
ARGYLL AND BUTE COUNCIL

EXECUTIVE

COMMUNITY SERVICES

THURSDAY 19 JULY 2007

DISCUSSION PAPER – LOCAL HOUSING STRATEGY – PROPOSALS FOR
THE ESTABLISHMENT OF A STRATEGIC HOUSING FUND AND LANDBANK

1. SUMMARY

- 1.1 This paper sets out proposals for the establishment of a Strategic Housing Fund and Landbank. It is recommended this should operate within the context set by the Council's Local Housing Strategy and build upon the earlier decisions taken by the Council and Strategic Policy Committee with respect to the use of the Council Tax revenues arising from second and holiday homes.
- 1.2 Proposals have been informed by the evaluation of practice throughout Scotland and have been developed in accordance with the relevant legislative framework and Scottish Executive guidance.

2. RECOMMENDATIONS

- 2.1. Members are invited to consider the proposals for the establishment of a Strategic Housing Fund and Landbank and to recommend to the Council to:
- (a) Accept the principles set out in the paper.
 - (b) If they are acceptable, note that a formal scheme for the operation of the fund will be brought forward in early course.

3. DETAIL

- 3.1 **Statutory Context:** The Housing (Scotland) Act 2001 sets out the strategic and enabling role to be undertaken by local authorities in relation to housing. This obliges Argyll & Bute Council to assess local housing needs and conditions on an ongoing basis. Thereafter, as required by Scottish Ministers, the Council must produce a Local Housing Strategy for the area, setting out the role it will take together with that expected of other partner agencies such as Communities Scotland and local Registered Social Landlords (RSLs), in addressing the assessed needs. Consultations which are currently being undertaken by Communities Scotland also suggest that the Council's strategic and enabling duties will be extended further later this year through the allocation of the duty to produce a Strategic Housing

Investment Plan for the area as an annex to the Local Housing Strategy.

- 3.2 **Council Tax Revenue:** While the majority of the funding to address local housing needs and conditions is drawn from Communities Scotland, Argyll & Bute Council has also traditionally contributed to the investment strategy through the adoption of a number of measures including the assembly and transfer of land for development by RSLs and other developers, together with the allocation of Repair and Improvement Grants. However, while this collective investment has reached record levels in recent years, it has failed to deliver an adequate supply of affordable housing. The net result has been increasing levels of homelessness and growing waiting lists throughout Argyll & Bute.
- 3.3 In view of this context, at the full Council meeting of 21 December 2004, Members agreed to make use of the new statutory power to reduce the Council Tax discount available for second and holiday homes from 50% to 10% with effect from 1 April 2005. Subsequently, having considered recommendations from the Argyll & Bute Strategic Housing Forum, on 18 May 2006, the Strategic Policy Committee agreed in principle that this revenue should be used flexibly, depending on local circumstances, for the establishment of :
- (a) **A Landbanking fund**
 - (b) **An Empty Homes Strategy**
 - (c) **And to promote additional investment in infrastructure capacity, where further development of affordable housing is otherwise constrained.**
- 3.4 Examining these options in slightly more detail, the establishment of **a landbanking fund** directly addresses the limited supply of effective land for the development of affordable housing which has been identified as a crucial factor within the Local Housing Strategy. Prior to establishing its recommendations, the Strategic Housing Forum considered the example of Highland Council's land initiative to be an effective model for tackling land shortages and recycling the revenue back into affordable housing as under this option, the land acquired will either be sold on to RSLs and/or private developers, or developed for re-sale. This model will enable the Council and its partners to compete with private developers for land and could also lead to improved standards of design.
- 3.5 Given the significant level of ineffective housing stock (i.e. vacant, second and holiday homes) in many pressured areas within Argyll & Bute, **an Empty Homes Initiative** was viewed to offer more efficient use of resources – directly recycling investment to those properties that have generated the revenue, while obviating any requirements for infrastructure developments associated with new build. The Council was of the view that there are significant

opportunities to establish or enhance a range of potential mechanisms to assist owners. Although not all properties that might be identified as suitable for leasing, for example, require extensive repairs to make them habitable, a large number of empty properties might need financial investment to return them to use. Establishing a “top-up” fund to supplement existing grant schemes, such as Communities Scotland’s Rural Empty Property Grant or Lead Tenancy Scheme, or a Council leasing scheme with Repair or Improvement Grants, therefore, is deemed to be an effective use for this revenue.

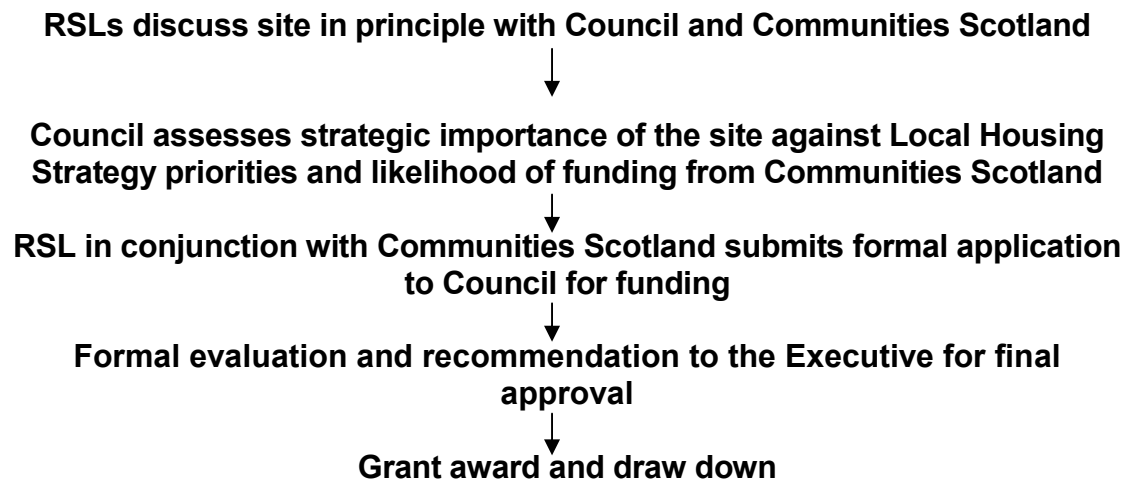
- 3.6 The constraints arising from limited infrastructure capacity and the associated cost implications for new developments across most areas of the authority have been identified as critical factors for the delivery of the Local Housing Strategy priorities. Under the proposal, the Council Tax revenues may be used **to enhance investment tackling specific water and waste-water infrastructure costs** on marginal housing projects.
- 3.7 Finally, it is recommended that, in appropriate circumstances, the Council may use the funding to promote joint venture opportunities with developers and/or secure the provision of serviced sites, with the latter being made available for sale on a priority purchase basis to further address Local Housing Strategy priorities.
- 3.8 **Strategic Housing Fund** - The Head of ICT and Financial Services has advised that approximately £3.173m of Council Tax revenues has been collected during the first two years of the scheme and it is proposed that, in line with Scottish Executive guidance, this should be placed within a Strategic Housing Fund for allocation in support of priority projects emerging from the Local Housing Strategy. It is now further recommended that this fund should be enhanced through the allocation of the surplus which had built up on the Housing Revenue Account and which was retained by the Council following the Housing Stock Transfer. This was done in negotiation with the Scottish Executive on the strict understanding that the surplus would in the first instance be used to defray any expenses/obligations arising to the Council following the transfer. Thereafter, it was agreed that all remaining funds should be used to promote the delivery of affordable housing and, therefore, it would be entirely legitimate to include this in the proposed Strategic Housing Fund.
- 3.9 It should be noted that there is further scope for enhancing this fund from:
 - a) any revenue/capital arising from the lease and/or sale of other assets which were formerly held on the HRA; and
 - b) any potential commuted sums received from private developers via the Affordable Housing Policy that has been developed as part of the Local Plan.

From the foregoing, it is envisaged that such a fund could be made up of the following components:

- Second home Council Tax revenues
- Residual HRA surplus after the defrayal of post transfer expenses
- Any revenue/capital income arising from the lease and/or sale of assets formerly held on the HRA
- Any commuted sums received from private developers via the Affordable Housing Policy that has been developed as part of the local plan
- Any income arising from the disposal of serviced sites or properties developed through joint ventures

- 3.10 **Strategic Land:** During the Housing Stock Transfer process, a number of sites with operational or strategic importance were split off and excluded from the transfer. Operationally important sites included schools and playing fields, which will be retained by the Council in the long term. In contrast, the land with strategic importance included sites that have been retained with the object of facilitating the delivery of Local Plan objectives as well as a number of sites that will in due course be released for housing development to accord with Local Housing Strategy priorities. It is recommended that all land in the latter category should be held within the Strategic Landbank for future allocation/disposal with any proceeds being recycled to further promote the delivery of affordable housing via the Strategic Housing Fund. Such treatment would accord with the Scottish Executive's requirements for all retained assets to be accounted for separately on the Council's General Fund. Land assembled with the use of Council Tax revenues should also be treated in the same way.
- 3.11 **Administering the Strategic Housing Fund –** Under this model, the proposal would be for the Council, through Community Services, to assemble the land and keep full control of the process. It is recommended that the following principles provide a framework for the administration of the proposed fund.
- 3.12 **Principles –** Investment must be consistent with priorities identified in the Local Housing Strategy – i.e. the Local Housing Strategy investment framework (from November 2007, the Strategic Housing Investment Plan) will guide investment to priority areas. Funds are primarily for provision of housing for social renting – although other forms of affordable housing can be considered. Formal applications should be made using an agreed format, which will require details of the project, the site and the area as well as the details of the additional funding required and the reason.

- 3.13 Priority will be given to the use of the fund to top up projects that require additional funding to overcome site-specific issues that would otherwise mean that the project would be unable to proceed. Such projects will be in areas of high priority where there are few alternative opportunities for development. Projects would require to fulfil financial appraisal assumptions applied by Communities Scotland.
- 3.14 Proposals for funding will normally be discussed initially at formal meetings between the Council and Communities Scotland, prior to submission to the appropriate Council committee for final approval. The proposed process is illustrated in the following flow chart.



4. CONCLUSION

- 4.1 Guidance issued by the Scottish Executive states that any additional income arising from the reduced discount of council tax on second and holiday homes will be retained locally by the local authority in an affordable housing account and should be utilised specifically for the provision of affordable social housing to meet locally determined priorities as set out in the Local Housing Strategy.
- 4.2 The Local Housing Strategy has clearly illustrated a critical shortfall of affordable housing in most areas of Argyll and Bute and any increase in funding to assist in addressing this issue is welcome. It is also evident from the Local Housing Strategy, that there are significant constraints with regard to the supply of suitable land for development, the preponderance of vacant properties, and the costs of improving infrastructure capacity. The primary aim, therefore, must be to maximise the benefit from the additional revenue, combined with other available funding, and ultimately improve the provision of affordable housing. The proposals in this paper in respect of a Strategic Housing Fund and a Strategic Landbank, therefore, will directly help to address these issues and alleviate some of the problems facing the Council and its partners.

- 4.3 Use of the Strategic Housing Fund will be controlled by the Council via the relevant committee and its impact monitored by the Strategic Housing & Communities Forum. In turn, outturns will be reported within the annual Local Housing Strategy update to the Scottish Executive.

5. IMPLICATIONS

- 5.1 Policy – The proposal to utilise Council Tax revenue from second homes and empty properties for a Strategic Housing Fund is consistent with Scottish Executive policy, and previous Council decisions.
- 5.2 Legal – The proposal meets the requirements of the statutory framework set out in The Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2005.
- 5.3 Financial – The indicative level of funding available from the Council Tax on second and holiday homes is c. £1.6m per annum. Under these proposals, the Strategic Housing Fund will also be enhanced by revenue and capital income from the rental/sale of former HRA assets together with the residual HRA surplus.
- 5.4 Equal Opportunities – The proposal is consistent with equal opportunities policies and the principles of the Equalities and Diversity agenda.
- 5.5 Personnel – It is proposed that administration of the fund will be managed within the existing remit and resources of the Head of Community Regeneration.

Director of Community Services
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