
Report To:	Policy & Resources Committee	Date:	14 September 2021
Report By:	Alan Puckrin, Interim Service Director Corporate Services & Organisational Recovery	Report No:	FIN/54/21/AP/WR
Contact Officer:	Alan Puckrin	Contact No:	01475 712090
Subject:	Review of the Effectiveness of the Long Term Empty Homes Council Tax Policy		

1.0 PURPOSE

- 1.1 The purpose of this report is to update Committee with the outcome of the review of the effectiveness of and results from the public consultation in relation to the Long Term Empty Property and Second Homes Council Tax Policy and to seek decisions from the Committee regarding the next steps.

2.0 SUMMARY

- 2.1 At its meeting of 23rd February 2021 the Policy & Resources Committee tasked Officers to review the effectiveness of the Long Term Empty Property and Second Homes Council Tax Policy, the review to incorporate public consultation. A short-life Working Group of relevant Officers was convened to progress the policy review and public consultation element.
- 2.2 A 30 day public consultation was launched on 1st July 2021 in the form of an online questionnaire based survey. During that time Officers reviewed the effectiveness of the Policy and both elements are reported on in the remainder of this report and ultimately form the review of the effectiveness of the Long Term Empty and Second Home Policy.
- 2.3 The range of consultation responses and the associated degree of awareness of respondents give some confidence that the views reflected have a reasonable degree of validity and are appropriate for consideration in informing the review.
- 2.4 The review indicates that the Policy has been effective in reducing the number of LTEs in Inverclyde and the consultation responses confirm an ongoing public and professional desire to reduce the number of LTEs. Overall, the review has identified the successes of the application of the Policy and circumstances where a tailored policy may yield further reductions of LTEs.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee:
- Note the outcome of the review by officers into the effectiveness of the Council's Long Term Empty Property and Second Homes Council Tax Policy
 - Considers the results of the public consultation detailed in the report and appendix;
 - Considers whether, aside from the addition of the exemption of properties within the Clune Park Estate from the LTE Levy, any further changes are required;
 - Note that Officers will continue to engage with RSLs;
 - Note that an update report to the Environment & Regeneration Committee will be provided on the matters raised in 9.5; and,

- Agrees that a revised Long Term Empty Property and Second Homes Council Tax Policy be presented to the February meeting for approval.

**Interim Service Director
Corporate Services & Organisational Recovery**

4.0 BACKGROUND

- 4.1 At its meeting of 23rd February 2021 the Policy & Resources Committee tasked Officers to review the effectiveness of the Long Term Empty Property and Second Homes Council Tax Policy after undertaking public consultation. A short-life Working Group of relevant Officers was convened to progress the policy review and public consultation element.
- 4.2 An empty home is a residential property which has been unoccupied for 6 months or more, is not someone's sole or main residence and does not fall within the definition of second home. A residential property which has been empty for longer than 12 months is known as a long term empty home (LTE).
- 4.3 A second home is defined as being furnished and lived in for at least 25 days in any twelve month period, but not as someone's sole or main residence. The classification of a second home aims to ensure that only homes which are likely to be reasonably well maintained and which the owner is likely to visit regularly and therefore make some contribution to the local economy qualifies as a second home.
- 4.4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 provides local authorities with a discretionary power to remove the empty property 50% discount or set a council tax increase of up to 100% on certain properties which have been empty for 1 year or more. The level of increase (the levy) for LTEs was introduced at 30%, increased to 50% in April 2018 and was set at 100% of the Council Tax charge from April 2019. The policy includes mandatory and discretionary exemptions from the levy, recognising specific circumstances when it is acceptable for property to remain empty.
- 4.5 The rationale for the discretionary power is set out in the Guidance to Local Authorities letter of 21st May 2013 and confirms that it is intended as an additional tool to help local authorities encourage owners to bring empty properties back into use, both to increase the supply of housing for those who need homes and to reduce the blight on communities caused by houses being left empty and allowed to fall into disrepair. It is noted that the council tax increase can be used as part of a wider approach to tackle long-term empty homes including support and guidance to owners and provision of loans or grants if available. It is further noted that the income generated from the new legislation through reducing the discount on LTEs below the previous 10% limit or increasing Council Tax is not ring-fenced and can be used as the local authority sees fit on housing or other priorities.
- 4.6 Under the legislation, local authorities are prevented from varying council tax charges in a way that gives more favourable treatment to unoccupied social rented dwellings simply on the basis that they are owned by a Registered Social Landlord (RSL). This is reinforced by the comment that it is important that all owners take steps to bring unoccupied homes back into use as soon as possible, rather than leaving them empty.

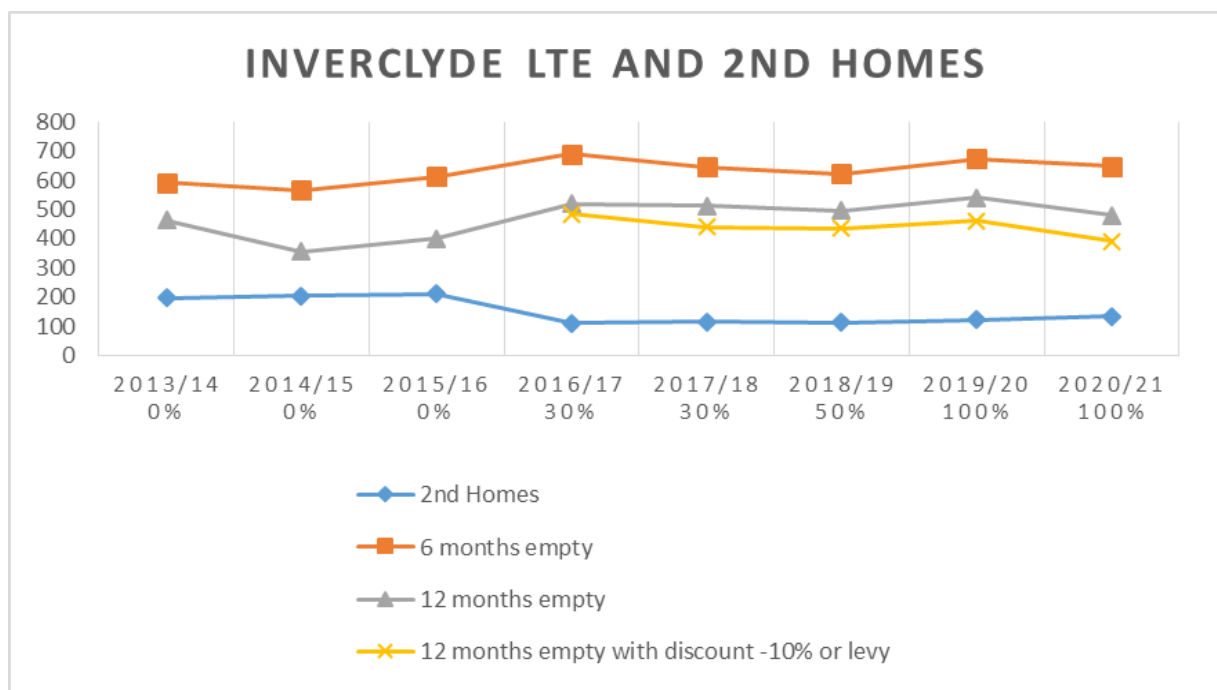
5.0 THE REVIEW METHODOLOGY

- 5.1 Three key factors were identified as being essential to inform the review of the effectiveness of the policy and these were –
 - Data analysis
 - Outcomes of direct engagement
 - Public consultation
- 5.2 The data in relation to LTEs and Second Homes was sourced from internal Council Tax records, national datasets and information from other Services. The outcomes of direct engagement was sourced from the Empty Homes Officer. Public consultation was undertaken by the promotion of an online survey which ran from 1st to 30th July.

- 5.3 The factors leading to the existence of LTEs and second homes are multiple, but crucially the factors are different for each. The decision to maintain a second home is largely choice based and is often linked to work or lifestyle choices, whilst an LTE is more commonly an investment decision, an inherited property or is linked to a negative equity situation. The decision to maintain a second home is not affected by the same financial factors as an LTE in that it is not a decision made nor influenced by a core desire for a financial return.
- 5.4 These different influences and financial factors create a level of resilience to change within the second home market which is not seen amongst LTE properties. Therefore, the report will focus mainly on LTEs as a distinct housing market area where the Council seeks to exert an influence to promote the positive outcomes of an increase in the number of LTE properties brought back into use and an overall reduction in LTEs.
- 5.5 In reviewing the LTE data it was clear that the Clune Park area of Port Glasgow exerts a significant influence which affects the analysis of LTE data at an Inverclyde level. The Clune Park estate is affected by long standing issues of high density unpopular housing resulting in low demand and high void rates; it has considerable tenure imbalance, higher than average sale transactions and a multiplicity of physical and social issues. Therefore after taking into account the recent VAC decision re the application of the LTE levy within the Clune Park estate LTEs within the Clune Park Regeneration Area have been removed from the figures and are commented on separately. For clarity, the regeneration area for the purpose of this report comprises of the 430 flats set out in the 5 distinct u-shaped blocks between the North side of Robert Street and the A8 dual carriageway.

6.0 THE REVIEW OUTCOME – HEADLINE NUMBERS

- 6.1 Analysis of the total number of LTE and 2nd Homes Data across the period 2013/14 to 2020/21 gives a clear picture of the number of LTEs and 2nd Homes in Inverclyde both pre and post introduction of the levy on LTEs. Graph 6.1 below illustrates the changes and trends across all types of empty and second homes in Inverclyde, with the application of the levy on LTEs being illustrated from 2016/17 onwards.



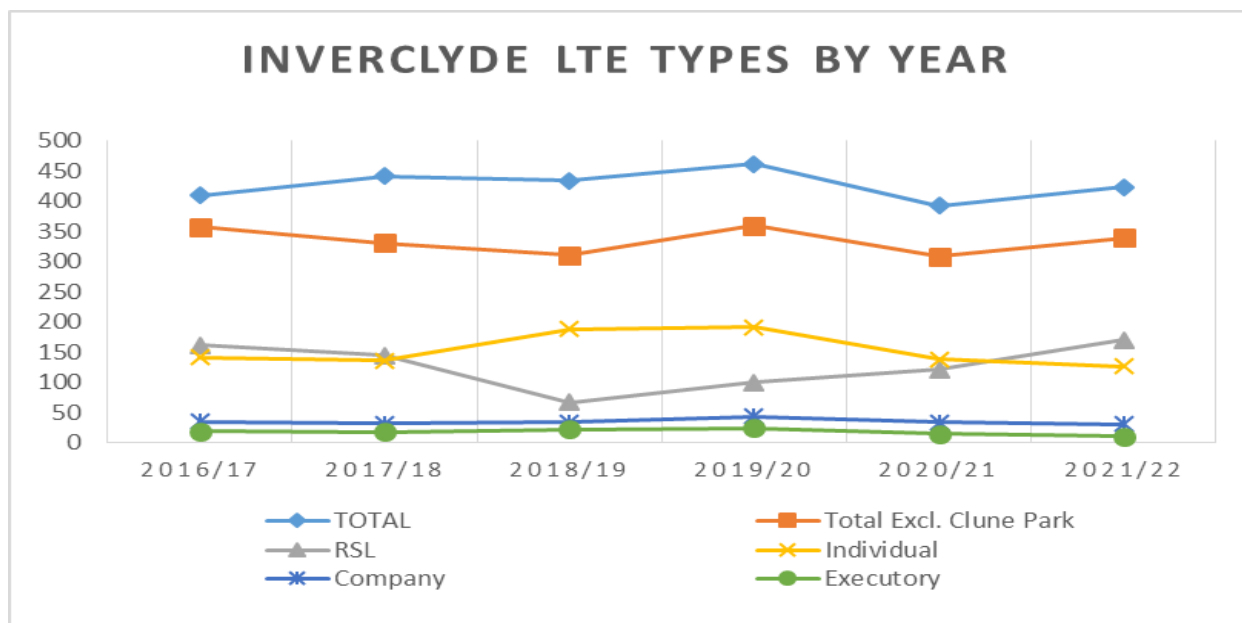
(Graph 6.1)

6.2 The second home discount set by Inverclyde Council reduced from 10% to 0% from 1st April 2017. A review of 2nd home discounts prior to the change resulted in a number of these properties being re-classified as LTE. This accounts for the evidenced reduction in 2nd Homes and increase in LTEs around the time of the introduction of the LTE levy. Since then the number of 2nd Homes has remained stable. This suggests that there is a higher degree of financial resilience either tied to the property being for work purposes or where there is a strong desire to have a 2nd Home in Inverclyde to suit lifestyle choices. The number of long-term empty properties which attract a levy has decreased by 19% to below 400 properties since the introduction of the levy.

7.0 THE REVIEW OUTCOME – TENURE ANALYSIS

7.1 Inverclyde has a housing stock of 39,107 houses which is broadly split into the following tenures - Owner-occupied 63%; Social Rented Housing 27%; Private Rented Sector 10%. Long Term Empty Homes and Second Homes across all tenures represent 2% of the total housing stock, with just over 1% of the housing stock being LTEs. Tenure based analysis of LTEs was carried out to increase the understanding of the impact of the levy on the social rented sector and private housing markets.

7.2 Graph 7.2 below illustrates the changes and trends across the social rented and private housing market for the period since the introduction of the levy. All reported figures exclude Clune Park as previously noted, with the exception of the 'Total'.



(Graph 7.2)

7.3 At the time of the introduction of the 50% levy, LTEs in the private housing market represented approximately 80% of all LTEs, by 2020/21 this had become 60% and currently the private housing market represents 50% of all LTEs.

7.4 To aid analysis the private housing markets were sub-divided to identify individual owners, properties owned by companies (e.g. landlords and letting agents) and properties in Confirmation (Executory). This allows for a greater understanding of the effectiveness of the policy on Registered Social Landlords (RSLs), individual owners and portfolio owners.

7.5 The number of LTE properties in Confirmation at any given time is largely consistent. As these properties are wholly affected by the external factor of due legal process no further comment is offered.

7.6 The number of LTEs owned by businesses has remained relatively consistent representing 19% of the total number of LTEs in the private sector. The business sector has not seen the same level of changes as the individually owned LTEs which suggests a high degree of financial resilience within the business based sector of the private housing market.

- 7.7 The number of LTE properties owned by individuals has seen an overall decrease of 10% since the introduction of the levy. The initial application of the levy at 30% appears not to have had an effect on the number of LTEs, however the increase in numbers at that time can largely be attributed to a reclassification of properties which had previously been self-defined as 2nd Homes. Since the levy was increased to 100% there has been a 34% reduction in the number of individually owned LTEs. No significant external factors were identified within the private sector housing market which could provide a rationale for this considerable decrease and therefore it is reasonable to assume a direct impact of the increase in the levy. This decrease is outwith the national trend, however analysis at a national level would be required to fully understand and allow further comment on that comparison.
- 7.8 The 30% levy which was applicable across 2016/17 & 2017/18, combined with the 50% levy in 2018/19 led to a decline in the number of empty homes across these years and on the face of it appears to have had an impact on the RSL sector in years 2-3. Conversely, and in direct contradiction of the private sector, the RSL sector has seen a significant increase in the number of empty homes since year 3 and the introduction of the 50% and 100% levy.
- 7.9 When the data is interrogated further it reveals that RSL numbers are dominated by the LTE properties of River Clyde Homes, averaging 91% of all LTE empties across the 6 years. The LTE properties of RCH can be largely be placed into two categories, planned regeneration and low demand areas. The regeneration areas of Broomhill and Slaemuir are now largely complete and no longer significantly impact LTE numbers in the RSL sector. Similarly, small groupings of LTEs in other RSLs no longer affect LTE numbers. RCHs low demand areas of Kelburn Terrace and Highholm St figure across the 6 years and in recent years Belville Street and Weir Street in Greenock and John Wood Street, Station Road, Montgomerie Street and Wilson Street in Port Glasgow have come to the fore and largely account for the rise in LTE numbers within the RSL sector.
- 7.10 Whilst the locations of the RSL LTEs are identifiable and the reasons for being LTE can be realistically estimated, the length of time they remain LTEs is less clear and is thought to be tied to a combination of financial resilience within the business, accounting for the levy as a consequential business cost and management/board acceptance of LTEs as a supply/demand issue linked to the timescales involved in developing long-term housing investment plans to address low demand housing as part of a fully funded area renewal programme. The RSLs have been engaged as part of the survey and their responses are summarised in Section 9.0 of the report.
- 7.11 It is important to note that, whilst reported on separately, there are established linkages between the private housing and social rented markets particularly in low demand areas where both markets can be affected by low demand and negative equity giving rise to a symbiotic relationship which requires a holistic, problem solving, approach to address the issues.

8.0 THE REVIEW OUTCOME – PUBLIC CONSULTATION

- 8.1 There were 74 responses received in total and these can broadly be defined as 35% have or have had an LTE, 20% are affected by or live near an LTE and 45% describe themselves as general members of the public. Of the total number of respondents 72% stated they had an awareness of the LTE issue, with 10% having a general awareness and 18% stating they had no awareness. The rate of response and the awareness of respondents give some confidence that the views reflected have a reasonable degree of validity and are appropriate for consideration in informing the review.
- 8.2 There was a high degree of agreement that the Council should seek to reduce the number of LTEs in Inverclyde, with 74% supporting this view. In terms of the actions required to reduce the number of LTEs in Inverclyde the responses selected can be summarised as information & advice delivered through direct engagement with owners and the provision of financial assistance in the form of grants.

- 8.3 In respect of views on an increase in Council Tax for LTEs the responses were perhaps more balanced than expected, with 46% for and 54% against. There was a greater division of opinion regarding the application of the levy, with 68% supporting the principle of exemption for some properties or owners.
- 8.4 There was a low response rate of 19 in respect of the question asking about the type of LTE property, but this coupled with anecdotal evidence and the informed view of the Empty Homes Officer indicates that tenemental properties figure large in the total number of LTEs.
- 8.5 There was a similarly low response rate in respect of the question directly asking whether or not the levy had an effect on the person's decision to have an LTE. Of the responses received 58% advised that the levy had had a financial impact. This could be seen as being one of the aims of the levy.

9.0 THE REVIEW OUTCOME – RSL CONSULTATION

- 9.1 Responses to the RSL specific questionnaire were received from two of the four local RSLs who operate in Inverclyde. There was a strong view that the levy had a financial impact on tenants and communities, with both respondents expressing their view that the levy is an unfair tax on social tenants.
- 9.2 Similar to the responses from the public consultation there was agreement that the Council should seek to reduce the number of LTEs in Inverclyde with the actions being the provision of information & advice delivered through direct engagement with owners and the provision of financial assistance. Unlike the public responses there was no support for the application of the levy. The option of exemptions from the levy was supported with reasons for exemption including difficulties in renting or selling and ongoing regeneration plans.
- 9.3 Overall, the responses from the RSLs indicated a strong dislike for the levy and a strong desire for direct engagement with the Council to develop partnership based, cross-RSL, long-term regeneration plans for Inverclyde's housing stock which includes a focus on reducing LTEs. It should be noted that currently 172 RSL properties receive an exemption from the policy, having met the relevant criteria and these properties are split between River Clyde Homes and Oak Tree Housing Association on a respective 128 and 44 properties basis.
- 9.4 The Council works with RSL partners to deliver sustainable, good quality, social housing for Inverclyde residents. This aim is encompassed in the outcomes of the current Local Housing Strategy (LHS) and indeed is also set out in the 30 year housing stock transfer agreements which exist for both Cloch and RCH. Officers will continue to work with RSL partners and the Scottish Government in preparation of the next LHS in the coming months to ensure RSL business planning meets the aims of and strengthens the outcomes of the current Local Housing Strategy and Stock Transfer Agreements; ensures that appropriate stock and asset management plans are in place; ensures that best use is made of the available residential development sites; and, crucially, ensures that appropriate plans are put in place for low demand housing stock.
- 9.5 An update on the discussions with RSLs in respect of the linkages between LTEs the LHS and Stock Transfer Agreements will be presented to the Environment & Regeneration Committee to ensure appropriate oversight of the sustainable management of social housing stock in Inverclyde.

10.0 THE REVIEW OUTCOME – EMPTY HOMES USE

- 10.1 Inverclyde Council, River Clyde Homes and the Scottish Empty Homes Partnership (Shelter Scotland) jointly funded the role of Inverclyde Empty Homes Officer from 2017/2018 to 2020/21.
- 10.2 The role of the EHO is preventative as much as reactive and this sees direct engagement with owners of LTEs who are outwith the 12 month period which precedes the application of the

levy. This means that the work of the EHO is not restricted to the properties noted at Section 6.0 and they engage with a wider audience. To date, the EHO has provided over 400 owners of empty homes with advice and information and through direct engagement has brought over 50 empty homes back into use.

11.0 THE REVIEW OUTCOME – SUMMARY

- 11.1 The review outcome indicates that the LTE Policy has been effective in reducing the number of LTEs in Inverclyde and the consultation responses confirm that there is an ongoing desire to reduce the number of LTEs through the provision of information & advice and financial assistance.
- 11.2 The consultation responses display a strong strand of support for exemptions from the levy and this is particularly well represented in the RSL responses. However, there is conflict between the desire of the RSLs and the Government Guidance which will require detailed consideration and discussion. It should be noted that in addition to the 172 exempt RSL properties, there are currently 21 privately owned properties receiving exemption via the use of the discretionary powers.
- 11.3 Overall, the review has identified the successes of the application of the LTE Policy across Inverclyde. However, it has also identified circumstances where a nuanced delivery of the policy may yield greater long-term results, particularly between charging the levy whilst funding repairs or regeneration.
- 11.4 Therefore, it is proposed that the current policy is maintained, with the exception of the Clune Park Regeneration Area, that RSLs are directly engaged to discuss in greater detail their business plans and the development of regeneration plans and that consideration is given to a review of the policy which seeks to build in flexibility to reflect the additional external factors which affect the ability of an owner to bring an LTE back into the local housing supply. Subject to consideration of this report by the Committee it is the intention that a final proposed revised Policy be presented to the February 2022 meeting of this Committee for approval.

12.0 IMPLICATIONS

12.1 Finance

The LTE levy raises approximately £370k per year from the 100% levy. Any reduction in the sum raised will impact on the overall Revenue Budget.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if Applicable)	Other Comments

12.2 **Legal**

No Legal implications. The use of existing guidelines ensures compliance with relevant legislation.

12.3 **Human Resources**

No Human Resources implications.

12.4 **Equalities**

Equalities

(a) Has an Equality Impact Assessment been carried out?

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YES (see attached appendix)

X

NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

X

YES

NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

X

YES

NO

12.5 **Repopulation**

No impact on repopulation.

13.0 **CONSULTATIONS**

13.1 A public consultation and consultation with housing professionals was carried out.

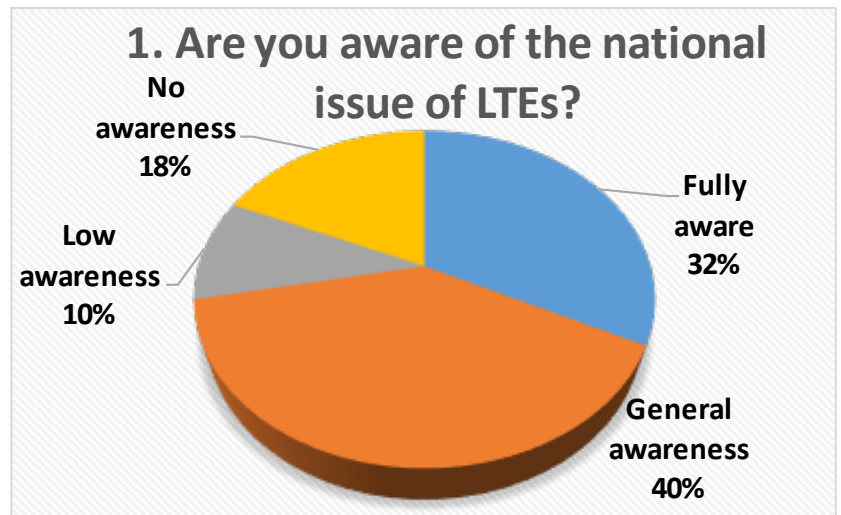
14.0 **BACKGROUND PAPERS**

None

**Review of the Effectiveness of the Long Term Empty Homes Policy
Questionnaire Responses**

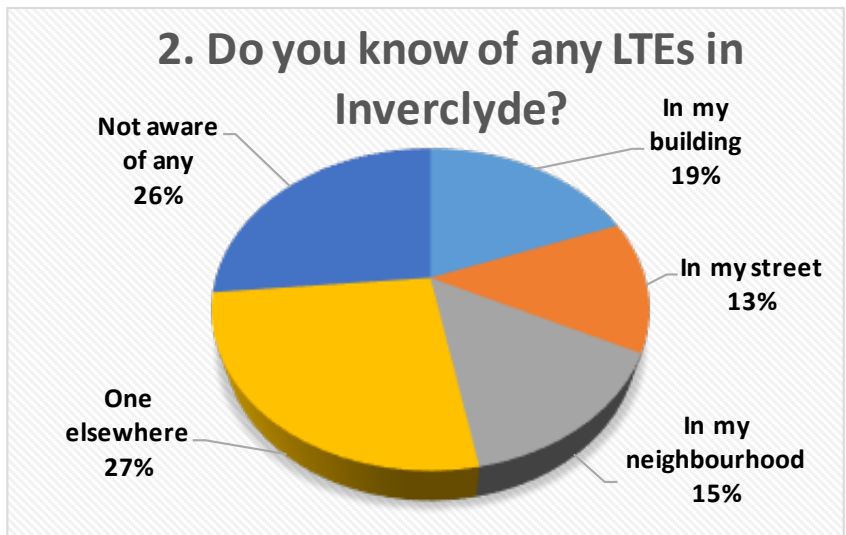
1. Are you aware of the national issue of long term empty homes? (please select one option)

Total No. of Responses - 71



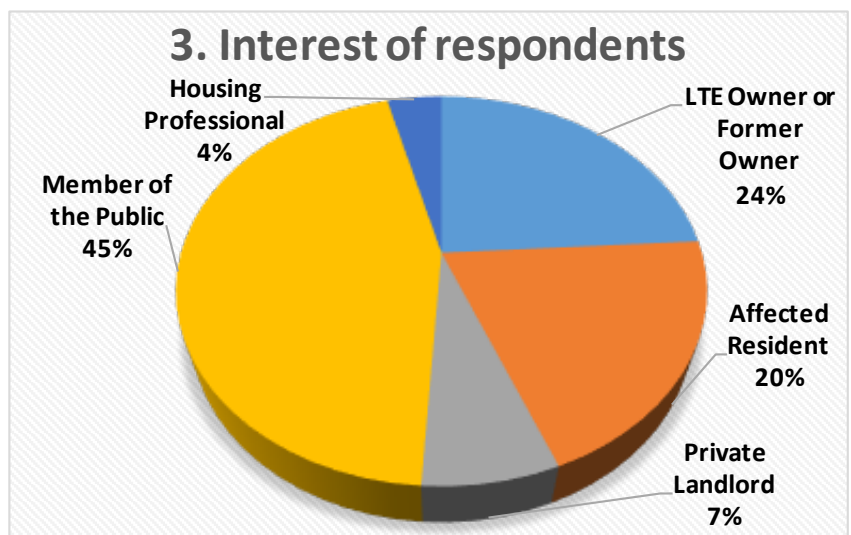
2. Do you know of any Long Term Empty homes in Inverclyde? (please select the option most relevant to you)

Total No. of Responses - 68



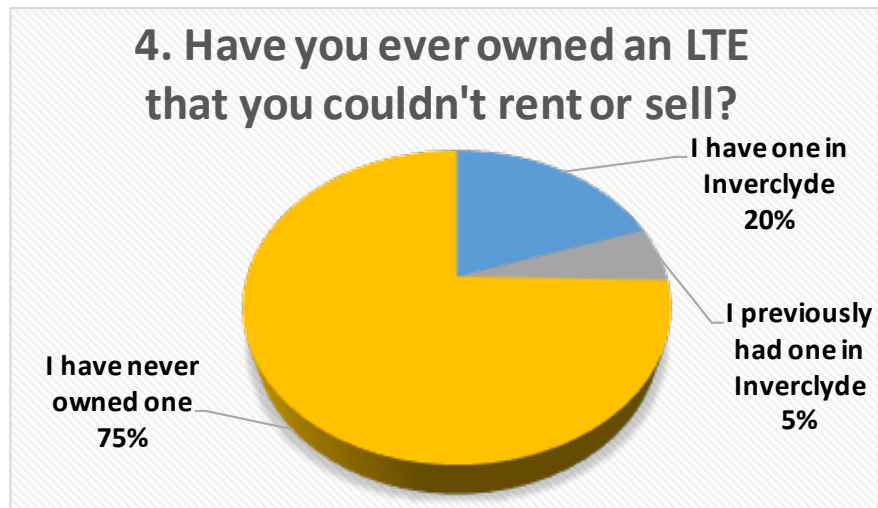
3. In what capacity are you responding to this questionnaire? (please select the option most relevant to you)

Total No. of Responses - 71



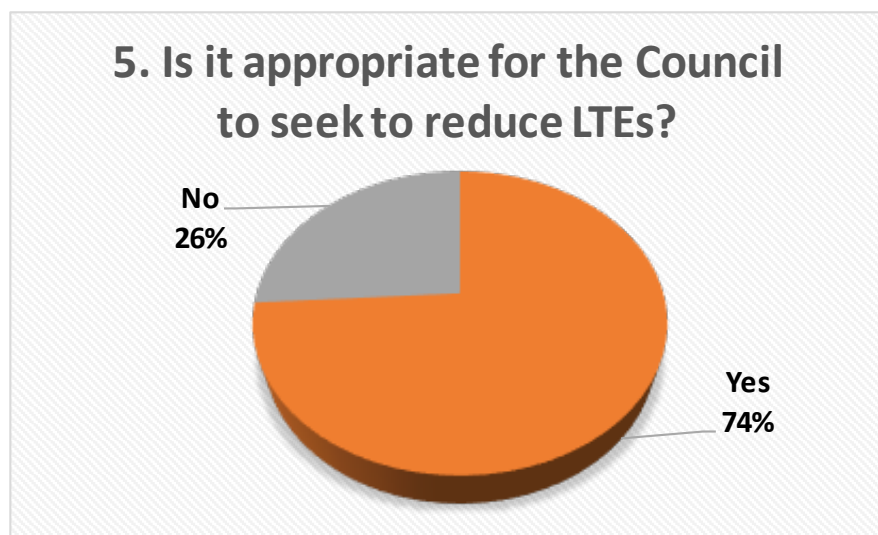
4. Have you ever owned an LTE that you couldn't rent or sell? (please select one option)

Total No. of Responses – 71



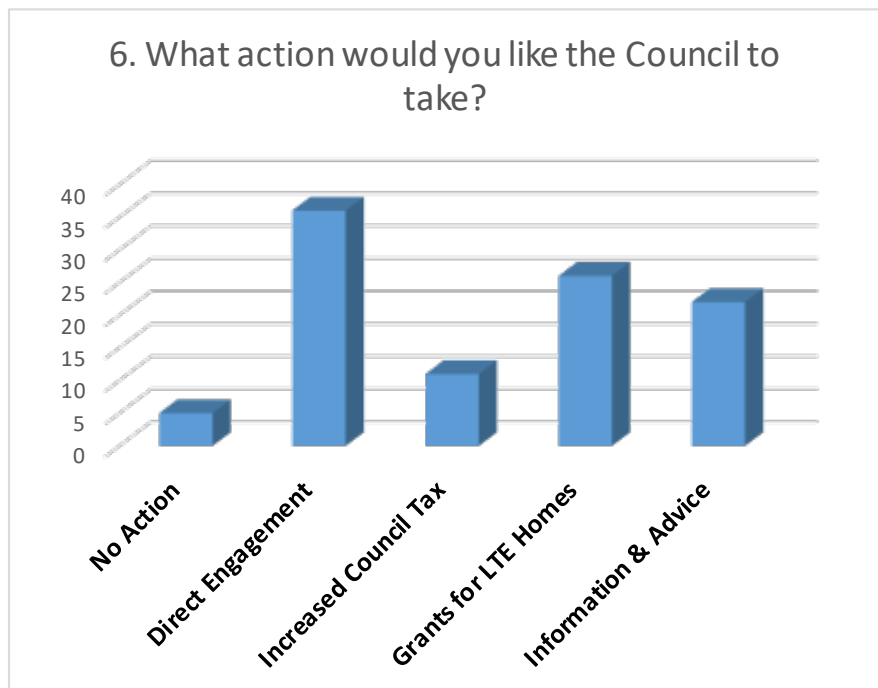
5. Is it appropriate for the Council to seek to reduce LTEs?

Total No. of Responses – 70



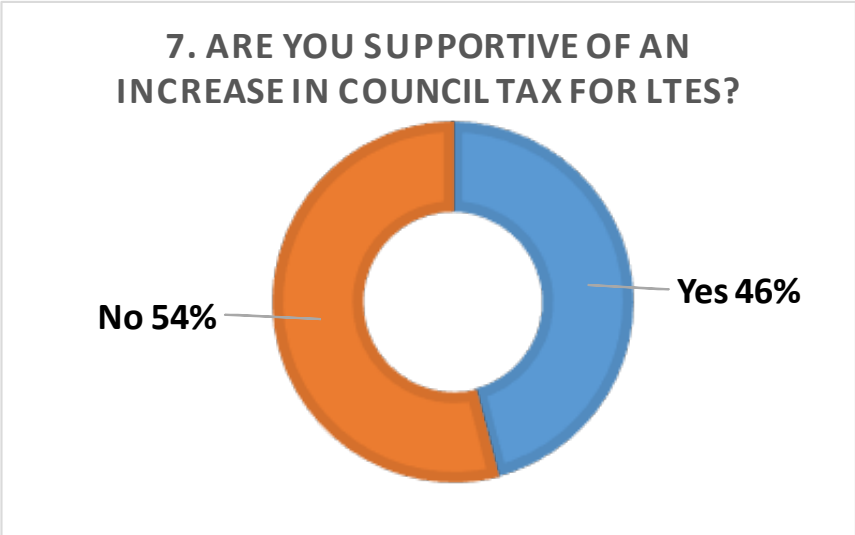
6. What type of action would you like to see the Council take in relation to long term?

Total No. of Responses – 70



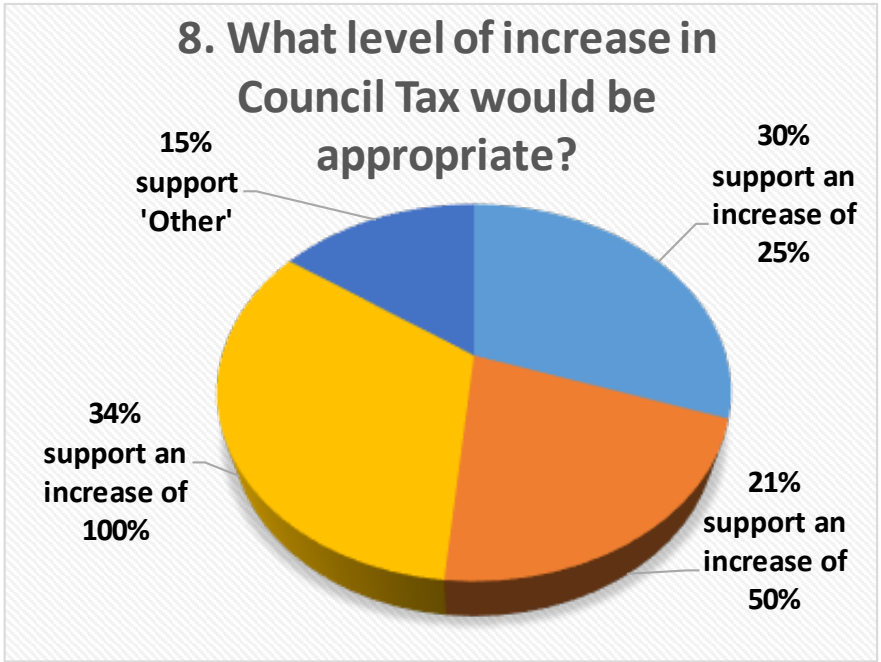
7. Are you supportive of an increase in Council Tax for LTEs?

Total No. of Responses – 71



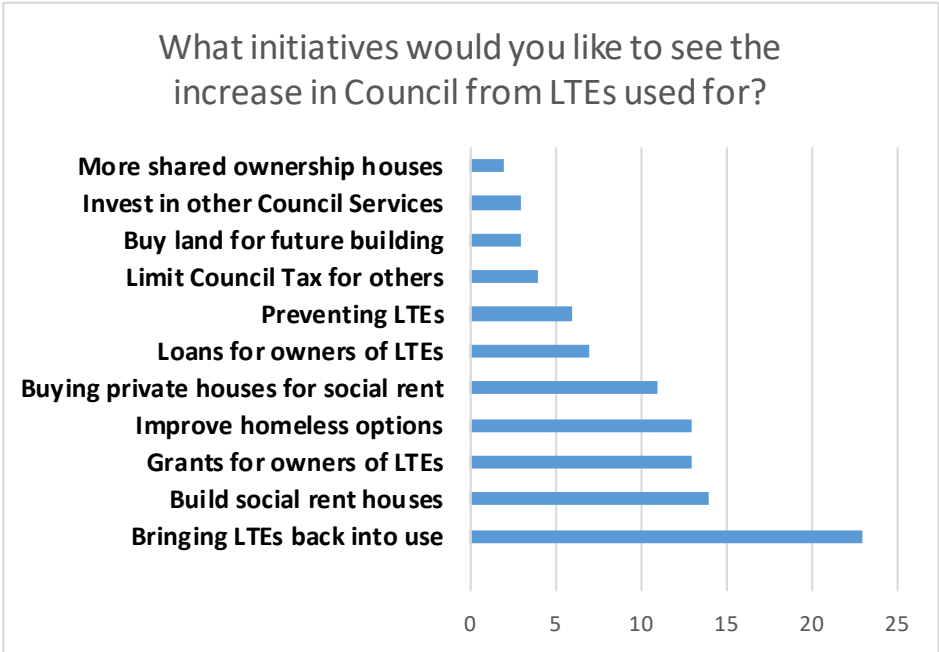
8. What level of increase in Council Tax would be appropriate? (please select one option)

Total No. of Responses – 33



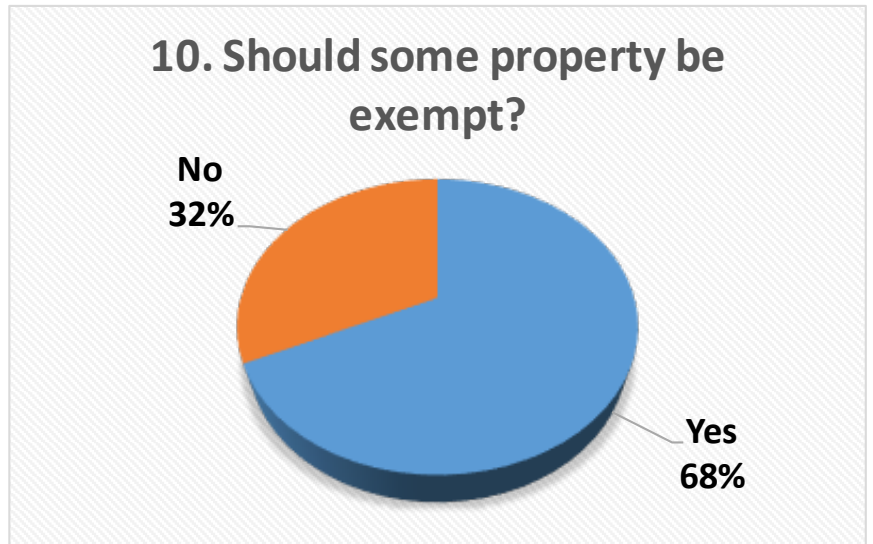
9. What initiatives would you like to see the increase in Council Tax from long term empty homes used for? (please select up to 3 options)

Total No. of Options Selected - 146



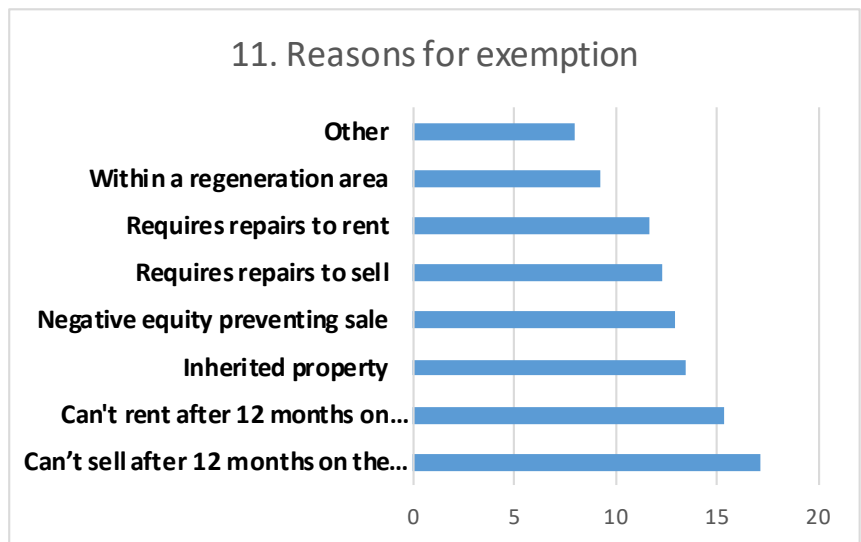
10. Should some properties be exempt?

Total No. of Responses – 71



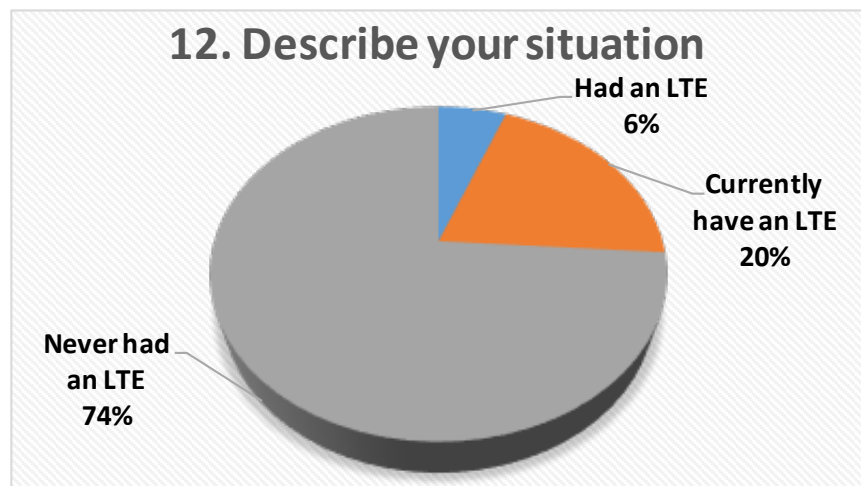
11. If yes, for which reasons should properties/owners be exempt from the increase. (please select all that apply)

Total No. of Options Selected - 163



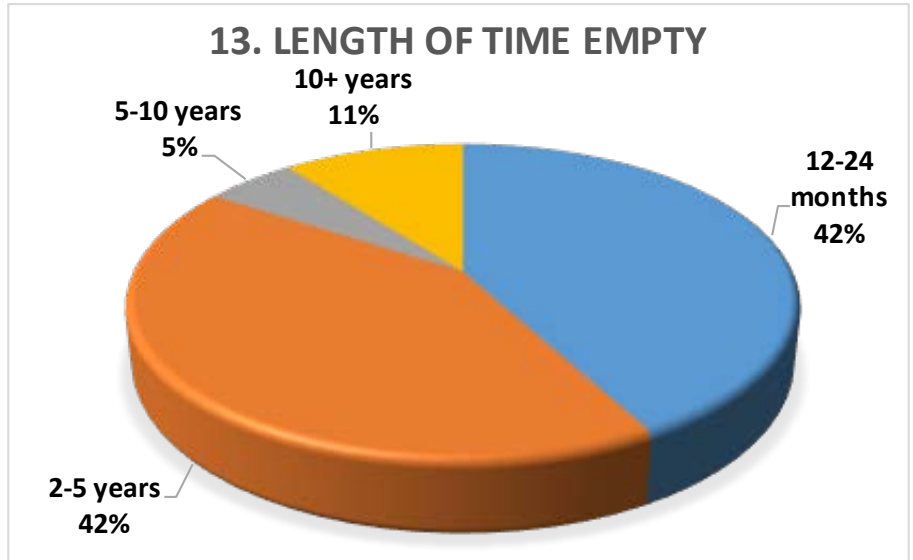
12. If you have or had an LTE please select the options which best describe your situation.

Total No. of Responses – 69



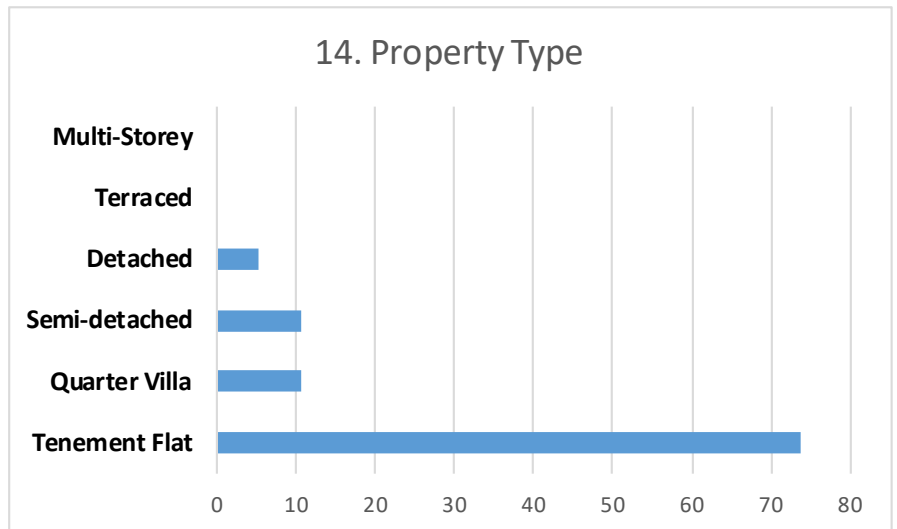
13. If you previously had or currently have an LTE please state the length of time the property was empty.

Total No. of Responses – 19



14. If you previously had or currently have an LTE please state the property type.

Total No. of Responses – 19

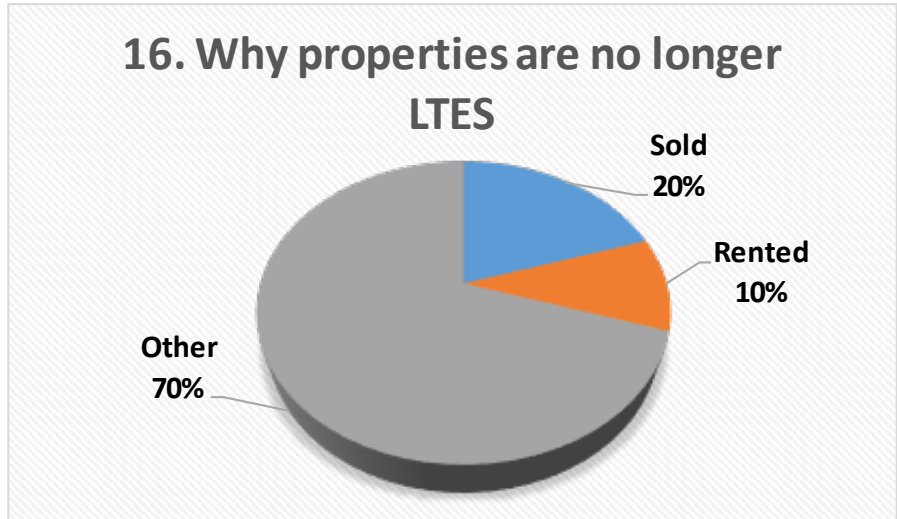


15. If you previously had or currently have an LTE, please state the reasons why.

Total No. of Responses – 10

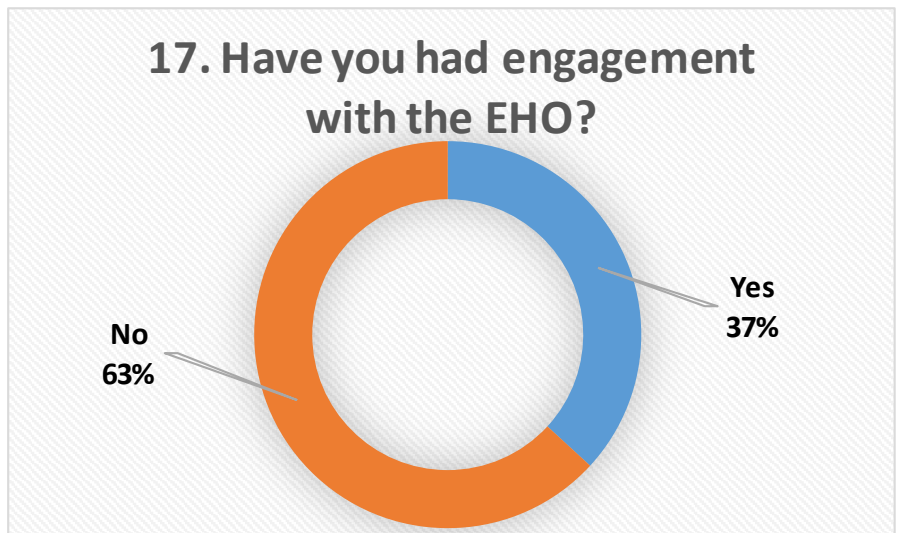
16. If your property is no longer empty, please state the reason.

Total No. of Responses – 10



17. If you previously had or currently have an LTE, have you had engagement with the EHO?

Total No. of Responses – 19



18. If you previously had an LTE has the increase in Council Tax had an impact on your decision to have an LTE?

Total No. of Responses – 19

