

PERTH AND KINROSS COUNCIL

Housing and Health Committee – 14 August 2013
Strategic Policy and Resources Committee – 18 September 2013

USE OF COUNCIL TAX RESERVE TO DELIVER AFFORDABLE HOUSING

Report by Executive Director (Housing and Community Care)

PURPOSE OF REPORT

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

1. BACKGROUND

- 1.1 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. An amendment to the current policy was approved at the Council meeting on 26 June 2013 (Report 13/338).
- 1.2 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.
- 1.3 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 and therefore only projects which meet the objectives of the Local Housing Strategy are allocated funding from Council Tax Reserves. Funds are used to enable the development of houses which could not otherwise be built for social rent.
- 1.4 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.
- 1.5 From April 2013 new legislative changes were put in place to allow local authorities the discretionary power to remove the empty properties discount or set a council tax increase of 100% on certain properties which have been

empty for one year or more. This provision only applies to long term empty properties and not second homes. The Council has therefore reviewed the policy in relation to long term empty properties and an amendment to the policy was approved at a meeting of the full Council on 26 June 2013 (Report 13/338). This amendment introduced surcharges on long term empty properties in future financial years and where a property remains empty beyond 12 months the dwelling will become subject to 100% surcharge (i.e. double the annual amount), rather than being eligible for a 10% discount previously, if there is no evidence that the property is being marketed for sale or let. Charges for empty properties will be increased on a phased basis over a three year period from 1 April 2015 to 1 April 2017.

- 1.6 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. 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.

2. PROPOSALS

- 2.1 It is proposed that Housing and Health Committee note the contents of this report. It is further proposed that Housing and Health Committee recommend the report to the Strategic Policy and Resources Committee for approval.

Table1: Proposed Sites to Receive a Contribution from Council Tax 2013-15

RSL	Sites	Contribution	No. Houses /Flats
Caledonia HA	Crieff Road, Perth	£50,000	5
PKC	Balbeggie	£120,000	12
PKC	Spingbank Road, Alyth	£110,000	11 (7 Greener Homes/ 4 other)
Total		£280,000	28

- 2.2 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 the Council and Caledonia Housing Association to develop the sites as detailed in Table 1 above 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. Only projects due to complete before March 2015 have been included since detailed financial appraisals have not been carried out in projects later in the programme to assess the level of funding required.

- 2.3 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.
- 2.4 Housing development is an industry which is constantly changing and on a number of occasions the use of the Council Tax Income on Second Homes Earmarked Reserve to facilitate development of affordable housing has not been necessary due to a change in the way the project has progressed. Table 2 below gives details of a site where it had been anticipated that additional funding from Council Tax would be required, but it was subsequently not the case.

Table 2: Affordable Housing site where contribution from Council Tax Earmarked Reserves is no longer required

RSL	Site	No. of houses/ flats	Estimated Cost	Committee Date/ Report No.	Reason for Funding Not Required
Perth and Kinross Council	Royal Hotel, Coupar Angus	9	£90,000	15 August 2012 Ref. 12/338	Building now redeveloped for sale on the private market

- 2.5 The unaudited financial statements for 2012/13 show that there was £1,992,000 in the earmarked reserve for Council Tax Income on Second Homes / Long Term Empty Properties as at 31 March 2013.
- 2.6 It is proposed that £280,000 of the reserve should be approved for use by Caledonian Housing Association and the Council to assist with the development of 28 houses for social rent. Commitments approved previously (report 12/338) of £660,000 have subsequently been reduced to £570,000 (taking account of funding no longer being required as detailed in Table 2). This means that the net commitment from the fund at present would be £850,000 (£570,000 from previous commitments together with £280,000 as detailed in Table 1 above).

Income

- 2.7 It is anticipated that Council Tax Income on Second Homes will generate a further £1.2M in 2013/14.
- 2.8 Should this report be approved taking into account the commitments set out in table 1, it is anticipated that there will be an uncommitted balance of £2.3M in the earmarked reserve for Council Tax Income on Second Homes / Long Term Empty Properties at 31 March 2014.

3. CONCLUSION AND RECOMMENDATION

- 3.1 This report makes recommendations on the use of Council Tax Reserves to facilitate the delivery of affordable housing.
- 3.2 It is recommended that the Housing and Health Committee should note details of the contribution to be made from Council Tax Reserves to the development of additional affordable housing by Caledonia Housing Association and the Council and recommend that the Strategic Policy and Resources Committee approve the use of Council Tax Reserves as set out in Table 1.
- 3.2 It is recommended that the Strategic Policy and Resources Committee approve the proposed use of Council Tax Income on Second Homes to provide additional affordable housing within the funding framework available from the Scottish Government, as set out in Table 1.

Author

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Approved

Name	Designation	Date
David Burke	Executive Director, Housing and Community Care	5 August 2013

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Council Text Phone Number 01738 442573

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	None

1. Strategic Implications

- 1.1 The Perth and Kinross Community Plan 20013-2023 and Perth and Kinross Council Corporate plan 2013-18 have five concurrent outcomes which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. The following are relevant to this report:

- Promoting a prosperous, inclusive and sustainable economy.
- Supporting people to lead independent, healthy and active lives.
- Creating a safe and sustainable place for future generations.

2. Resource Implications

Financial

- 2.1 The resource implications of this paper are that £280,000 of new commitments will be introduced (Ref. Table 1 at paragraph 2.2) from the Council Tax Reserve.

Workforce

- 2.2 There are no direct workforce implications regarding this report.

Asset Management (land, property, IT)

- 2.3 There are no direct asset management implications regarding this report.

3. Assessments

3.1 Equality Impact Assessment

Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

The proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- (i) Assessed as **not relevant** for the purposes of EqIA.

3.2 Strategic Environmental Assessment

The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. However, no action is required as the Act does not apply to the matter presented in this report. 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.

Sustainability

3.3 These proposals meet the following sustainability criteria;

- Where possible, using materials from sustainable sources.
- Energy conservation through improved insulation measures.
- More efficient heating systems.
- More efficient lighting systems.

Legal and Governance

3.4 The Head of Legal Services has been consulted and there are no direct legal implications of this report.

Risk

3.5 The Housing and Community Care Senior Management Team regularly review capital monitoring reports that highlight individual project progress and risks to same.

4. Consultation

Internal

4.1 The Heads of Finance and Legal Services have been consulted on this report.

External

- 4.2 The projects listed are part of the Council's Strategic Housing Investment Plan and Strategic Local programme and as such the projects have been developed through individual meetings with housing associations as well as the Scottish Government.
- 4.3 The Tenant Committee Report Panel was consulted but declined to make any specific comment.

5. Communication

- 5.1 There are no direct communication issues with regard to this report.

2. BACKGROUND PAPERS

No 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 any material extent in preparing the above report.

