

STRATEGIC HOUSING FUND ANNUAL REPORT 2021 - 22

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 long term empty 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 activity relating to the provision of affordable social housing or for activity in relation to bringing empty homes back into use, 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 2021-22, the current balance on the SHF as at 31 March 2022 and all future commitments against this balance.

1.3 The closing balance as at 31 March 2022 on the SHF is outlined in the table below:

	Opening Balance at 1 April 2021 £m	Income 2021-22 £m	Expenditure 2021-22 £m	Closing Balance at 31 March 2022 £m
Earmarked Balance in General Fund	7.127	2.136	2.672	6.592
Useable Capital Receipts Reserve	2.872	0.006	0.000	2.878
TOTAL	9.999	2.142	2.672	9.470

- 1.4 There are a number of outstanding commitments against the SHF balance, as at 31 March 2022, and these total £1.173m.
- 1.5 The uncommitted SHF balance as at 1 April 2022 is £8.297m. There are plans to fully utilise this balance over the 5 year period 2022 -27 to support the affordable housing development programme. The Strategic Housing Improvement Plan (SHIP) report that was approved by Council in September 2021 details plans for the delivery of 951 affordable houses which will require a commitment of £11.412m from the SHF.

STRATEGIC HOUSING FUND ANNUAL REPORT 2021-22

2.0 INTRODUCTION

2.1 This report provides an annual update on the SHF income and expenditure position for 2021-22, the current balance on the SHF as at 31 March 2022 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 2021-22 and the balance on the SHF as at 31 March 2022.

(b) Note the estimated future income for SHF for 2022-23.

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.

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 activity relating to the provision of affordable social housing or for activity in relation to bringing empty homes back into use, 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 however 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. £2.2m.

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 2022 on the SHF is outlined in the table below:

	Opening Balance at 1 April 2021 £m	Income 2021-22 £m	Expenditure 2021-22 £m	Closing Balance at 31 March 2022 £m
Earmarked Balance in General Fund	7.127	2.136	2.672	6.592
Useable Capital Receipts Reserve	2.872	0.006	0.000	2.878
TOTAL	9.999	2.142	2.672	9.470

4.8 Further detail of the income and expenditure for 2021-22 is included as 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. Included as Appendix 2 is a list of these outstanding commitments, these funds were not released prior to 31 March 2022.

4.10 The table below sets out the uncommitted balance on the fund as at 31 March 2022.

	£m
Balance at 31/03/2022	9.470
Commitments re Appendix 2	1.173
Uncommitted Balance	8.297

4.11 The uncommitted SHF balance as at 1 April 2022 is £8.297m. There are plans to fully utilise this balance over the 5 year period 2022-27 to support the affordable housing development programme. The Strategic Housing Improvement Plan (SHIP) report that was approved by Council in September 2021 details plans for the delivery of 951 affordable houses which will require a commitment of £11.412m from the SHF.

4.12 The estimated income from council tax on second homes for 2022-23 is £2.2m.

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 2021 are set out below:

RSL	Scheme Name	Amount Committed £m	Amount Advances £m	Rate of Interest %	Repayment Period (Years)	Amount o/s 31/20/20 £m
FYNE	6000 - Rothesay Court Ho	1.900	1.900	1.93	9	0.000
ACHA	6005 -Glenshellach	2.305	2.305	4.45	25	1.821
ACHA	6010 - Bonawe	0.123	0.123	4.43	25	0.099
ACHA	6015 - Hood Court	0.603	0.603	4.43	25	0.490
FYNE	6020 - St Cuthberts	0.201	0.201	3.14	25	0.000
WHHA	6025 - Imeraval	0.955	0.955	2.85	25	0.837
The Port Ellen Station	6030- Port Ellen Police S	0.080	0.080	2.12	10	0.050
Total		6.168	6.168	0.000	0.000	3.297

5.0 CONCLUSION

5.1 The SHF makes a significant contribution to the new affordable housing development programme in Argyll and Bute. The closing balance on the fund at 31 March 2022 was £9.470m with future outstanding commitments of £1.173m, leaving an uncommitted balance of £8.297m to further support the affordable housing development programme as set out in the Strategic Housing Improvement Plan (SHIP) report September 2021.

6.0 IMPLICATIONS

- 6.1 Policy: None
- 6.2 Financial: None, SHF 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 Climate Change: None
- 6.7 Risk: None
- 6.8 Customer Service: None

Kirsty Flanagan
Executive Director / Section 95 Officer

Councillor Gary Mulvaney – Policy Lead for Finance and Commercial Services
Councillor Robin Currie – Policy Lead for Economy and Rural Growth
6 June 2022

APPENDICES

Appendix 1: SHF Income and Expenditure 2021/22

Appendix 2: Usable Capital Receipts

Appendix 3: Outstanding SHF Commitments

APPENDIX 1

SHF Opening Balance 2021-22 **7,126,200**

2021-22 INCOME

Income from Council Tax on Second Homes **2,136,353**

2021-22 EXPENDITURE

RSL	Scheme	£	£
ACHA	Travelling Persons Site	31,639	
Total ACHA			31,639
LINK	Dunbeg, Phase 1	1,827,197	
Total LINK			1,827,197
WHHA	4 No Houses, Kirk Rd, Dunbeg	48,000	
WHHA	Bond Site, Jura	120,000	
Total WHHA			168,000
North West Mull Community Woodland Co	Ulva Ferry	72,000	
Total North West Mull Community Woodland Co			72,000

2,098,836

Other Spend

Empty Homes Grants	30,009
Housing OT Post	63,510
ABC Strategic Housing Staff	479,205

Total Expenditure **2,671,560**

SHF Closing Balance 2021-22 **6,590,993**

Strategic Housing Fund (SHF) 2021-22**Usable Capital Receipts (UCR)**

	£	£
<u>UCR Opening Balance 2021-22</u>		2,872,036
<u>2021-22 INCOME</u>		
HRA Revenue Interest on UCR Reserve	0	3,317
Disposal Receipts former HRA Property	0	2,500
		5,817
<u>UCR Closing Balance 2021-22</u>		2,877,853

Outstanding Strategic Housing Fund Commitments

RSL	Scheme	Grant Approved	Total Drawn Down as at 31/03/22	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
WHHA	3 & 6 Kirk Rd, Dunbeg	48,000		48,000
WHHA	Colonsay	25,000		25,000
	Empty Homes	40,720	24,627	16,093
	Staff Costs	450,000		450,000
TOTAL		1,313,212	140,034	1,173,178