

PERTH AND KINROSS COUNCIL

Housing and Health Committee – 15 August 2012

USE OF COUNCIL TAX RESERVE TO DELIVER AFFORDABLE HOUSING

Report by Executive Director (Housing and Community Care)

ABSTRACT

This report makes recommendations on the use of Council Tax Reserves to facilitate the delivery of affordable housing.

1. RECOMMENDATION

It is recommended that Committee:

- 1.1 Makes recommendations to the Strategic Policy and Resources Committee on the proposed use of Council Tax Income on Second Homes as detailed in section 3 of this report.

2. BACKGROUND

- 2.1 On 5 August 2004 the then Scottish Executive announced that local authorities would be given discretion to reduce the 50% discount on Council Tax for second homes and long-term empty properties. The Strategic Policy and Resources Committee at its meeting on 15 December 2004 (Report No. 04/690) approved that Perth and Kinross Council would reduce discount on Council Tax payable on these properties to the minimum of 10%. This took effect from 1 April 2005. The Council is asked each year to approve the policy for discounts on second homes and long term unoccupied properties as part of setting the General Fund Revenue Budget. The current policy was approved at the Special Council meeting on 9 February 2012 (Report No. 12/52).
- 2.2 Guidance issued by the then Scottish Executive advised that the resulting additional income would be retained locally by the Council in an “affordable housing account” and should be routed for investment through Registered Social Landlords (RSLs) for the provision of new-build affordable housing to meet locally-determined priorities.
- 2.3 A report (Report No. 05/108) to the Strategic Policy and Resources Committee on 16 March 2005 approved that the investment framework in the Local Housing Strategy should be adopted as the framework for the investment of the Council Tax Income on Second Homes Earmarked Reserve.

It was considered that the fund should be used to allow RSLs to develop affordable houses in priority areas.

- 2.4 Further Guidance issued by the Scottish Government in October 2008 widened the scope of the fund to allow councils to use it to fund the building of Council Housing.
- 2.5 The Scottish Government's recent policy document 'Homes Fit for the 21st Century', together with its 'Strategy and Action Plan for Housing in the next Decade: 2011-2020' highlighted that new ways need to be found to provide affordable housing with reduced Scottish Government funding. Scottish Government grant funding for affordable housing has been reduced substantially and the grant funding available to RSLs for a 3 person equivalent size house is £43,000. The grant funding available for councils to build social rented housing is a maximum of £30,000 per unit. This has led to a shortfall in funding for RSLs to develop social rented housing and has made it necessary for additional funding to be found to enable the projects identified as meeting a priority need for the Council to be developed.

3. PROPOSALS

- 3.1 The development of affordable housing is a major priority for the Council as outlined in the Council's Corporate Plan, Local Housing Strategy and Strategic Housing Investment Plan. It is proposed that Council Tax Income on Second Homes Reserve should be used to provide the shortfall in funding to enable Caledonia Housing Association and the Council to develop the sites as detailed in Table 1 below to provide additional social rented housing. Once the Scottish Government has confirmed the programme the timing of when the various projects will require grant funding will be finalised. All projects in the programme are to be complete by March 2015.

Table1: Proposed Sites to Receive a Contribution from Council Tax

RSL	Sites	Contribution	No. Houses /Flats
Caledonia H A	Caledonian Road, School, Perth	£200,000	24
Perth & Kinross Council	Auchterarder	£120,000	12
Perth & Kinross Council	Coupar Angus	£90,000	9
Perth & Kinross Council	Lathro	£100,000	10
Perth & Kinross Council	Jeanfield Road, Perth	£160,000	16
Perth & Kinross Council	Inchtute (slippage project)	£80,000	8
Total		£750,000	79

- 3.2 The use of the fund to contribute to the development of sites for social rented houses for the Council or a Housing Association such as Caledonia Housing Association will lever in considerable investment by the Scottish Government to bring forward a supply of additional social rented housing.
- 3.3 The unaudited financial statements for 2011/12 show that there was £2.418 million in the earmarked reserve for Council Tax Income on Second Homes / Long Term Empty Properties as at 31 March 2012.

- **Registered Social Landlords (RSLs)**

This report requests that £200,000 of the reserve should be approved for use by the Caledonia Housing Association to create 24 flats at Caledonian Road School, Perth. When added to the previously approved commitments of £467,000 (report 11/458 refers) the total level of commitments to RSLs will be £667,000.

- **Council House New Build Programme**

This report requests that £550,000 of the reserve should be approved for use by the Housing Revenue Account to create 55 new affordable properties on five sites. When added to the previously approved commitments of £1,286,000 the total level of commitments to the HRA will be £1,836,000.

- **Income**

It is anticipated that Council Tax Income on Second Homes will generate a further £1,100,000 in 2012/13.

- 3.4 Should this report be approved taking into account the commitments set out in table 1, it is anticipated that there will be a further uncommitted balance of £1,015,000 in the earmarked reserve for Council Tax Income on Second Homes / Long Term Empty Properties at 31 March 2013.

4. CONSULTATION

The Head of Environment Services, the Head of Legal Services and the Head of Finance have been consulted on the content of this report.

5. RESOURCE IMPLICATIONS

The resource implications of this paper are that £750,000 of new commitments will be introduced (Ref. Table 1 at paragraph 3.1) from the Council Tax Reserve.

6. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

The Council's Corporate Plan 2009-2012 lays out five objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. The following are relevant to this report:

- (i) A Safe, Secure and Welcoming Environment.
- (ii) Healthy, Caring Communities.
- (iii) A Prosperous, Sustainable and Inclusive Economy.
- (v) Confident, Active and Inclusive Communities.

7. EQUALITIES IMPACT ASSESSMENT (EqIA)

- 7.1 An equalities impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.
- 7.2 The procedure presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- Assessed as relevant and a positive outcome is expected on the wellbeing of those requiring affordable housing which will include all equalities groups.

8. STRATEGIC ENVIRONMENTAL ASSESSMENT

- 8.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 8.2 The matters presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

9. CONCLUSION

- 9.1 This report makes recommendations to the Strategic Policy and Resources Committee on the proposed use of Council Tax Income on Second Homes to provide additional affordable housing within the funding framework available from the Scottish Government.

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Executive Director (Housing and Community Care)

Note: The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to a material extent in preparing the above report:

Report to Strategic Policy and Resources Committee on 15 December 2004: "The Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2004". (Report No 04/690)

Report (Report No 05/108) to Strategic Policy and Resources Committee 16 March 2005 (and Housing and Health Committee 23 February 2005) which outlined proposals for the policy for the use of the monies "The Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2004.

Letter from headed "Changes to Guidance on expenditure of income raised through reducing council tax discount on second homes and long term empty properties" dated 31 October 2008.

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Date: 1 August 2012

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