

STRATEGIC HOUSING FUND ANNUAL REPORT 2018-19

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 2018-19, the current balance on the SHF as at 31 March 2019 and all future commitments against this balance.

1.3 The closing balance as at 31 March 2019 on the SHF is outlined in the table below:

	Opening Balance at 1 April 2018 £m	Income 2018-19 £m	Expenditure 2018-19 £m	Closing Balance at 31 March 2019 £m
Earmarked Balance in General Fund	5.898	2.085	1.673	6.310
Useable Capital Receipts Reserves	2.802	0.027		2.829
Total	8.700	2.112	1.673	9.139

1.4 There are a number of outstanding commitments against the SHF balance, as at 31 March 2019, and these total £1.183m.

- 1.5 The uncommitted SHF balance as at 1 April 2019 is £7.956m. There are plans to fully utilise this uncommitted balance over 5 years (2019-24) to support the affordable housing development programme, including empty homes grants and loans, as set out in the Strategic Housing Improvement Plan (SHIP) report submitted to Council in November 2018.

STRATEGIC HOUSING FUND ANNUAL REPORT 2018-19

2.0 INTRODUCTION

- 2.1 This report provides an annual update on the Strategic Housing Fund (SHF) income and expenditure position for 2018-19, the current balance on the SHF as at 31 March 2019 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 2018-19 and the balance on the SHF as at 31 March 2019.

(b) Note the estimated future income for SHF for 2019-20.

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.
- 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 2019 on the Strategic Housing Fund is outlined in the table below:

	Opening Balance at 1 April 2018	Income 2018-19	Expenditure 2018-19	Closing Balance at 31 March 2019
	£m	£m	£m	£m
Earmarked Balance in General Fund	5.898	2.085	1.673	6.310
Useable Capital Receipts Reserves	2.802	0.027		2.829
Total	8.700	2.112	1.673	9.139

4.8 Further detail of the income and expenditure for 2018-19 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 2019.

4.10 The table below sets out the uncommitted balance on the fund as at 31 March 2019.

	£m
Balance as at 31 March 2019	9.139
Commitments (see Appendix 2)	1.183
Uncommitted Balance as at 31 March 2019	7.956

4.11 There are plans to fully utilise this uncommitted balance over 5 years (2019-24) to support the affordable housing development program, including empty homes grants and loans, as set out in the Strategic Housing Improvement Plan (SHIP) report submitted to Council in November 2018. 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 2019-20 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 2019 are set out below:

RSL	Scheme Name	Amount Committed £m	Amount Advanced £m	Rate of interest %	Repayment Period (years)	Amount o/s 31/03/19 £m
FYNE	6000 - Rothesay Court House	1.900	1.900	1.93	9	0.354
ACHA	6005 - Glenshella ch	2.305	2.305	4.45	25	2.023
ACHA	6010 - Bonawe	0.123	0.123	4.43	25	0.110
ACHA	6015 - Hood Court	0.603	0.603	4.43	25	0.541
FYNE	6020 - St Cuthberts	0.201	0.201	3.14	25	0.186
WHHA	6025 - Imeraval	0.955	0.955	2.85	25	0.922
The Port Ellen Station	6030- Port Ellen Police Station	0.080	0.080	2.12	10	0.073
TOTAL		6.167	6.167			4.209

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 2019 was £9.139m with future outstanding commitments of £1.183m, leaving an uncommitted balance of £7.956m to further support the affordable housing development programme as set out in the Strategic Housing Improvement Plan (SHIP) report 2019.

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 Financial Services
7 June 2019

**Councillor Gary Mulvaney – Policy Lead Strategic Finance and Capital
Regeneration Projects**
**Councillor Robin Currie – Policy Lead Communities, Housing, Islands and
Gaelic**

APPENDICES

Appendix 1: SHF Income and Expenditure 2018/19

Appendix 2: Outstanding SHF Commitments

APPENDIX 1

SHF Opening Balance 2018-19 5,897,863

2018-19 INCOME

Income from Council Tax on Second Homes 2,085,088

2018-19 EXPENDITURE

RSL	Scheme		
ACHA	Glenshellach, Oban	504,000	
ACHA	Benmore View, North Connel	12,000	
ACHA	Sealladh Na Mara, Bowmore	240,000	
ACHA	Jutland Ct, Helensburgh	384,000	
ACHA	Travelling Person Sites	31,001	
ACHA	Carnan Rd. Isle of Coll	24,000	
Total ACHA			1,195,001
FYNE HOMES	Otter View, Minard	48,000	
Total FYNE HOMES			48,000
Link	Albany St, Oban	96000	
LINK Total			96,000
DHA			
Total DHA			0
WHHA	Lochdon, Isle of Mull	168000	
Total WHHA			168,000

1,507,001

Other Spend

Empty Homes Grants	15,980	
ABC Strategic Housing Staff	150,154	166,134

SHF Closing Balance 2018-19 6,309,816

APPENDIX 1.1

Strategic Housing Fund (SHF) 2018-19

Usable Capital Receipts (UCR)

	£	£
<u>UCR Opening Balance 2018-19</u>		2,802,329
<u>2018-19 INCOME</u>		
HRA Revenue Interest on UCR Reserve	16,119	
Disposal Receipts former HRA Property	10,971	<u>27,090</u>
<u>UCR Closing Balance 2018-19</u>		<u>2,829,419</u>

APPENDIX 2

Outstanding Strategic Housing Fund Commitments

RSL	Scheme	Grant Approved	Total Drawn Down as at 31/03/19	Commitment Remaining
		£	£	
ABC	Council Serviced Tenancies (SHQS)	572,000	57,623	514,377
ABC	Furnace Coastal Protection	69,000	57,784	11,216
ACHA	Barrmor View, Kilmartin	48,000		48,000
ACHA	Heatherbank, Cairnbaan	60,000		60,000
ACHA	Garelochhead	120,000		120,000
WHHA	Barcaldine	120,000		120,000
	Empty Homes	32,726	7,200	25,526
	Staff Costs	433,988	150,154	283,834
TOTAL		1,455,714	272,761	1,182,953