

## REVIEW OF THE STRATEGIC HOUSING FUND

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### 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.
- 1.2 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).
- 1.3 This report reviews the use of the Strategic Housing Fund in line with Council and Scottish Government priorities.
- 1.4 The Scottish Government have allocated £51,608,000 in Resource Planning Assumption (RPA) to Argyll and Bute to deliver affordable housing until 2021. This will enable delivery of over 800 affordable housing units.
- 1.5 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 £9,800,000 over the period to 2021 across Argyll and Bute. The expected future income to the SHF of £1,900,000 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. In September 2017 the Council agreed to commit to maximising the use of the Strategic Housing Fund to support the SHIP programme.
- 1.6 It is recommended that the Community Services Committee make the following recommendations to Council:

- a) Agree to continue to use the Strategic Housing Fund to assist with the delivery of affordable housing in Argyll and Bute at £12,000 per unit. This will apply to affordable housing units delivered by March 2021.
- b) Agree to use the Strategic Housing Fund to honour existing commitments within the fund e.g existing awards to RSL's.
- c) Agree to extend the £12,000 per unit to community organisations who satisfy requisite funding criteria and secure Rural Housing Fund and/or Island Housing Fund Grant from the Scottish Government to deliver affordable housing.
- d) Agree to an Empty/Abandoned Buildings enabling budget of £50,000 per annum to tackle the most problematic empty buildings.
- e) Agree to carry out a further review of the Strategic Housing Fund which will take into account the Scottish Government vision of housing beyond 2021.

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**2.0 INTRODUCTION**

2.1 This report reviews the use of the Strategic Housing Fund in line with Council and Scottish Government priorities.

**3.0 RECOMMENDATIONS**

3.1 It is recommended that the Community Services Committee make the following recommendations to Council:

- a) Agree to continue to use the Strategic Housing Fund to assist with the delivery of affordable housing in Argyll and Bute at £12,000 per unit. This will apply to affordable housing units delivered by March 2021.
- b) Agree to use the Strategic Housing Fund to honour existing commitments within the fund e.g existing awards to RSL's.
- c) Agree to extend the £12,000 per unit to community organisations who satisfy requisite funding criteria and secure Rural Housing Fund and/or Islands Housing Fund Grant from the Scottish Government to deliver affordable housing.
- d) Agree to an Empty/Abandoned Buildings enabling budget of £50,000 per annum to tackle the most problematic empty buildings.
- e) Agree to carry out a further review of the Strategic Housing Fund which will take into account the Scottish Government vision of housing beyond 2021.

**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.

- 4.2 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).
- 4.3 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.
- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 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 of £5,975,000 (at 31<sup>st</sup> March 2018) 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, around £1,900,000.

### **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.

- 4.8 The Scottish Government has allocated £51,608,000 in Resource Planning Assumption (RPA) to Argyll and Bute to deliver affordable housing until 2021. This will deliver over 800 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 £9,800,000 over the period to 2021.

The £12,000 per unit figure was agreed by Council in 2016. The previous SHF contribution was £25,000 per unit but the Scottish Government increased subsidy levels for affordable housing development in 2016. The Council agreed to reduce the SHF contribution accordingly which maintained the overall level of subsidy available to Registered Social Landlords (RSLs). In 2016/17, the council commissioned an independent evaluation and cost-benefit exercise on the SHIP and SHF grant levels, carried out by consultants Arneil Johnston, which confirmed that the £12,000 grant was the most appropriate level at which to set the SHF awards.

The expected future income to the SHF of £1,900,000 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.

- 4.9 The table below sets out the number of affordable housing units projected to be delivered by March 2021 in the 2018 Strategic Housing Investment Plan (SHIP) annual update :-

<b>Project address</b>	<b>Developer</b>	<b>Units</b>	<b>Anticipated Completion</b>
Bowmore Phase 3, Islay	ACHA	20	2018/19
North Connel, Lorn	ACHA	1	2018/19
Succoth, Helensburgh & Lomond	Dunbritton	26	2018/19
Minard Phase 2, Mid Argyll	Fyne Homes	4	2018/19
Queen's(formerly Spence) Court, Dunoon	Fyne Homes	16	2018/19
Lochgilphead Phase 4	Fyne homes	16	2018/19

Albany Street, Oban	LINK	8	2018/19
Jutland Court, Helensburgh	ACHA	32	2019/20
Connel (Phase 4; incl. 1 which unit)	ACHA	2	2019/20
Inveraray (Phase 2)	ACHA	10	2019/20
Keills, Islay	ACHA	4	2019/20
Garelochhead (Passivhaus model)	ACHA	10	2019/20
Tarbert	ACHA	4	2019/20
Glenshellach (Phase 11 &12)	ACHA	42	2020/21
18 <sup>th</sup> Tee, Helensburgh	Dunbritton	16	2020/21
Golf Club site, Helensburgh	Dunbritton	60	2020/21
Tighnabruaich (Portavadie project)	Fyne Homes	20	2019/20
Cairndow	Fyne Homes	6	2019/20
Lochgilphead	Fyne Homes	12	2020/21
Helensburgh (Sawmill Site)	LINK	25	2019/20
Lonan Drive, Oban	LINK	46	2019/20
Dunbeg (Phase 3)	LINK	300	2020/21
Rosneath	LINK	40	2020/21
Ganavan	LINK	50	2020/21
Lochdon, Mull	WHHA	14	2019/20
Jura	WHHA	10	2019/20
Tobermory (Shillinghill, Phase 3)	WHHA	12	2020/21
Colonsay	WHHA	5	2020/21
Barcaldine	WHHA	10	2019/20
Salen, Mull	WHHA	8	2020/21
Imereval, Port Ellen (Phase 2)	WHHA	8	2020/21
Kilmartin	ACHA	4	2020/21
North Connel	ACHA	12	2020/21
Bowmore (Phase 4)	ACHA	22	2020/21
Cairnbaan	ACHA	5	2020/21
Coll	ACHA	1	2020/21
Southend	ACHA	1	2020/21
<b>TOTAL</b>		<b>882</b>	

4.10 The projected delivery of 882 affordable homes between now and 2021 will add to the 229 affordable homes already delivered in the current Argyll and Bute Local Housing Strategy (LHS) 2016-21. The potential total for the 5 years of 1111 affordable homes will far exceed the target of 550 set in 2016.

4.11 In order to assist in the delivery of the 882 affordable homes the SHF would need to contribute £10,584,000. The SHF has already contributed to 42 of the 882 units which will be delivered by 2021. This £504,000 was paid in financial year 2017/18. The balance of the SHF stood at £5,700,000 in April 2018. The estimated annual income to the fund is £1,900,000 which means that the total available amount until March 2021 will be £11,674,516. Once the £10,080,000 is paid towards the remaining 840 affordable homes in the SHIP there will be a balance of £1,594,516. The table below shows the other commitments within the

SHF:-

<b>SHF Commitment</b>	<b>Annual Cost</b>	<b>3 Year Total</b>
ACHA Travelling Persons Sites	£30,000	£90,000
Strategic Housing Staff Costs	£145,044	£635,132 (includes proposed increase of £100,000 for years 2 and 3)
Witchburn Road Demolition	£200,000	£200,000
Empty Homes Grant/Loan Budget	n/a	£346,298
Empty Homes Enforcement Budget	£50,000	£150,000
<b>Totals</b>	<b>£425,044</b>	<b>£1,421,430</b>

Once the other commitments have been paid there will be a balance left of £173,086. In addition there will be a balance of £2,788,000 in the Useable Capital Reserve element of the SHF.

### **Proposed Additions to the Use of the Strategic Housing Fund**

#### **Extend the £12,000 per Affordable Unit to Qualifying Community Organisations**

4.12 The proposal to extend the £12,000 contribution per affordable unit to community groups who receive Rural Housing Funding from the Scottish Government will assist community groups to deliver affordable housing in remote and rural communities. The current Housing Needs and Demand Assessment (HNDA) agreed between the Council and the Scottish Government must be agreed as robust and credible. The HNDA enables the Council to agree priorities within the SHIP. The HNDA analyses need and demand at an authority wide and Housing Market Area (HMA) level. There are 9 HMA's in Argyll and Bute :-

- 1) Lorn
- 2) Mull and Iona
- 3) Mid Argyll
- 4) Kintyre
- 5) Helensburgh and Lomond
- 6) Islay, Jura and Colonsay
- 7) Cowal
- 8) Bute
- 9) Coll and Tiree

4.13 Remote and rural communities within these HMA's may feel that there is housing need in particular towns or settlement areas. Community groups can carry out local needs and demands assessments (supported by Council Housing Services) in order to produce high quality fit for purpose data which may show a need and demand for affordable housing. Community groups can apply for Rural Housing Funding from the Scottish Government to assist in the

house building. If the community group secures Rural Housing Funding the Council could assist through the SHF in the same way that the SHF assists Housing Associations who secure Housing Association Grant (HAG) funding from the Scottish Government. It is anticipated that less than 10 units will be delivered in this way across Argyll and Bute by 2021 due to the fact that the SHIP is already dealing proactively with the vast majority of the housing need and demand in the local authority area. As a result extending the SHF to community groups who secure Rural Housing Funding is reasonable subject to the requisite terms and conditions in respect of governance, sustainability and affordability in perpetuity are met by the applying community body.

### **Empty/Abandoned Buildings Enabling Budget**

- 4.14 Bringing empty homes back into use is a key action of the Local Housing Strategy. Making best use of existing stock, not only helps meet local housing need but improves condition of buildings, the outlook of communities, and provides economic benefits; all of which helps sustain communities and makes Argyll and Bute a more attractive place.
- 4.15 The request for Empty/Abandoned Homes enforcement budget will be used to address the most problematic empty buildings across Argyll and Bute where owner/s are not taking action to address concerns, fails to engage, or in cases where the owner/s cannot be traced. In these instances, the only likelihood to bring a property back into use, or up to an acceptable standard will be the use of statutory enforcement powers. Failure to address these buildings is likely to expose the Council, communities, and neighbouring properties to future risks.
- 4.16 A range of preventative measures will be used which will build on the existing partnership working of the Area Property Action Groups (APAG). Action to secure buildings to prevent further damage, minimise impact on adjoining properties, and improve amenity of the area. An example of how the fund will be used can be illustrated in a scenario where there is a property which has been empty for nearly a year due to a house fire, and the current owner cannot be contacted in order to arrange remedial/repair works to remove the danger. This situation means that the adjoining property is also deemed to be dangerous due to the chimney head and both properties cannot be occupied.
- 4.17 Compulsory purchase or voluntary acquisition of empty properties where there are no alternative options will be explored. This will include a possible pilot with Estates to explore potential for the Local Authority to acquire and renovate properties before disposing of them.

### **Housing Beyond 2021**

- 4.18 The Scottish Government has a key high profile target of delivering 50,000 affordable homes between 2016 and 2021 including 35,000 for social rent. Argyll and Bute Council has supported this ambitious target through the SHF.

The Scottish Government and our partner RSLs have all acknowledged the vital contribution that the Council's financial support and strategic facilitation have made in sustaining the local development programme. The Scottish Government has recently started consultation on 'Housing Beyond 2021'. Argyll and Bute Council has participated in this consultation with key partners through the Strategic Housing Forum. The Scottish Government has stated that they want everyone in Scotland to have a home that is warm, affordable and accessible. They have stated that they want this to be a lasting legacy that is not just about new homes but makes best use of existing buildings. As a result of this change in direction beyond 2021 it would be reasonable to review the use of the SHF in October 2020 with a view to making best use of the fund to work with the Scottish Government to deliver the best housing solutions for the residents of Argyll and Bute.

## **5.0 CONCLUSION**

- 5.1 The Strategic Housing Fund makes a significant contribution to the new affordable housing development programme in Argyll and Bute and is vital in assisting the Scottish Government to achieve the target of delivering 50,000 new affordable homes across the country between 2016 and 2021. The SHF model has been consistently praised in the feedback on the annual SHIP returns to the Scottish Government. It is recognised that the focus of the SHF should be assisting and enabling the delivery of affordable housing but the SHF must be reviewed to ensure that it will be fit for purpose to assist with the Beyond 2021 housing vision for Scotland.

## **6.0 IMPLICATIONS**

- 6.1 Policy: None
- 6.2 Financial: Strategic Housing Fund will continue to be administered in line with approved policy with the addition of community groups being able to access the fund under the same process as the RSLs.
- 6.3 Legal: The proposals in this paper are in line with the legally prescribed uses of core elements of Council Tax revenue/SHF to deliver affordable housing. Legislation dictates that income generated from Council Tax from 2<sup>nd</sup> and Holiday Homes will be required to continue to be ring fenced for the delivery of affordable housing and bringing empty homes back into use.
- 6.4 HR: None
- 6.5 Equalities/  
Fairer Scotland  
Duty. There will be increased socio-economic opportunities particularly to remote rural communities. Jobs will be created and sustained in the construction industry as a result of the

affordable housing developments supported by the SHF. The delivery of the housing will enable households to remain in Argyll and Bute and live in high quality fit for purpose affordable housing (see appendix1).

6.6 Risk: None

6.7 Customer Service: None

Douglas Whyte – Team Lead – Housing Strategy

**Pippa Milne, Executive Director – Development and Infrastructure Services**

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

**November 2018**

**Appendix 1**

## Argyll and Bute Council: Equality and Socio-Economic Impact Assessment

### Section 1: About the proposal

<b>Title of Proposal</b>
Review of Strategic Housing Fund

<b>Intended outcome of proposal</b>
Enabling the delivery of affordable housing across the local authority area

<b>Description of proposal</b>
Review the use of the Strategic Housing Fund to ensure that the Fund is used effectively to enable the delivery of affordable housing across the local authority area

<b>Business Outcome(s) / Corporate Outcome(s) to which the proposal contributes</b>
<b>BO26</b>

<b>Lead officer details:</b>	
Name of lead officer	Douglas Whyte
Job title	Team Lead – Housing Strategy
Department	Planning, Housing and Regulatory Services
<b>Appropriate officer details:</b>	
Name of appropriate officer	Allan Brandie
Job title	Research and Development Officer
Department	Planning, Housing and Regulatory Services
Sign off of EqSEIA	Angus Gilmour
Date of sign off	<b>05/11/2018</b>

<b>Who will deliver the proposal?</b>
Planning, Housing and Regulatory Services in partnership with local Registered Social Landlords and Community Groups

### Section 2: Evidence used in the course of carrying out EqSEIA

<b>Consultation / engagement</b>
Discussion at the Strategic Housing Forum in September where all key partners were represented – Argyll Community Housing Association, Link Housing Association, Dunbritton Housing Association, Fyne Homes, West Highland Housing Association, Highland Small Communities Housing Trust, The Health and Social Care Partnership, Alienergy, Home Energy Scotland, Argyll and Bute Care and Repair and The Scottish Government

<b>Data</b>
Contained in the Committee Report

<b>Other information</b>

<b>Gaps in evidence</b>
We have developed a Community Housing Assessment Toolkit which will assist community groups to produce high quality fit for purpose housing needs and demand information below the Housing Market Areas of Argyll and Bute.

### Section 3: Impact of proposal

#### Impact on service users:

	Negative	No impact	Positive	Don't know
<b>Protected characteristics:</b>				
Age			✓	
Disability			✓	
Ethnicity		✓		
Gender		✓		
Gender reassignment		✓		
Marriage and Civil Partnership		✓		
Pregnancy and Maternity			✓	
Religion		✓		
Sexual Orientation		✓		
<b>Fairer Scotland Duty:</b>				
Mainland rural population			✓	
Island populations			✓	
Low income			✓	
Low wealth			✓	
Material deprivation			✓	
Area deprivation			✓	
Socio-economic background			✓	
Communities of place?			✓	
Communities of interest?			✓	

#### Impact on service deliverers (including employees, volunteers etc):

	Negative	No impact	Positive	Don't know
<b>Protected characteristics:</b>				
Age			✓	
Disability			✓	
Ethnicity		✓		
Gender		✓		
Gender reassignment		✓		
Marriage and Civil Partnership		✓		

	Negative	No impact	Positive	Don't know
Pregnancy and Maternity		✓		
Religion		✓		
Sexual Orientation		✓		
<b>Fairer Scotland Duty:</b>				
Mainland rural population			✓	
Island populations			✓	
Low income			✓	
Low wealth			✓	
Material deprivation			✓	
Area deprivation			✓	
Socio-economic background			✓	
Communities of place?			✓	
Communities of interest?			✓	

**If any 'don't know's have been identified, at what point will impacts on these groups become identifiable?**

n/a

**How has 'due regard' been given to any negative impacts that have been identified?**

n/a

#### Section 4: Interdependencies

**Is this proposal likely to have any knock-on effects for any other activities carried out by or on behalf of the council?**

Yes

**Details of knock-on effects identified**

The delivery of more affordable houses will assist the Health and Social Care Partnership to provide suitable housing for households with physical and/or mental health issues. Additional affordable housing will also provide more housing options for young people leaving care thus assisting the Council to carry our Corporate Parenting duties.

#### Section 5: Monitoring and review

**How will you monitor and evaluate the equality impacts of your proposal?**

Through the assessment of applications to the SHF from RSL's and Community Groups. We will also monitor outcomes in terms of who has been allocated the affordable housing delivered with the assistance of the Strategic Housing Fund.