations allowed 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.
- 4.4 In 2016 The Scottish Government announced its intention to introduce legislation to allow councils to end the Council Tax discount for second homes from April 2017 in “A Plan for Scotland: The Government’s Programme for Scotland 2016-17”. Legislation brought this into effect from 1 April 2017 and the Policy & Resources Committee at its meeting on 27 October 2016 agreed that the Council should exercise its discretion under regulation 4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 to vary the council tax charge on second homes such that no discount applies across the whole of the council area with effect from 1 April 2017. There has been no significant change on the Strategic Housing Fund as a result of this.
- 4.5 The Council also exercised their 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 2018 on the Strategic Housing Fund is outlined in the table below:

	Opening Balance at 1 April 2017 £m	Income 2017-18 £m	Expenditure 2017-18 £m	Closing Balance at 31 March 2018 £m
Earmarked Balance in General Fund	6.176	1.989	(2.190)	5.975
Useable Capital Receipts Reserve	2.783	0.005	0	2.788
<b>TOTAL</b>	<b>8.959</b>	<b>1.994</b>	<b>(2.190)</b>	<b>8.763</b>

4.8 Further detail of the income and expenditure for 2017-18 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 2018.

The Scottish Government have allocated £51.57m in Resource Planning Assumption (RPA) to Argyll and Bute to deliver affordable housing until 2021. This will deliver over 700 affordable housing units. In order for Argyll and Bute Council to support this ambitious programme with the current SHF agreed funding level of £12,000 per affordable housing unit delivered, the SHF will be required to contribute £8.4 million over the period to 2021.

The expected future income to the SHF of £1.9 million per annum will ensure that there will be sufficient money in the fund to contribute to the delivery of the SHIP and enable the RSL's to make full use of the RPA allocated by the Scottish Government up to 2021.

4.10 The table below sets out the uncommitted balance on the fund as at 31 March 2018.

	£m
Balance at 31/03/18	8.763
Commitments re Appendix 2	2.008
<b>Uncommitted Balance</b>	<b>6.755</b>

4.11 There are plans to fully utilise this uncommitted balance over 3 years (2018-21) 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 September 2017. In 2016, 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.

4.12 The estimated income from council tax on second homes for 2018-19 is £1.9m.

4.13 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 balances outstanding at 31 March 2018 are set out below:

<b>RSL</b>	<b>Scheme Name</b>	<b>Amount Committed £m</b>	<b>Amount Advanced £m</b>	<b>Rate of Interest %</b>	<b>Repayment Period (years)</b>	<b>Amount o/s 31/03/18 £m</b>
FYNE	Courthouse	1.900	1.900	1.93	9	0.450
ACHA	Glenshellach	2.305	2.305	4.45	25	2.085
ACHA	Bonawe	0.123	0.123	4.43	25	0.113
ACHA	Hood Court	0.603	0.603	4.43	25	0.557
FYNE	St Cuthbert's	0.201	0.201	3.14	25	0.192
WHHA	Port Ellen	0.955	0.955	2.85	25	0.948
The Port Ellen Station	Port Ellen Police Station	0.080	0.080	2.12	10	0.080
<b>Total</b>		<b>6.167</b>	<b>6.167</b>			<b>4.425</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 2018 was £8.763m with future outstanding commitments of £2.088m, leaving an uncommitted balance of £6.755m to further support the affordable housing development programme as set out in the Strategic Housing Improvement Plan (SHIP) agreed by Council in September 2017.

## **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 Gary Mulvaney – Policy Lead Strategic Finance and Capital Regeneration Projects**

**Councillor Robin Currie – Policy Lead Communities, Housing, Islands and Gaelic**

**30 May 2018**

## **APPENDICES**

Appendix 1: SHF Income and Expenditure 2017-18

Appendix 2: Outstanding SHF Commitments

## APPENDIX 1

**SHF Opening Balance 2017-18** 6,175,196

### 2017-18 INCOME

Income from Council Tax on Second Homes 1,989,213

### 2017-18 EXPENDITURE

RSL	Scheme		
ACHA	St Oran's Place, Connel	250,000	
ACHA	Glenshellach, Oban	96,000	
ACHA	St Oran's Place, Connel & Heatherbank, Cairnbann	36,000	
ACHA	Travelling Person Sites	41,228	
Total ACHA			423,228
FYNE HOMES	Lochgilphead Phase 4	192,000	
FYNE HOMES	Minard	72,000	
FYNE HOMES	Spence Ct, Dunoon	192,000	
Total FYNE HOMES			456,000
DHA	Succoth, Greener Standard	941272	
Total DHA			941272
WHHA			
	Benderloch Phase 2	144000	
Total WHHA			144000

1,964,500

### Other Spend

Empty Homes Grants	80,349	
ABC Strategic Housing Staff	145,044	225,393

SHF Closing Balance 2017-18 5,974,516



**Strategic Housing Fund (SHF) 2017-18****Usable Capital Receipts (UCR)**

	£	£
<b><u>UCR Opening Balance 2017-18</u></b>		<b>2,782,740</b>
<b><u>2017-18 INCOME</u></b>		
HRA Revenue Interest on UCR Reserve	5,587	<u>5,587</u>
<b><u>UCR Closing Balance 2017-18</u></b>		<u><b>2,788,327</b></u>

**APPENDIX 2**

**Outstanding Strategic Housing Fund Commitments**

RSL	Scheme	Grant Approved	Total Drawn Down as at 31/03/17	Commitment Remaining
		£	£	
ABC	Council Serviced Tenancies (SHQS)	572,000	57,623	514,377
ABC	Furnace Coastal Protection	69,000	57,784	11,216
ACHA	Off the Shelf - St Oran's Place, Connel & Heatherbank, Cairnbann	60,000	48,000	12,000
ACHA	Carnan Rd, Coll	24,000		24,000
ACHA	Glenshellach, Oban Phase 11 & 12	504,000		504,000
ACHA	Jutland Ct, Helensburgh	384,000		384,000
ACHA	Benmore View, North Connel	12,000		12,000
ACHA	Barran, Kilmore	72,000		72,000
ACHA	Sealladh Na Mara, Bowmore (Phase 3)	240,000		240,000
Pagan (93b)	Empty Homes	20,000	19,968	32
Port Ellen Station	Empty Homes Loan	80,000		80,000
Strapp	Empty Homes	7,500	4,650	2,850
	Staff Costs	145,044	145,044	151,668
<b>TOTAL</b>		<b>2,189,544</b>	<b>333,069</b>	<b>2,008,143</b>