

STRATEGIC HOUSING FUND ANNUAL REPORT 2019-20

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, to:

- Establish a Landbanking fund
- Establish an Empty Homes Strategy
- 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 SHF income and expenditure position for 2019-20, the current balance on the SHF as at 31 March 2020 and all future commitments against this balance.

1.3 The closing balance as at 31 March 2020 on the SHF is outlined in the table below:

	Opening Balance at 1 April 2019 £m	Income 2019-20 £m	Expenditure 2019-20 £m	Closing Balance at 31 March 2020 £m
Earmarked Balance in General Fund	6.310	2.136	0.946	7.500
Useable Capital Receipts Reserve	2.829	0.016	0.000	2.845
TOTAL	9.139	2.152	0.946	10.345

- 1.4 There are a number of outstanding commitments against the SHF balance, as at 31 March 2020, and these total £1.494m.
- 1.5 The uncommitted SHF balance as at 1 April 2020 is £8.851m. There are plans to fully utilise this uncommitted balance over 5 years (2020-25) 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 2019.

STRATEGIC HOUSING FUND ANNUAL REPORT 2019-20

2.0 INTRODUCTION

2.1 This report provides an annual update on the SHF income and expenditure position for 2019-20, the current balance on the SHF as at 31 March 2020 and all future commitments against this balance.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Business Continuity Committee:

(a) Note the report on income and expenditure for 2019-20 and the balance on the SHF as at 31 March 2020.

(b) Note the estimated future income for SHF for 2020-21.

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 to:

- Establish a Landbanking fund
- Establish an Empty Homes Strategy
- 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 SHF was created to allow for allocations in support of priority projects emerging from the 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. 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 on 27 October 2016 the Policy & Resources Committee at 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 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. 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. £2.1m.

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 2020 on the Strategic Housing Fund is outlined in the table below:

	Opening Balance at 1 April 2019 £m	Income 2019-20 £m	Expenditure 2019-20 £m	Closing Balance at 31 March 2020 £m
Earmarked Balance in General Fund	6.130	2.136	0.946	7.500
Useable Capital Receipts Reserve	2.829	0.016	0.000	2.845
TOTAL	9.139	2.152	0.946	10.345

4.8 Further detail of the 2019-20 income and expenditure is included in Appendix 1.

4.9 There are a number of outstanding commitments against the SHF. There is usually a delay between grants being approved and the monies being released. Appendix 2 is a list of these outstanding commitments, these funds were not released prior to 31 March 2020.

4.10 The table below sets out the uncommitted balance on the fund as at 31 March 2020.

	£m
Balance at 31/03/20	10.345
Commitments re Appendix 2	1.494
Uncommitted Balance	8.851

4.11 There are plans to fully utilise this uncommitted balance over 5 years (2020-25) to support the affordable housing development program, including empty homes grants and loans, as set out in the SHIP report that went to Council in November 2019. 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 process.

4.12 The estimated income from council tax on second homes for 2020-21 is £2.1m.

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 2020 are set out below:

RSL	Scheme Name	Amount Committed £m	Amount Advanced £m	Rate of interest %	Repayment Period (years)	Amount o/s 31/3/20 £m
FYNE	6000 - Rothesay Court House	1.900	1.900	1.93	9	0.238
ACHA	6005 - Glenshellach	2.305	2.305	4.45	25	1.959
ACHA	6010 - Bonawe	0.123	0.123	4.43	25	0.106
ACHA	6015 - Hood Court	0.603	0.603	4.43	25	0.525
FYNE	6020 - St Cuthberts	0.201	0.201	3.14	25	0.180
WHHA	6025 - Imeraval	0.955	0.955	2.85	25	0.894
The Port Ellen Station	6030- Port Ellen Police Station	0.080	0.080	2.12	10	0.063
TOTAL		6.167	6.167			3.965

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 2020 was £10.345m with future outstanding commitments of £1.494m, leaving an uncommitted balance of £8.851m to further support the affordable housing development programme as set out in the 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 Fairer Scotland Duty: None
 - 6.5.1 Equalities: None
 - 6.5.2 Socio-Economic Duty: None
 - 6.5.3 Islands Duty: None
- 6.6 Risk: None
- 6.7 Customer Service: None

Kirsty Flanagan
Section 95 Officer
29 May 2020

Policy Lead for Financial Services and Major Projects: Councillor Gary Mulvaney
Policy Lead for Housing, Roads and Infrastructure Services: Councillor Robin Currie

APPENDICES

Appendix 1: SHF Income and Expenditure 2019-20

Appendix 2: Outstanding SHF Commitments

APPENDIX 1: SHF Income and Expenditure 2019-20

SHF Opening Balance 1 April 2019 6,309,729

2019-20 INCOME

Income from Council Tax on Second Homes 2,135,820

2019-20 EXPENDITURE

RSL	Scheme	£	£
ACHA	Powell Place, Connel	24,000	
ACHA	Barrmor View, Kilmartin	48,000	
ACHA	Heatherbank, Cairnbaan	60,000	
ACHA	Millpark, Southend	12,000	
ACHA	Linn Walk, Garelochhead	120,000	
ACHA	Travelling Persons Sites Payment	28,939	
Total ACHA			292,939
FYNE HOMES	Scholl Field, Tighnabruich	240,000	
Total FYNE HOMES			240,000

532,939

Other Spend

Witchburn Road, Campbeltown Demolition	146,082
Empty Homes Grants	15,451
ABC Strategic Housing Staff	251,528

SHF Closing Balance 31 March 2020 7,499,549

APPENDIX 1.1

Strategic Housing Fund (SHF) 2019-20

Usable Capital Receipts (UCR)

	£	£
<u>UCR Opening Balance 1 April 2019</u>		2,829,419

2019-20 INCOME

HRA Revenue Interest on UCR Reserve	16,119	
Disposal Receipts former HRA Property	0	<u>16,119</u>

<u>UCR Closing Balance 31 March 2020</u>		<u>2,845,538</u>
--	--	------------------

APPENDIX 2 - Outstanding Strategic Housing Fund Commitments

RSL	Scheme	Grant Approved	Total Drawn Down as at 31/03/20	Commitment Remaining
		£	£	£
ABC	Council Serviced Tenancies (SHQS)	572,000	57,623	514,377
ABC	Furnace Coastal Protection	69,000	57,784	11,216
ACHA	Oakhill, Tarbert	78,492		78,492
ACHA	Travelling Persons Site	30,000		30,000
Fyne Homes	Cairndow	72,000		72,000
WHHA	Imeraval, Port Ellen	112,000		112,000
WHHA	Barcaldine	120,000		120,000
WHHA	Jura	120,000		120,000
	Empty Homes	30,755	17,873	12,882
	Staff Costs	423,463		423,463
TOTAL		1,627,710	133,280	1,494,430