

STRATEGIC HOUSING FUND ANNUAL REPORT 2023-24

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 2023-24, the current balance on the SHF as at 31 March 2024 and all future commitments against this balance.

1.3 The closing balance as at 31 March 2024 on the SHF is outlined in the table below:

	Opening Balance at 1 April 2023 £m	Income 2023-24 £m	Expenditure 2023-24 £m	Closing Balance at 31 March 2024 £m
Earmarked Balance in General Fund	7.247	2.573	1.057	8.763
Useable Capital Receipts Reserve	2.935	0.145	0.00	3.080
TOTAL	10.182	2.718	1.057	11.843

- 1.4 There are a number of outstanding commitments against the SHF balance, as at 31 March 2024, and these total £2.32m.
- 1.5 The uncommitted SHF balance as at 1 April 2024 is £9.523m. There are plans to fully utilise this balance over the 5 year period 2024 -29 to support the affordable housing development programme. The Strategic Housing Improvement Plan (SHIP) report that was approved by Council in November 2023 details plans for the delivery of 1,395 affordable houses which will require a commitment of £16.740m from the SHF.

1.6 RECOMMENDATIONS

It is recommended that the Council:

- (a) Note the report on income and expenditure for 2023-24 and the balance on the SHF as at 31 March 2024.
- (b) Note the estimated future income for SHF for 2023-24.

STRATEGIC HOUSING FUND ANNUAL REPORT 2023-24

2.0 INTRODUCTION

- 2.1 This report provides an annual update on the Strategic Housing Fund (SHF) income and expenditure position for 2023-24, the current balance on the SHF as at 31 March 2024 and all future commitments against this balance.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Council:

(b) Note the report on income and expenditure for 2023-24 and the balance on the SHF as at 31 March 2024.

(b) Note the estimated future income for SHF for 2023-24.

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 projected to be c. £2.573m.

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 2024 on the SHF is outlined in the table below:

	Opening Balance at 1 April 2023 £m	Income 2023-24 £m	Expenditure 2023-24 £m	Closing Balance at 31 March 2024 £m
Earmarked Balance in General Fund	7.247	2.573	1.057	8.763
Useable Capital Receipts Reserve	2.935	0.145	0.00	3.080
TOTAL	10.182	2.718	1.057	11.843

4.8 Further detail of the income and expenditure for 2023-24 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 2024.

4.10 The table below sets out the uncommitted balance on the fund as at 31 March 2024.

	£m
Balance at 31/03/2024	11.843
Commitments re Appendix 3	2.32
Uncommitted Balance	9.523

4.11 The uncommitted SHF balance as at 1 April 2024 is £9.523m. There are plans to fully utilise this balance over the 5 year period 2024-29 to support the affordable housing development programme. The Strategic Housing Investment Plan (SHIP), that was approved by Council in November 2023 details programming for the delivery of 1,395 affordable houses which will require a commitment of £16.740m 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. However, it is important to note that this is a best case delivery programming estimate based on the SHIP. There is considerable risk in terms of the likely SHIP delivery timetable, and as a result, there is a high likelihood of considerably more flexibility within the SHF projected expenditure. This will be monitored closely to allow for efficient use of any SHF underspend.

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m
Opening Balance	8.763	7.578	6.955	4.314	2.486
Estimated Income 2nd Homes	2.573	2.573	2.573	2.573	2.573
Expenditure					
SHIP Profile	0.972	2.724	4.728	3.900	4.416
Outstanding Commitments	2.328	0.000	0.000	0.000	0.000
Staffing Contribution	0.458	0.472	0.486	0.501	0.516
Estimated Closing Balance	7.578	6.955	4.314	2.486	0.127

4.12 It is important to clarify, that, as of 1st April 2024, the Council has introduced a 200% Council Tax charge for Second Homes, but this additional income is not included in this report and will not contribute to the Strategic Housing Fund. Instead, it will be held in the Council's General Fund.

4.13 In addition to the above, the council has used reserves to advance loans to RSLs in line with the approach agreed in August 2013. Details of the loans advanced and balances outstanding at 31 March 2024 are set out below:

RSL	Scheme Name	Amount Committed £m	Amount Advanced £m	Rate of Interest %	Repayment Period (Years)	Amount o/s 31/03/20 £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	1.671
ACHA	6010 - Bonawe	0.123	0.123	4.43	25	0.091
ACHA	6015 - Hood Court	0.603	0.603	4.43	25	0.452
FYNE	6020 - St Cuthberts	0.201	0.201	3.14	25	0.000
WHHA	6025 - Imeraval	0.955	0.955	2.85	25	0.776
The Port Ellen Station	6030- Port Ellen Police Station	0.080	0.080	2.12	10	0.034
Total		6.168	6.168	0.000	0.000	3.024

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 2024 was £11.843m with future outstanding commitments of £2.32m, leaving an uncommitted balance of £9.523m to further support the affordable housing development programme as set out in the Strategic Housing Improvement Plan (SHIP) report November 2023. The SHIP details plans for the delivery of 1,395 affordable houses which will require a commitment of £16.740m from the SHF.

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 (Dealt with via LHS & SHIP).
- 6.5.1 Equalities: None (Dealt with via LHS & SHIP).,
- 6.5.2 Socio-Economic Duty: None (Dealt with via LHS & SHIP).
- 6.5.3 Islands Duty: None (Dealt with via LHS & SHIP).
- 6.6 Climate Change: None
- 6.7 Risk: None
- 6.8 Customer Service: None
- 6.9 The Rights of the Child (UNCRC): None

Kirsty Flanagan, Executive Director / Section 95 Officer

Councillor Ross Moreland – Policy Lead for Finance and Commercial Services

27 June 2024

APPENDICES

- Appendix 1: SHF Income and Expenditure 2023/24
- Appendix 2: Usable Capital Receipts
- Appendix 3: Outstanding SHF Commitments

APPENDIX 1

SHF Opening Balance 2023-24 - £7,247,496.21

2023-24 INCOME

Income from Council Tax on Second Homes - £2,573,067.31

2023-24 EXPENDITURE

RSL	Scheme	£	£
ACHA	Travelling Persons Site	37,644.00	
ACHA	Eton Avenue, Dunoon	48,000.00	
Total ACHA			85,644.00
Isle of Gigha Housing Trust			
Isle of Gigha Housing Trust	Ardminish Housing Development	99,048.40	
Total Isle of Gigha Housing Trust			99,048.40
West Highland Housing Association			
West Highland Housing Association	Imeraval, Islay Phase 4	240,000.00	
West Highland Housing Association	North of Bealach-na-mara, Port Appin	72,000.00	
Total West Highland Housing Association			312,000.00
		TOTAL	496,692.40
Other Spend			
Empty Homes Grants		10,111.56	
Housing OT Post		72,347.19	
ABC Strategic Housing Staff		439,332.53	
Other		38,821.32	
Total Expenditure			1,057,305.00
SHF Closing Balance 2023-24			8,763,258.52

APPENDIX 2

Strategic Housing Fund (SHF) 2023-24

Usable Capital Receipts (UCR)

	£	£
<u>UCR Opening Balance 2023-24</u>		2,934,846
<u>2023-24 INCOME</u>		
HRA Revenue Interest on UCR Reserve	0	144,949
Disposal Receipts former HRA Property	0	<u>0</u>
		144,949
<u>UCR Closing Balance 2023-24</u>		<u>3,079,795</u>

APPENDIX 3
Outstanding Strategic Housing Fund Commitments

RSL	Scheme	Grant Approved	Total Drawn Down as at 31/03/24	Commitment Remaining
		£	£	£
ABC	Council Serviced Tenancies (SHQS)	572,000	57,623	514,377
ABC	Furnace Coastal Protection	69,000	57,784	11,216
ABC	Site Investigations (6 sites, Coll, Tiree, Islay & Helensburgh)	22,000		22,000
ABC	Tobermory Worker Accommodation	250,000	0	250,000
ACHA	Off the Shelf - St Oran's Place, Connel & Heatherbank, Cairnbann	60,000	40,000	20,000
ACHA	Connel	200,000	0	200,000
WHHA	Port Mor	25,000		25,000
	Empty Homes	62,420	40,476	21944
	Staff Costs	458,350		458,350
Colonsay Community Development Company	Loan for Housing at Scalasaig Colonsay	445,000	0	445,000
Colonsay Community Development Company	Grant for Housing at Scalasaig Colonsay	100,000	0	100,000
51437757200HSCP	Coll and Tiree	260,000	0	260,000
TOTAL		2,523,770	195,883	2,327,887