
STRATEGIC HOUSING FUND ANNUAL REPORT 2022 - 23

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 2022-23, the current balance on the SHF as at 31 March 2023 and all future commitments against this balance.

1.3 The closing balance as at 31 March 2023 on the SHF is outlined in the table below:

	Opening Balance at 1 April 2022 £m	Income 2022-23 £m	Expenditure 2022-23 £m	Closing Balance at 31 March 2023 £m
Earmarked Balance in General Fund	6.592	2.231	1.574	7.248
Useable Capital Receipts Reserve	2.878	0.057	0.000	2.935
TOTAL	9.470	2.288	1.574	10.183

1.4 The Strategic Housing Improvement Plan (SHIP) report that was approved by Council in September 2022 details plans for the delivery of 956 affordable

houses which will require a commitment of £11.472m from the SHF. The table below outlines the estimated income and expenditure profile of the earmarked balance within the General Fund over the next five years. It can be seen from the table below that there is an estimated surplus in the SHF over the next five years and Council could give consideration as to how this could be used to support the housing emergency that has been declared.

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
Opening Balance	7.248	5.840	4.670	3.968	3.252
Estimated Income - Second Homes	2.230	2.230	2.230	2.230	2.230
<u>Expenditure</u>					
SHIP Profile	(2.136)	(2.964)	(2.484)	(2.484)	(1.404)
Outstanding Commitments	(1.079)	0.000	0.000	0.000	0.000
Staffing Contribution	(0.423)	(0.435)	(0.448)	(0.462)	(0.476)
Estimated Closing Balance	5.840	4.670	3.968	3.252	3.603

STRATEGIC HOUSING FUND ANNUAL REPORT 2022-23

2.0 INTRODUCTION

2.1 This report provides an annual update on the SHF income and expenditure position for 2022-23, the current balance on the SHF as at 31 March 2023 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 2022-23 and the balance on the SHF as at 31 March 2023.

(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, circa £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 2023 on the SHF is outlined in the table below:

	Opening Balance at 1 April 2022 £m	Income 2022-23 £m	Expenditure 2022-23 £m	Closing Balance at 31 March 2023 £m
Earmarked Balance in General Fund	6.592	2.231	1.574	7.248
Useable Capital Receipts Reserve	2.878	0.057	0.000	2.935
TOTAL	9.470	2.288	1.574	10.183

4.8 Further detail of the income and expenditure for 2022-23 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 3 is a list of these outstanding commitments, these funds were not released prior to 31 March 2023. In addition to the grant commitments, there is an ongoing annual staff cost charged to the SHF, the value for 2023-24 is £422,500 and this will rise in line with salary increases each year.

4.10 The Strategic Housing Improvement Plan (SHIP) report that was approved by Council in September 2022 details plans for the delivery of 956 affordable houses which will require a commitment of £11.472m from the SHF. The table below outlines the estimated income and expenditure profile of the earmarked balance within the General Fund over the next five years. It can be seen from the table below that there is an estimated surplus in the SHF over the next five years and Council could give consideration as to how this could be used to support the housing emergency that has been declared.

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Estimated Closing Balance	5.840	4.670	3.968	3.252	3.603

4.11 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 2023 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 House	1.900	1.900	1.93	9	0.000
ACHA	6005 -Glenshellach	2.305	2.305	4.45	25	1.748
ACHA	6010 - Bonawe	0.123	0.123	4.43	25	0.095
ACHA	6015 - Hood Court	0.603	0.603	4.43	25	0.471
FYNE	6020 - St Cuthberts	0.201	0.201	3.14	25	0.000
WHHA	6025 - Imeraval	0.955	0.955	2.85	25	0.807
The Port Ellen Station	6030- Port Ellen Police Station	0.080	0.080	2.12	10	0.042
Total		6.168	6.168	0.000	0.000	3.163

5.0 CONCLUSION

5.1 The SHF makes a significant contribution to the new affordable housing development programme in Argyll and Bute. The fund will be used to support the affordable housing development programme as set out in the Strategic Housing Improvement Plan (SHIP) report September 2022.

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
21 June 2023

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

APPENDICES

- Appendix 1: SHF Income and Expenditure 2022/23
- Appendix 2: Usable Capital Receipts
- Appendix 3: Outstanding SHF Commitments

For further information contact Anne Blue, Head of Financial Services
anne.blue@argyll-bute.gov.uk

APPENDIX 1

SHF Opening Balance 2022-23

6,591,173.00

2022-23 INCOME

Income from Council Tax on Second Homes

2,230,584.21

2022-23 EXPENDITURE

RSL	Scheme	£	£
ACHA	Travelling Persons Site	35,881.00	
ACHA	Barn Park, Inveraray, Phase 2	120,000.00	
ACHA	Oakhill, Tarbert, Phase 2	78,492.00	
ACHA	99 Millknowe	12,000.00	
Total ACHA			246,373.00
Colonsay Community Development Company	Scalasaig	108,000.00	
Total Colonsay Community Development Company			108,000.00
Glengorm Farming Partnership	Glengorm	60,000.00	
Total Glengorm Farming Partnership			60,000.00
Isle of Gigha Housing Trust	Ardminish Housing Development	60,675.60	
Total Isle of Gigha Housing Trust			60,675.60
Loretto	Sawmill Field, Helensburgh	432,000.00	
Total Loretto			432,000.00
North West Mull Community Woodland Company	Ulva	90,663.00	
Total North West Mull Community Woodland Company			90,663.00
West Highland Housing Association	Imeraval Phase 3	96,000.00	
West Highland Housing Association			96,000.00

Total RSL Spend 1,093,711.60

Other Spend

Empty Homes Grants

8,589.32

Housing OT Post

67,331.34

ABC Strategic Housing Staff

404,628.74

Total Expenditure 1,574,261.00

SHF Closing Balance 2022-23 7,247,496.21

Strategic Housing Fund (SHF) 2022-23**Usable Capital Receipts (UCR)**

	£	£
<u>UCR Opening Balance 2022-23</u>		2,877,853
<u>2022-23 INCOME</u>		
HRA Revenue Interest on UCR Reserve	0	56,993
Disposal Receipts former HRA Property	0	0
		<hr/>
		56,993
<u>UCR Closing Balance 2022-23</u>		<hr/> 2,934,846 <hr/>

APPENDIX 3

Outstanding Strategic Housing Fund Commitments

RSL	Scheme	Grant Approved	Total Drawn Down as at 31/03/23	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	40,000	12,000
ACHA	Eton Avenue, Dunoon	48,000		48,000
ACHA	Travelling Persons Site	35,881	35,881	35,881
Isle of Gigha Housing Trust	Ardminish Housing Development	159,724	60,676	99,048
WHHA	Imeraval, Islay, Phase 4	240,000		240,000
WHHA	Port Mor	25,000		25,000
WHHA	Port Appin	72,000		72,000
ABC	Empty Homes	62,420	40,476	21,944
TOTAL		1,344,025	292,440	1,079,466

As well as the above commitments, there is an ongoing annual staff commitment of £422,500 for 2023-24 which will rise in line with salary increases for year-on-year.