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## **PROPOSED INTRODUCTION OF EMPTY HOME GRANTS**

**Report by Director Infrastructure and Environment**

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### **Executive Committee**

**7 December 2021**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report seeks approval to allocate £500k from the second homes council tax affordable housing investment budget to provide grant assistance to owners of empty properties to help bring them back into use as housing, subject to the detailed criteria (paragraph 4.5).**
- 1.2 The Housing (Scotland) Act 2001 places a statutory requirement on Local Authorities to develop a Local Housing Strategy (LHS). This strategy sets the strategic direction for housing investment and service delivery and identifies the need to bring empty properties back into effective use.
- 1.3 The most common hurdle for empty home owners is the financial cost of bringing the property back into use. The [report to Committee](#) in April 2021 highlighted the creation of a specific fund to assist owners would be explored with proposals being brought back to Committee for approval.
- 1.4 The introduction of an empty homes grant will contribute to the strategic objectives highlighted in the [LHS](#), the [Strategic Housing Investment Plan](#) and the [Rapid Re-Housing Transition Plan](#). In addition, tackling empty properties supports the approach to town centres and regeneration.

#### **2 RECOMMENDATIONS**

- 2.1 **It is recommended that the Executive Committee:-**
  - (a) Agrees to allocate an initial £500k from the second homes council tax affordable housing investment budget to provide grant assistance to owners of empty properties to help bring them back into use as housing, subject to detailed criteria (paragraph 4.5);**
  - (b) Note that should the grant assistance prove successful, Officers will bring back proposals recommending an ongoing annual allocation from the revenues raised from second homes council tax.**

### 3 BACKGROUND

- 3.1 In March 2021 the Scottish Government published a 20 year Strategy for Housing; [Housing to 2040](#). A number of key actions specific to and prioritising, empty homes have been identified in this strategy.
- 3.3 The Housing (Scotland) Act 2001 places a statutory requirement on local authorities to develop a Local Housing Strategy (LHS). The LHS sets out the strategic direction for housing investment and service delivery in the Scottish Borders for 2017-22 and was approved by Scottish Borders Council and submitted to the Scottish Government in September 2017. Tackling issues around empty properties and bringing them back into effective use remains a priority for action in this strategy.
- 3.4 In addition to contributing to the strategic objectives for empty homes as highlighted in the [LHS](#) this proposal supports the objectives of the [Strategic Housing Investment Plan](#) (SHIP) and the [Rapid Re-Housing Transition Plan](#) (RRTP), as well as contributing to wider Council priorities including the approach to town centres, regeneration and place making.
- 3.5 Addressing empty properties also contributes to Council priorities around sustainability and promoting a low carbon economy, promoting health and wellbeing, promoting economic growth and the regeneration of town centres. [The proposed Local Development Plan 2](#) (LDP) highlights support for the Town Centre First principle and an approach to decisions that considers the health and vibrancy of town centres from the outset. Enabling development of high quality and affordable housing, in these locations in particular, can help increase the number of people living in our town centres while also supporting the Council's Climate Change Plan.
- 3.6 Delivery of an empty homes grant would also align with the objectives of the Borderlands Growth Deal to stimulate the repurposing of towns and centres across the area while also helping provide much needed homes. By putting this budget in place, it should further enable the region to attract inward investment, bolstering the areas economic recovery from the Covid-19 pandemic, the impacts of which have been felt throughout the Borders.

### 4 CONSIDERATIONS

- 4.1 The [report to Committee](#) in April 2021 reported that 1,543 homes were registered as long term empty, accounting for 2.6% of the total housing stock in the Borders; higher than the national average of 1.8%. The report also highlighted the costs of empty homes to the local economy and the impact on both the community and the Council. Homes lying empty cost communities in financial terms (as well as social) for example in lost rent, lost local spending, cost of boarding up properties, dealing with and responding to anti-social behavior, crime, and emergency services call-outs. By proactively tackling empty homes in addition to saving on these costs, the estimated community spend generated through the re-occupation of an empty home is estimated as £13,410 per property per year<sup>1</sup>.

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<sup>1</sup><https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/compendium/familyspending/2014-12-02>

- 4.2 The grant assistance proposed will incentivise the creation of new affordable homes. On average there are approximately over 1,200 lets every year among the four Borders Based RSLs and collectively there were 21,602 bids made for available properties, an average of 16 bids per property, in 2019/20. Through the pilot process Officers will explore how this opportunity can also support homeless applicants in particular.
- 4.3 As empty homes represent a wasted resource in the Borders and can also cause significant problems for neighbours and surrounding communities there is merit in providing financial assistance to owners to bring their properties back in to use as housing. It is recognised that working proactively with owners to bring properties back into use can be time consuming and complex and it is also recognised that one of the most significant barriers to bringing properties back in to use are the associated costs. These typically range from £6k to £25k but can be more.
- 4.4 The Housing Act and scheme of assistance provides a legislative and tested model in regards to house condition and the provision of support in the form of grant. Therefore, it is the intention to align the empty homes grant with the existing scheme of assistance processes in regard to financial assistance. The recommendation in this report is that Committee agree to allocate an initial £500k to provide grant assistance to owners of empty properties across the Borders to help bring them back into use as affordable housing and subject to detailed criteria specified.
- 4.5 The proposed eligibility requirements and detailed criteria are set out in Appendix 1 of this report. In summary these include (but are not limited to) the following proposed conditions:
- The discretionary fund will be aimed at homes that are currently empty and in need of refurbishment;
  - The property must have been registered as empty and not been used as residential accommodation for at least one year. This is intended to ensure that speculative property developers did not seek to take advantage of the scheme;
  - The grant rate will be capped at 75% of the total cost of works required with a maximum grant award of £25k per home provided and a minimum of £1k. In exceptional circumstances and where there is a strong business case Officers can consider increasing the maximum award level;
  - Allocations will be subject to conditions set out in the Housing (Scotland) Act 2006, which secure the residential status of the property and ensure it is appropriately maintained. Private landlords (current or prospective) or owners who intend to occupy the property themselves would be able to apply subject to the following additional conditions:
    - i. The owner must agree to rent or occupy the improved property for a minimum period of five years
    - ii. Rent must be capped at Local Housing Allowance rates for that period

- iii. The owner must prove to the Council on an annual basis the property is still being made available for private let at an affordable level or being occupied by the owner or their immediate family.
  - iv. Where the intention is to rent the property works to meet future energy efficiency standards must be considered.
  - v. At least three fully costed and itemised schedules of works from different contractors will be required. These must specify the total costs to undertake works and state whether or not costs includes VAT. Homes empty for over 2 years qualify for a reduced VAT rate of 5%. Homes empty for over ten years are zero rated.
  - vi. The property must have sufficient equity as the grant sum will be secured against the property with conditions. Any breach to grant conditions will require repayment on a sliding scale over years 1-5 with any associated costs also being recoverable from the owner.
  - vii. The grant will generally be paid on completion of works and following inspection however for larger, more complex cases, or where financial hardship is demonstrated, a staged payment process will be available dependent on individual circumstances.
- Should Members agree this recommendation, applications will be determined by officers as a delegated matter. However, should exceptional circumstances arise and a single applicant seeks to apply for in excess of £25k for a single unit approval will be delegated to the Director of Finance and Corporate Governance and the Director of Infrastructure and Environment.

4.6 As this will be a new grant offer in the Borders it's difficult to predict what the level of uptake might be. Learning from other Local Authorities who offer similar grant assistance for empty properties suggests that by March 2023 applications for the initial proposed budget allocation could be achieved in full and around 30-35 owners supported with financial assistance. It should be noted, however, that there have been a number of challenges facing property owners and the construction trade during 2020/21 and into 2021/22 which may have an impact on timescales and costs.

4.7 As highlighted in recommendation (b) a review of the grant assistance offer will be undertaken when the initial budget has been allocated in full. This will provide officers and members an opportunity to consider how successful the outcomes of this assistance have been, whether the priorities and criteria in terms of targeting this resource have been appropriate and to consider whether an annual allocation would be a future recommendation to Committee.

4.8 The Housing Strategy Team will continue to work with a number of empty property owners who have, for a number of reasons, been unable to progress bringing their properties back in to use but will also be able to take a more proactive and strategic approach through the recent appointment of a dedicated Empty Homes Officer, alongside the proposed offer of grant assistance.

## 5 IMPLICATIONS

### 5.1 Financial

- (a) It is recommended in this report that an initial £500k is allocated from the second home council tax affordable housing investment budget to provide grant assistance to owners of empty properties to help bring them back into use as housing.
- (b) The affordable housing investment budget income can be used by local authorities to support revenue and capital expenditure related to a range of affordable housing activity including “bringing empty properties back into affordable housing use”. This income must be utilised in support of the delivery of local housing priorities and the proposed funding allocation meets the suitability criteria for the Council tax income generated from second homes. Table 1 below sets out current commitments. Table 2 shows the balance of available funding with the inclusion of a £500k empty homes grant commitment.

**Table 1: Current 2<sup>nd</sup> Homes Council Tax financial table**

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Funding brought forward	2,887	3,087	2,638	3,738	4,883
Anticipated 2nd Homes Council Tax	1,103	1,211	1,247	1,285	1,323
<b>Total Funding Available</b>	<b>3,990</b>	<b>4,298</b>	<b>3,885</b>	<b>5,023</b>	<b>6,206</b>
Current Investment Commitments	903	1,660	147	140	890
<b>Available Funding</b>	<b>3,087</b>	<b>2,638</b>	<b>3,738</b>	<b>4,883</b>	<b>5,316</b>

**Table 2: 2<sup>nd</sup> Homes Council Tax financial table including the proposed £500k allocation**

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Funding brought forward	2,887	3,087	2,338	3,238	4,383
Anticipated 2nd Homes Council Tax	1,103	1,211	1,247	1,285	1,323
<b>Total Funding Available</b>	<b>3,990</b>	<b>4,298</b>	<b>3,585</b>	<b>4,523</b>	<b>5,706</b>
Current Investment Commitments	903	1,960	347	140	890
<b>Available Funding</b>	<b>3,087</b>	<b>2,338</b>	<b>3,238</b>	<b>4,383</b>	<b>4,816</b>

- (c) This report is recommending an initial, and non-recurring, allocation of £500k to pilot and test the approach. This will likely be drawn down over 2022/23 and 2023/24 financial years. Therefore, at this test stage, there will be no long term impact on the budget available.

- (d) Dedicated Officer resource, supplemented with this proposed grant assistance, should result in more empty homes being brought back in to use. Where these empty homes are currently charged 200% Council Tax there could be a reduction in Council Tax income. It is difficult to quantify at this stage what that reduction may be, however there is the intention to carry out a full financial impact assessment of the revised approach to empty homes prior to any future recommendations being presented to committee. The intention of the current 200% levy is to incentivise owners to bring homes back in to use.
- (e) With a 75% grant award available the proposed allocation is estimated to support further local investment in excess of £100k from private property owners' own resources.
- (f) Where any specific actions are considered as having a further resource implication for the Council Officers would bring back proposals for consideration by the Executive Committee as they arise.

## 5.2 Risk and Mitigations

- (a) Delivery of the LHS aims and objectives in relation to empty homes is largely dependent upon a number of variables, not least of which relate to resource and other political and organisational decision making processes beyond the control of the Local Authority.
- (b) Toward the end of pilot period there will be a review of the empty homes service and the grant assistance offer to assess the potential for an annual budget allocation or whether alternative action is deemed necessary.

## 5.3 Integrated Impact Assessment

- (a) A full Equality Impact Assessment was carried out on the current LHS (2017-2022). Equalities forms an integral part of the LHS process and is part of the LHS guidance.
- (b) A full Integrated Impact Assessment will be embedded in the development process of the new Local Housing Strategy.

## 5.4 Sustainable Development Goals

It is considered that the recommendations in this report will contribute positively to goals 7, 8 and 11. Bringing empty homes back in to use reduces the negative impact that neglected empty homes can have on communities and contributes to the local economy as noted at 4.1.

## 5.5 Climate Change

It is considered that there are no direct effects on the Council's carbon emissions arising from the report recommendations. There are likely to be positive effects by promoting sustainability through better use of existing stock. Bringing empty homes back in to use is a sustainable way of increasing the local supply of housing and has the environmental benefit of reduced CO2 production compared with new build. Officers will also

promote and support energy efficiency upgrades and installation of renewable technologies where renovations are undertaken including making appropriate referrals to the Energy Efficiency Area Based Scheme and the Council’s Scheme of Assistance.

**5.6 Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

**5.7 Rural Proofing**

The LHS 2017-22 has been rural proofed and it is anticipated there will be no adverse impact on the rural area from implementation. In relation to empty homes there is likely to be a wide range of positive outcomes for rural communities, including improvements in communities through bringing homes back in to use and possible increased availability of affordable housing in a variety of tenures.

**5.8 Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to be made to the Scheme of Administration or Scheme of Delegation as a result of this report.

**6 CONSULTATION**

6.1 The Executive Director (Finance & Regulatory), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications have been consulted and any comments have been incorporated into the final report.

**Approved by**

**John Curry** Signature .....  
**Director Infrastructure and Environment**

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**Background Papers:** 2013 [Guidance Note for Local Authorities](#) to cover the new powers enabled by the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act, and related regulations.

[Local Government and Communities Committee Report](#) in to Empty Homes in Scotland November 2019

**Previous Minute Reference:**

[20<sup>th</sup> April 2021 Executive Committee agenda item 4](#)

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Donna Bogdanovic can also give information on other language translations as well as providing additional copies. Contact us at [housingenquiries@scotborders.gov.uk](mailto:housingenquiries@scotborders.gov.uk) or tel:01896 661392