



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government, Housing and Planning Committee

**Tuesday 21 November 2023**

**Session 6**



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Pàrlamaid na h-Alba

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**LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE**  
**28<sup>th</sup> Meeting 2023, Session 6**

**CONVENER**

\*Ariane Burgess (Highlands and Islands) (Green)

**DEPUTY CONVENER**

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

**COMMITTEE MEMBERS**

Miles Briggs (Lothian) (Con)

\*Stephanie Callaghan (Uddingston and Bellshill) (SNP)

Pam Gosal (West Scotland) (Con)

\*Mark Griffin (Central Scotland) (Lab)

\*Marie McNair (Clydebank and Milngavie) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Timothy Douglas (Propertymark)

Eilidh Keay (Living Rent)

Councillor Bill Lobban (Highland Council)

Fergus Walker (Argyll and Bute Council)

Gareth Waterson (Orkney Islands Council)

**CLERK TO THE COMMITTEE**

Euan Donald

**LOCATION**

The David Livingstone Room (CR6)



## Scottish Parliament

### Local Government, Housing and Planning Committee

*Tuesday 21 November 2023*

*[The Convener opened the meeting at 09:32]*

### Decision on Taking Business in Private

**The Convener (Ariane Burgess):** Good morning, and welcome to the 28th meeting in 2023 of the Local Government, Housing and Planning Committee. I remind all members and witnesses to ensure that their devices are on silent and that all notifications are turned off during the meeting.

We have received apologies from Miles Briggs and Pam Gosal. Stephanie Callaghan will be joining us online this morning.

Agenda item 1 is a decision on taking business in private. Do members agree to take item 3 in private?

**Members** *indicated agreement.*

## Subordinate Legislation

### Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 [Draft]

09:33

**The Convener:** Agenda item 2 is an evidence-taking session on the draft Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023. We are also joined online by Timothy Douglas, head of policy and campaigns, Propertymark; Fergus Walker, revenues and benefits manager, Argyll and Bute Council; and Gareth Waterson, corporate director, enterprise and sustainable regeneration, Orkney Islands Council. We are joined in the room by Eilidh Keay, who is a representative of Living Rent; and Councillor Bill Lobban, convener, Highland Council.

We will try to direct all our questions to a specific witness initially, but if anyone else wishes to come in, they should indicate as much to me or the clerks. If you are online, please indicate that you want to come in by typing R in the chat function. You do not need to operate your microphones—we will do all of that tech stuff for you so that you can focus on what you want to say.

I will start with a couple of general questions, the first of which is for our three council participants. I would be interested in getting your sense of the pattern of second home ownership in your council area and its impact on local communities.

**Councillor Bill Lobban (Highland Council):** Certainly, second homes have positive and negative impacts—there is no doubt about that. They provide a general increase in tourism income, which is especially important in the Highlands, as tourism is our main industry. However, they also cause significant problems, because they reduce the availability of housing, particularly affordable housing. For example, many businesses can no longer provide accommodation for their staff, because there is none. The market tends to be swamped by second homes and short-term lets, and it is a significant problem.

Those are some of the advantages and disadvantages.

**The Convener:** Fergus Walker, what is your perspective?

**Fergus Walker (Argyll and Bute Council):** I would very much mirror what Councillor Lobban of Highland Council has said about the impacts on communities. In Argyll and Bute, we have

announced a housing emergency because of significant issues with the lack of available accommodation, specifically in some of our smaller communities—for example, on the islands, where the number of second homes and long-term empty properties can be way more than 25 per cent of the overall number of properties.

That has led to significant challenges with regard to the viability of local communities. It is not only the lack of accommodation for indigenous communities but the reduction in the ability to maintain lifeline services such as fire, police, education and healthcare, due to a lack of suitable accommodation. The same effect can be felt by commercial companies, which struggle to accommodate their workforces, because of the lack of available accommodation in those places. The impact is significant.

A balance needs to be struck with regard to the impact on tourism and the economy, because tourism is very important to us and second homes generate extra income for local economies. However, we very much support the double charging of second homes, or at least having the powers to do that in our local economies.

**The Convener:** Gareth Waterson, what is the view from Orkney?

**Gareth Waterson (Orkney Islands Council):** Our view is very similar to those of the previous two speakers, but I will just add a couple of things.

First, second homes tend to be in the lower-banded properties; indeed, about 35 per cent of our second homes are in band A, which are the houses that people who are trying to get on to the housing ladder would probably go for. There is that dimension.

Another aspect is our ageing population, particularly in our outlying islands, and the lack of accommodation for younger people and families to sustain care and support in the community. However, I agree with everything else that has been said.

**The Convener:** That detail was helpful.

I put the same question to Timothy Douglas and Eilidh Keay. What are your views on the current pattern of second home ownership and the effects on local communities in general?

**Timothy Douglas (PropertyMark):** Thank you for the opportunity to give evidence.

From the perspective of PropertyMark and our members, we acknowledge the positive and negative benefits of second home ownership that have been referred to, and the fact that a balance needs to be struck between people's ability to buy a second home, the needs of tourism and the

need for a supply of adequate housing for people in local communities.

The Scottish Government's figures on second homes—apart from those for last year and for 2020—show a steady decline in second home ownership. Although these measures will be discretionary for local councils, they do not tackle the crux of the problem, which is the supply of council housing, affordable housing, homes for people to rent and homes for first-time buyers and, as has been mentioned, right sizing for the elderly population.

That brings us to taxation. The fact is that second homes have already been taxed. Certainly, in the past 12 months—since December last year—they have been subject to a 6 per cent additional dwelling supplement. Although the variation of council tax for second homes is discretionary, we at PropertyMark question the use of that 6 per cent ADS money that the Scottish Government has gained and how it is disseminated to local councils for tackling this and the wider housing problem.

**The Convener:** Thank you for that.

I have a follow-up question for you. It is great that you recognise the need for balance. From data from your members, do you have any awareness of particular areas in Scotland where there is more pressure and more impact from second homes?

**Timothy Douglas:** We do not have any specific data on that, but, anecdotally, we know from talking to our members in Scotland and across the UK that there tends to be pressure in tourist hotspots for local communities trying to get on the housing ladder. Whether it is a reality, there is a perception that second homes are sat empty and not utilised, when local communities think that they could be used.

Fundamentally, it comes back to the issue of supply. We are not building enough homes, and we are not building enough homes across different tenures to give people options.

**The Convener:** Thank you—that was useful.

I will bring in Eilidh Keay, and I see that Councillor Lobban has indicated that he wants to come back in.

**Eilidh Keay (Living Rent):** Thank you, convener, for inviting me to speak today.

The points that I was going to make have been well covered by others. It is Living Rent's position that we are in a national housing crisis, and we welcome the Government's efforts to increase housing availability.

It is important, when we talk about supply, to consider timeframes and interrogate types of

tenure, and the fact is that there is a much quicker turnaround from incentivising the use of empty homes and second properties than from building council houses. It is typically cheaper for councils to renovate and bring empty homes back into council use than it is to build new council houses—and often greener, too.

On the effects that second homes, empty homes and secondary lets have on supply, as has been discussed, they increase demand in local areas and, in turn, rents and local property prices. Removing some second homes and secondary lets from the market tends to have a positive effect overall for both tenants and homeowners.

**Councillor Lobban:** Obviously, I can speak only for Highland, but, in Highland, there are approximately 4,000 second homes on which council tax is paid. I think that the national figure is only 24,000, and we have a tiny proportion of Scotland's overall population. It can be an absolutely massive problem in some Highland areas; indeed, in my ward of Badenoch and Strathspey, there is a chronic shortage of housing, and it is partly caused by second homes and short-term lets.

The one thing that I would agree with is the need for the balance to be redressed. It is not about eliminating second homes entirely—it is about shifting the balance.

**The Convener:** Fergus Walker wants to come back in.

**Fergus Walker:** I agree with a lot of the comments that have been made. In Argyll and Bute, we have not seen a reduced number of second homes in the past few years. Since Covid, certainly, the number of second homes has increased back to the level that it was at in 2017; it had been declining, but since Covid, it has gone back up again. We are now seeing an increase in the number of second homes, and it is putting a lot more pressure on us in terms of availability of housing and the provision of services.

I agree with some of Timothy Douglas's comments. There needs to be wider consideration of the matter. The legislation is definitely a step in the right direction, but the housing system is complex and we need to consider things holistically. We in Argyll and Bute are keen to be a bit more ambitious and to have more wide-ranging consideration of the issue of housing stock availability and how it is negatively affected by the impact of second homes, holiday lets and long-term empty properties. That is the position in Argyll and Bute.

09:45

**The Convener:** Great; thank you very much. Councillor Lobban, I see that you want to come in but I will move on, because we have a lot of questions. We might cover it or you can tuck in your response later.

This is a question for our council representatives, and it goes back in time, pre-Covid. In 2017, councils gained powers to reduce the council tax discount on second homes. What impact has the change had on the number of second homes in your area?

**Councillor Lobban:** It has had almost no impact, to be perfectly honest. It did not change very much at all. We introduced a 100 per cent charge, but it barely dented the number of second homes. Collection rates are still well above 99 per cent, so I do not think that it has had any impact at all.

**The Convener:** Okay; thanks. Gareth Waterson, what about in Orkney?

**Gareth Waterson:** Similarly, the reduction in the discount has made no discernible difference in Orkney. Something that has worked against us in that regard is that we score very highly in the lists of best places to live in the United Kingdom, which attracts quite a lot of people to Orkney either to retire—that is another issue—or to get a second home. Therefore, we did not see any discernible difference.

**The Convener:** Fergus Walker, how has it been in Argyll and Bute?

**Fergus Walker:** When we got the ability to increase the charge—or remove the 10 per cent discount and effectively increase the charge to the same rate as council tax—we saw a small reduction in the number of second-home properties in Argyll and Bute, which went from about 3,400 down to about 3,100. There was a movement down the way for some years, but, as I said before, since Covid, the number of second homes has significantly increased again. We are now up at 3,234 properties.

**The Convener:** I will stick with you and tuck in another question. Has there been discussion in the Argyll and Bute area about whether you will charge a premium for second homes and what process you will undertake to make final decisions? Do you have an estimate of the likely income from the increase?

**Fergus Walker:** Yes. There have been discussions in Argyll and Bute already about charging a premium on second homes. There is a proposal, which is going to council later this week—on 23 November—to charge 100 per cent extra on second homes, if the legislation and regulations go through. If we do that, given the

number of second homes in Argyll and Bute, I reckon that we will be billing about £4.9 million in additional council tax next year.

I am making the very prudent suggestion that we will collect about £4.2 million. That is probably quite a low estimate. I have suggested to councillors that we assume a prudent 85 per cent collection rate, which is the same as the rate of recovery that we currently have for long-term empty properties. However, I am pretty sure that we will collect more than that. That is the position in Argyll and Bute at the moment.

**The Convener:** Thank you very much. It is wise to be prudent on those numbers. How about in Highland Council?

**Councillor Lobban:** We reckon that the financial impact will be somewhere between £4 million and £5 million, depending on the collection rate and other factors. Even if we are being quite prudent, we would expect the collection rate to be much higher than the 80-odd per cent that has been mentioned. We would expect the percentage to be well into the high 90s.

**The Convener:** Are you going to go for the 100 per cent premium?

**Councillor Lobban:** We would be, yes.

**The Convener:** Gareth Waterson, how about in Orkney?

**Gareth Waterson:** I do not have a paper drafted yet, but based on our record of increasing council tax last year by 10 per cent, I think that the council will be minded to apply the full 100 per cent premium if it can. If there are no changes in the numbers of properties, that would give us about £550,000 of additional council tax revenue.

**The Convener:** Thank you very much—that is really helpful.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning, everyone. I would like to get your views on whether the proposal will effect change and whether second-home owners will, in fact, change the way that they use their property. I will start with Bill Lobban.

**Councillor Lobban:** I think that it will lead to change. At the moment, 29 per cent of those who have second homes claim that they will sell their property, although whether that is the case will be down to individual circumstances. However, one of the good things that we might see is for those properties to go back into the general housing market, which would be something to be applauded. Alternatively, if people retain those homes and we have the increased income, that will also assist us. It is a good thing, rather than a bad thing.

**Eilidh Keay:** I think that the policy will lead to change. Living Rent would like it to be delivered with a programme that specifically targets people who are looking to sell second properties, either through council buy-back schemes or by encouraging those people to put their properties on the long-term rental market. The stated purpose of the policy is to increase housing supply, but we should also consider that it is about changing behaviour. We should focus on ensuring that everyone has a home to live in before people can own second properties, and a policy such as this one would do that.

**Willie Coffey:** Will the policy actually bring about the change that we are hoping for? I ask our colleagues from the islands to comment on that.

**The Convener:** Timothy Douglas wants to come in.

**Timothy Douglas:** We surveyed our member agents in Scotland on the issue of charging a council tax premium for second homes on top of regular council tax rates, and 75 per cent either disagreed or strongly disagreed with the proposal. When we asked those who disagreed about the impact that the proposals would have, three things came out of that. Agents just do not think that the policy will increase the sale of second homes or lead to an increase in home owners. Then there is concern about landlords moving out of the short-term lettings industry and a reduction in demand for buying homes to rent. At Propertymark, we struggle to see what the effects will be.

There are precedents to look at. For example, earlier this year, in April—I accept that we are still only roughly nine months on from that—the Welsh Government gave local authorities the ability to increase council tax premiums on second homes and long-term empty property by up to 300 per cent. Again, 79 per cent of our member agents in Wales did not see that as an effective mechanism for tackling the housing issues there. I acknowledge that it is early days, but only a minority of local authorities have chosen to adopt that higher premium on second homes. That is something for the Scottish Government and the committee to monitor alongside the decisions in Scotland.

To pick up on what the previous speaker said, Propertymark believes that there are other measures that councils could be considering, such as leasing schemes for the properties concerned. Where second homes are being left for a long time, are local authorities engaging with the owners on a leasing scheme? Obviously, the licensing of short-term lets has come in, and other Governments across the United Kingdom are now looking at following what Scotland has done.



The other issue is business rates. Obviously, there is a disparity, in that a property is classed as a holiday let if it is let for a minimum of 70 days, whereas it has to be lived in for only 25 days for the council tax measures to apply. Perhaps that should have been looked into in more detail in order to balance things out.

**Fergus Walker:** In Argyll and Bute, we think that the draft regulations are a step in the right direction and will have an impact, although we think that more probably needs to be done. Next year, the Government might be considering introducing a power to increase council tax by up to 300 per cent, as has been done in Wales. Obviously, it would be useful to see what the impact has been in the first year in which authorities have had that power in Wales. We do not have that learning yet, but we will see where that goes.

As I said, there needs to be wider consideration of the other issues that affect the availability of housing stock, such as planning permission and the ability to place title burdens on new residential properties that are not specifically applied for as second homes or holiday lets. It would be useful if we could have powers in those areas to prevent people from converting properties that possibly should be lived in as domestic dwellings to second homes or holiday lets. That is possibly something for further down the line, but it would, we hope, increase the availability of housing supply locally. However, we certainly think that the draft regulations are a step in the right direction.

**Gareth Waterson:** On the point that Councillor Lobban made, the funds that are raised should be reinvested in housing. We have a couple of initiatives with island housing development trusts—we are giving them some assistance, which they are using to supplement rural and islands housing funds funding to build houses in their local areas. We do not have a huge waiting list for social housing in those areas, but that is perhaps because there is very little social housing there, and so we do not use that as a metric. However, the communities certainly believe that there is real demand in their areas so, if the funds that are raised through the measure were to be reinvested in housing rather than just going into council tax coffers, that could make a difference.

**Willie Coffey:** Thanks very much for that, everybody. Some of you have anticipated my next questions, which were about the Welsh experience. However, I want to ask about other potential incentives. Tim Douglas gave a few examples of those, one of which related to leasing. Do you see other mechanisms being used alongside the measure or instead of it? A view from all the panel members would be helpful to give a balance, but I will first go back to you, Tim.

**Timothy Douglas:** Fundamentally, there needs to be more research into the reasons behind second home ownership, what causes homes to become empty for the long term and the usage of such homes. That will obviously vary across the country. We do not know enough about the causes, and that obviously leads to one-size-fits-all policies. As I said, the majority of our members disagreed that a higher tax premium should be applied. Of those who agreed, 50 per cent said that the tax premium should be at 50 per cent; roughly 37 per cent said that it should be at 100 per cent; and 12 per cent said that it should be at 200 per cent.

There is probably an acknowledgement that this is the direction of travel of policy but, as I say, it seems to be an additional tax on wealth, considering that, if you buy a second home, you have already paid an additional dwelling supplement, which leads into our point about the redistribution of that money. However, I think that local authorities should look into a leasing scheme as an alternative.

**Eilidh Keay:** We have talked a lot about supply, and it is important that we interrogate what type of supply we are talking about. Ideally, we would want the outcome to be predominantly an increase in council homes. Therefore, what is needed alongside the measure is the delivery of greater powers for local authorities to be able to buy back properties, perhaps through financial assistance from the Scottish Government.

Changes to the planning system should also be considered. We have touched on what the Welsh Government is doing, and I imagine that we will do so again but, alongside its policy programme for the measure, it gave local authorities the power to change the local planning system so that second homes would also require planning permission. That creates a specific class use, which makes it easier to track things such as taxes.

The point that I am trying to get at is that, when we talk about second homes, we are covering a very broad topic. There are three distinct uses of such properties; there are empty homes, second homes—which are holiday homes—and secondary lets. It is important that consideration be given to there being some discretion relating to how the three different property types affect local supply. Obviously, the approach to incentivising use of empty homes is very different from the approach to reducing the number of secondary lets or holiday homes.

10:00

**Willie Coffey:** Bill Lobban, do you have any views on other incentives or mechanisms?

**Councillor Lobban:** We could remove the small business bonus scheme for domestic properties. The small business bonus scheme is a great idea—it incentivises small businesses, start-ups and so on—but its impact on domestic properties is out of proportion to the benefit. If, all of a sudden, you change your second home into a short-term let, you can apply for the small business bonus scheme if your income is below a certain level, which means that you pay neither council tax nor non-domestic rates. I do not think that that was ever the intention of the policy, so that glitch should be removed.

**Willie Coffey:** Does anyone else have any views on alternatives?

**The Convener:** Fergus Walker wants to come in.

**Fergus Walker:** [*Inaudible.*]*—absolutely brilliant. The small business bonus scheme should not be applicable to self-catering units in relation to non-domestic rates. Councillor Lobban is spot on with that comment.*

Mr Waterson from Orkney suggested ring fencing some of the income for affordable housing. In Argyll and Bute, we would not support that. We are keen to have the discretion to use the additional funds in any way that we see fit, because more than £2 million of council tax income every year is already ring fenced for affordable housing. The issues relating to building affordable homes are about more than just money. We are keen to use the additional funds for essential services, infrastructure development and community projects, so we would not support them being ring fenced.

I repeat that I support what Councillor Lobban said about non-domestic rates and not applying the small business bonus scheme to self-catering units, because I think that the policy is intended to support genuinely small businesses, rather than self-catering units that are being let out for housing and tourism.

**Timothy Douglas:** I want to pick up on a point that one of the witnesses in the room made. It is important to define second homes. Given that housing issues have become more complex, with the addition of holiday lets and the increase in the number of short-term lets, Governments need to look at some form of typology of second home ownership.

It goes back to—I will mention it again—the additional dwelling supplement. We need to address the huge demand crisis in the private rented sector, but a housing provider in the private rented sector—for example, a landlord who purchases a buy-to-let property—is taxed the same amount as a second home owner, even

though that property might not be being used, as we have discussed.

Alongside carrying out research into the causes of second home ownership and empty homes, we need to look at a typology of second home ownership that would lead to more progressive policies relating to land and buildings transaction tax and the additional dwelling supplement—ones that would support demand in the private rented sector and perhaps squash demand in the second home area, where it is not necessarily needed in order to tackle the challenges of today.

**Willie Coffey:** Colleagues have mentioned the Welsh experience, which Tim Douglas commented on in his submission. Do you have anything to add to that? Could anything from the experience in Wales help us to shape and drive our policy?

**Timothy Douglas:** I would say only that it is early days. Only a minority of local authorities are choosing to adopt the second home premium, so that may be a question for the councils. They could reflect on administration, the appetite to adopt the premium and whether they see the benefit of it.

**Eilidh Keay:** The Welsh Government has also increased the number of days for which a property must be let before a short-term let is eligible for non-domestic rates. As Bill Lobban touched on, there are many short-term lets across the country that do not pay anything in non-domestic rates because of the small business bonus scheme.

Andy Wightman, the former MSP for Lothian, wrote a report in 2017—I apologise that I do not have any newer statistics. His report, which pertains only to Edinburgh, showed that, before relief under the small business bonus scheme was granted, short-term lets would have paid roughly £8.5 million in rates on application of the non-domestic rates valuation. However, because of the small business rates relief scheme, the City of Edinburgh Council received a total of £3.7 million in a year, which is a difference of about £4.8 million. That amounts to a massive loss in revenue.

The Welsh Government has increased to 252 the number of days for which a property must be available to be let. That is based on the valuation rate, in that you are covering most properties and ensuring that they are paying either council tax or non-domestic rates, so most properties are not eligible for small business rates relief. Does that make sense?

**Willie Coffey:** Yes.

**Eilidh Keay:** You are encompassing all properties in the local taxation policy, rather than having a gap in the middle where a number of

short-term or secondary lets are not paying anything.

**Willie Coffey:** That is very helpful. I have a follow-up question. I am curious as to whether we have any figures on the average percentage of time for which a second home is occupied per year. Council colleagues may have a figure for that. If you live in your house, I imagine that that would generally count as 100 per cent occupation. What would that figure be for a second home?

**Timothy Douglas:** That is a very difficult question. We do not have approximate figures on that—it is the million dollar question. Any policy discussion of how to tackle the issue of short-term lets or holiday lets will lead into the question of how long or short “short term” is. We do not have data or information on that, but it would be interesting to know.

**Willie Coffey:** Does anyone else have an idea of what the percentage occupation is?

**Gareth Waterson:** My response is perhaps slightly anecdotal. You could look at second-home owners’ annual leave entitlements. If someone is taking most of their holiday leave and living in their second home for that period, it is probably quite ambitious for them to be able to be there even for 25 days—it would be difficult for a working person who has their second home in Orkney. They would have to travel to get here and, although if they stayed for four weeks they would have made it, they would be unlikely to have any more leave available. Retired people who have second homes can achieve that limit much more easily, but it is more difficult for anyone who is working. You could consider that sort of thing. A lot of our second homes on Orkney are barely occupied for the 25 days—that is probably about as much as they are occupied in the year.

**Fergus Walker:** I do not have an official figure for the occupancy of second homes, but I agree with what Gareth Waterson said.

It is early days, but all I know about what is happening in Wales, where local authorities have the power to charge up to a 300 per cent premium on second homes, is from a newspaper report. According to that report, Gwynedd Council has charged the highest premium, at 150 per cent, which is nowhere near 300 per cent. I think that the early indications are that the measure is moving some second homes back on to the property market, whether for sale or let. However, the issue is that the owners are still looking for high prices for second homes in that area, so those properties might still not be accessible or affordable.

That is the only early information that I have had from Wales. I do not know whether that helps. It is

certainly not official information—it is just something that I have read.

**The Convener:** I bring in Mark Griffin.

**Mark Griffin (Central Scotland) (Lab):** Good morning. I am really interested in the discussion that we have had on non-domestic rates and the small business relief scheme, and how the proposal that we are considering might—if it goes through—impact on the income that is generated for councils. All three council reps have talked about the modelling on the income that they might receive as a result of the proposed measure. Are you at all concerned about behaviour change, with second home owners switching to short-term lets so that they become eligible for small business rates relief, which would have an impact on the income that you generate? Have you done any modelling on that as part of your calculations?

**Councillor Lobban:** I do not think that we have done exact modelling, but that is a really big question. There is a possibility that some people may do what you have suggested, but we have no figures on how many may do that. It is a really big question, and it is something that we need to get to the bottom of. I think that using some process to remove the small business rates relief would make a big difference.

**Mark Griffin:** Do any of our council colleagues online wish to comment?

**Fergus Walker:** That is a really good question. The modelling that we have done so far assumes that there will be no change in behaviour, but I know for a fact that there will be some changes in behaviour.

Incidentally, at the moment, the law is that for a property to be classed as a self-catering unit from the point of view of non-domestic rates, it must be actually let for 70 days or advertised for let for 140 days. For a number of months, our assessor at Dunbartonshire and Argyll and Bute valuation joint board has been conducting a review of all self-catering units in Argyll and Bute, of which there are more than 2,200. A number of properties have failed that test, come out of non-domestic rates and gone on to council tax, either as second homes or long-term empty properties. There has been a bit of an increase in that already and the valuation joint board has not yet concluded its review. Therefore, in the short term, I expect that our second home numbers will go up. However, when we start to charge a 100 per cent premium on second homes from next year, those numbers could potentially go back down, because people will argue that those properties have been actually let for 70 days.

We might see a change in behaviour, but it is difficult to anticipate exactly what that will look like in terms of numbers. I understand that, in its

recent consultation, the Scottish Government asked for information on what councils might be in favour of as regards an increase in the number days for which a property has to be actually let before it can come off council tax and go back on to rates, or as regards a self-catering unit qualifying for non-domestic rates.

The issue is totally up for debate. Obviously, we would be keen for those numbers to be pushed up a bit, so that it is harder for people to qualify for non-domestic rates. However, it will be difficult. That is potentially a little loophole that we might want to try to close by increasing the figures on the rates side.

**Gareth Waterson:** [*Inaudible.*]—change in behaviour, as Fergus Walker has just outlined, just as we will see a change in some of the properties that are sold, as people decide that it is expensive to have a second home that they are not making use of. Others will say, “We want to hold on to it. How can we do this more cost effectively? If we can shift it on to non-domestic rates, we will pay nothing.” All three councils are concerned about that. If the small business bonus scheme is not revised, a lot of the short-term let properties could come across to council tax, perhaps with a discount. In my view, bringing everything into council tax could be done to the advantage of councils, the tax collected and the general funding of councils.

10:15

**Councillor Lobban:** When we modify the council tax charge for properties there is always a risk that there will be a wholesale shift to non-domestic rates. However, the last time that we changed the charges, that did not materialise. Perhaps it will this time, because of the amount of change, but that certainly did not happen last time. I would imagine that many people will want to keep their property, rather than use it as a short-term let.

**Fergus Walker:** Reflecting again on behavioural change, we introduced a double charge on long-term empty properties in Argyll and Bute from 1 April 2014, and there was behavioural change then. I think it was for avoidance in some cases. Many people who had long-term empty properties told us that they were staying in those properties for more than 25 days a year, and they were therefore shifting over on to second homes and not getting the double charge. That is behavioural change, and it is difficult to stop without having somebody sitting on a doorstep 24/7 looking at what is happening at the properties. It is really difficult to mitigate against such behavioural change. There was a movement back in 2014, and I think it is likely that there will

be a bit of a movement again, but hopefully it will be in small numbers.

**Mark Griffin:** You have touched on the next point that I wanted to make. The Government has consulted on a wider package, which includes increasing the levels for long-term empty homes and changing the thresholds for short-term lets. Are members of the panel happy about the regulations being made in isolation, rather than having the holistic package that the Government has consulted on, which could potentially stop some of the behaviour change and unintended consequences that we have been speaking about?

**Eilidh Keay:** I agree that a wider package of policy needs to be delivered. One problem, particularly with short-term lets and non-domestic rates—which Fergus Walker touched on—concerns how we know that the properties are let out for the time that people say. I know for a fact that there are lots of reputable people who operate secondary lets, but there are also some people who are not reputable. People can go online and book their own property for a certain number of days and submit that information as evidence for getting on to non-domestic rates and applying for small business rates relief. Then they cancel the bookings.

The Scottish Government has introduced licensing that gives local authorities the ability to apply for control areas, which would allow them to use planning, but in the case of second homes—whether holiday homes or secondary lets—consideration should be given to local authorities having specific class use so that we can get a sense of the typology of the properties and so that we can track them better. I hope that makes sense.

**Mark Griffin:** Yes—thank you.

**Councillor Lobban:** It would be really helpful to consider legislative and policy changes together. We appreciate that that is perhaps not possible as far as Scottish Government legislation is concerned, but to deal with the entire thing holistically would be an improvement, rather than dealing with things piecemeal, in smaller bits and pieces. That may be something for you to decide, rather than us.

**Timothy Douglas:** A holistic approach is always welcome, but the missing piece of the jigsaw—the area that the Scottish Government has not examined and should shine a light on—is a review into the impact of all taxes affecting private landlords. Carrying out such a review is potentially part of the puzzle. That would perhaps lead to the identification of the impact of landlords leaving the private rented sector and going to the

short-term lets market, which, again, impacts on second homes.

We have long said that the Scottish Government should review all taxes impacting private landlords, including the knock-on impact since the ADS came in and on short-term lets. Gathering that information would be a welcome piece of the puzzle.

**Fergus Walker:** It is really good that the Scottish Government wants to give us the powers to charge double council tax on second homes from next year. That will bring that charge up to the same level as the council tax charge on long-term empty properties and will make that side of things a lot easier for us to administer. It means that we can avoid those cases—it closes the loop—in which somebody with a long-term empty home is telling us that they are living in it for 25 days a year when they clearly are not.

I see the proposed measure as an evolution. If we get these powers to use from next year, that will be a really good start and good for us. After that, we probably need to take a more holistic look at all the other measures that might help us to get a handle on the issue and to get a bit more control over second homes and long-term empty homes. We also need to look at rates in relation to self-catering units. A more holistic review later on would be great. In the interim, the proposal to implement the measure for next year is really good one.

**Mark Griffin:** Thank you.

**The Convener:** I will bring in Marie McNair.

**Marie McNair (Clydebank and Milngavie) (SNP):** Some respondents to the Scottish Government consultation thought that the proposal was unfair to second home owners, because they use local services less than permanent residents, and they might have already paid an additional dwelling supplement. Timothy Douglas, you have talked quite a bit about that already, but would you like to add any additional comments? Does the proposal provide a fair balance between the general interest and second home owners? It would be great to hear any additional comments that you have, although I know that a lot of that has already been covered.

**Timothy Douglas:** I do not have too much to add. The feedback that we get from members is that it is not an effective policy area. As I said, other things should be looked at.

I have nothing further to add at this stage.

**Marie McNair:** Does anyone else want to come in on that? I see that Bill Lobban does.

**Councillor Lobban:** We already charge 200 per cent council tax on long-term empty

properties. I see little difference between such properties and holiday homes. Council tax is not direct taxation for whatever services we provide. I do not have any kids at school, but I still pay council tax. I find that part of the argument to be a bit superfluous. Council tax is effectively local taxation for the provision of a total range of services.

I disagree with what was said earlier about ring fencing. As far as the Verity house agreement is concerned, if we are allowed to raise that extra taxation, you must allow councils to decide how to spend it in their area and how much to raise. That is really important.

**Marie McNair:** As someone who was previously a councillor, I totally understand that.

Convener, the next question that I intended to ask has been covered, so I pass back to you.

**The Convener:** Okay. I will now bring in Stephanie Callaghan, who joins us online.

**Stephanie Callaghan (Uddingston and Bellshill) (SNP):** Bill Lobban said that he does not believe that money should be ring fenced, and I think that somebody else mentioned that, too. What are your thoughts, and those of the other witnesses, on whether there should be any restrictions on how the additional revenue raised from the measure is used? How has any additional income from reducing council tax discounts on second homes been used? Has it helped increase the supply of affordable housing?

**Councillor Lobban:** I am not sure that I quite got the question.

**Stephanie Callaghan:** That is okay. I am interested in whether people agree that the additional money should not be ring fenced, and whether any income from reducing council tax discounts on second homes has helped to increase the amount of affordable housing.

**Councillor Lobban:** In some cases it has. We already have to ring fence for land banking. The first 40 per cent of the charge was set in the original legislation. Subsequent legislation should therefore not apply ring fencing; instead, it should give councils more options for delivering more affordable housing or whatever else we use the money for.

**Fergus Walker:** I agree with Councillor Lobban 100 per cent. We ring fence more than £2 million a year for the provision of affordable housing, and the money goes directly into our strategic housing fund. That is the value of the council tax that we collect—the difference with regard to the 50 per cent discount on second homes and the 10 per cent discount on long-term empty properties—and the money goes into the strategic housing fund and is ring fenced for affordable housing.

Providing affordable housing is about more than money; it is not a simple case of creating more funds to allow it to happen. As I have said, we have huge issues with the lack of accommodation in our small, local and indigenous communities and with the reduction in our ability to maintain lifeline services such as fire, police, education and health. Those things are important to those communities, and we should have flexibility per the Verity house agreement to use additional funds in any way that we see fit to support those communities across Argyll and Bute. We would definitely not support ring fencing that money.

**The Convener:** As no one else wants to come in on that question, Stephanie, you can move on.

**Stephanie Callaghan:** That is fine.

I am interested in the grace period in the regulations, which applies when a new owner undertakes renovations and repairs within six months of purchasing the property. Do you agree with that? Will it encourage empty home owners to bring their properties back into use?

**Councillor Lobban:** We agree with that proposal 100 per cent. Anything that we can do to bring properties back into use, irrespective of their use, needs to be encouraged. We would certainly encourage anyone to bring their property back into use. We appreciate that, if someone takes over a property that is not of a habitable standard, we need to give them some sort of grace period to invest money in it, bring it up to a certain standard and make it a permanently occupied dwelling.

**Stephanie Callaghan:** Do you think that six months is enough or should there be a bit more flexibility?

**Councillor Lobban:** Again, I think that there should be more flexibility. Six months might be perfectly adequate if the buyer is just upgrading the property, but if the property is semi-derelict, as some are, it might take a bit longer than that. Councils should be allowed the discretion to decide, almost on case-by-case basis, whether they should allow additional time.

**Gareth Waterson:** The grace period will be very welcome. After all, some islands in Orkney have properties that need to be done up, but it is difficult to get a contractor to go to the islands at the moment. The Orkney mainland has an overheated building market, while somewhere like North Ronaldsay, with a fairly small number of properties, has difficulties with getting a contractor at all. There are no building contractors on North Ronaldsay, and it is virtually impossible to get a contractor to give up work on the Orkney mainland if they can just leave home to go to work instead of having to stay over—as they would have to do on North Ronaldsay.

It is therefore important that local authorities have the ability to exercise maximum discretion on a case-by-case basis. It might take two or three years to persuade a contractor to do the work—and, indeed, to come up with the extra money that it will cost to get someone to come out and do a house up.

10:30

**Fergus Walker:** We definitely support a grace period for long-term rented properties. In fact, we have been operating that way for a number of years now. Since introducing the double charge on long-term rented properties, we have put in place our own policy in that respect and have given a grace period to new owners. At the moment, under our policy, a new owner gets 50 per cent discount on their council tax for six months to allow them to make renovations, followed by a 10 per cent discount for another six months if their property is under repair. We also have the discretion to award 10 per cent discount for another 12 months to people who are renovating their properties.

That means that we give a new owner up to two years to bring a property back into use before we hit them with a double charge. The reasons for that are multiple. First of all, the policies have evolved over time. We previously lost an appeal at a valuation appeals committee. Well, actually, we won the appeal—the decision that we made followed the regulations at the time, so we made no mistake—but the panel made the very good recommendation that we ease our policy to allow people more time to bring properties back into use, given that some are in quite a bad state of repair. That is why we have moved to allowing two years before somebody is affected by the double charge.

We are also really struggling to attract professional planners to the organisation at the moment, as a result of which it can take longer than it should to get permission through our planning process. That is another good reason for delaying the double charge on such properties. Moreover, a lot of Argyll and Bute is in a conservation area, which means that there are loads of listed buildings with loads of complications.

As a result, our policy has evolved, and we now allow discounts for up to two years. We allow six months at 50 per cent discount and then up to 18 months at 10 per cent, with a potential double charge if a property is not brought back into use. That is our current policy, and it is why we think that a grace period for empty homes is a really good thing to build into the regulations. However, I would absolutely not support the same approach for second homes.

**The Convener:** You are clearly pointing to the need for a nuanced approach to topography and to all these different properties. I see that Timothy Douglas wants to come in.

**Timothy Douglas:** PropertyMark would also welcome a six-month grace period—it is certainly a sensible move—and we would then want the policy to advance to ensure that the number of empty properties decreased. From conversations with our members, I think that some sort of grant funding would be welcome. The Welsh Government implemented a £50 million grant fund to bring empty homes back into use, and there could be a similar separate fund that first-time buyers could access to do up empty homes and get them back into use.

All of this plays into a more progressive approach to incentives. If someone takes on an empty home, renovates it, gets it back on to the market and back into use and thereby helps to meet the needs of the local community and local authority area, what incentive should we be offering them? Should we offer a rebate on LBTT or council tax, perhaps, or on the other taxes and charges that they have incurred and will incur?

**The Convener:** Stephanie, do you have any more questions?

**Stephanie Callaghan:** Yes, I have a final one. I am interested in hearing the panel members' views on how the draft legislation links with the Scottish Government's long-term housing aims as set out in "Housing to 2040".

**Councillor Lobban:** Again, I can speak only for Highland, but we are looking to build—or need to build—14,000 new homes over the next 20 years for a variety of different classes. We need something like 30 per cent of them for general market housing, nearly 50 per cent for social rent and 20-odd per cent for assisted rent. Anything, including what we have been discussing, that can assist us in providing housing has got to be a good idea. When you have something like 9,000 people on the housing and transfer list in such a small place as Highland—and by "small", I mean not geographically but population-wise—it is absolutely critical that you think of innovations to increase the supply of housing.

**The Convener:** Thank you. Would anybody else like to comment?

**Eilidh Keay:** Just to echo what I said earlier, I think that we need to increase supply, but it is absolutely prudent to interrogate the form of that supply. According to research from the London School of Economics and Political Science—which I understand pertains to England, but the sentiment can be applied to Scotland—bringing back empty homes that people buy rather than council homes will further enforce the advantages

accumulated by home owners versus tenants. It is important that, if we are to take a holistic approach to deliver better supply, we have social homes, given the chronic lack of supply of social homes in Scotland as well as an overreliance on the private rented sector.

I want to say more about the general purpose of the policy in increasing and incentivising use. We know that council tax is particularly regressive for a number of reasons; indeed, I am sure that people in this room will know why. Ultimately, if we want best use of property, we need to look at replacing the council tax and the non-domestic rates system, ideally with a land value tax. The reality is that, ultimately, council tax does not incentivise best use. As the Scottish Government aims to fulfil the "Housing to 2040" strategy, we need to consider quite radical changes to the broader housing market and how land is best used.

**The Convener:** Do you want to say a little bit about why LVT would be better than council tax and NDR?

**Eilidh Keay:** From a tenant's perspective, council tax functions as a local property tax. A tenant does not own a property. I understand that council tax revenue is for local services, but when there are cuts, it is working-class people who face those cuts the most. On the issue of second homes and not paying premiums, the fact is that second homes take away from local services, so tenants and working-class people tend to face those cuts the most.

LVT, as it is designed, can be administered in a number of ways. I am no tax expert—I just have an interest in it—but LVT would be a taxation on the land, not the property. Therefore, it incentivises use based on the way in which it is administered. It would not come as a cost to tenants or working-class people, because it would be for landowners or property owners. I can send over further detail on that, if you like.

**The Convener:** Thank you. Does anybody else want to come in on Stephanie's initial question about the connection to the Scottish Government's long-term housing aims under "Housing to 2040"? In a way, we have talked around it, but there is an opportunity for witnesses to say something, as we have a bit of time in hand.

If not, I will ask a question on grant funding, which Timothy Douglas brought up—I thought that that was interesting—then I will bring in Mark Griffin. Timothy brought up the idea that, as well as having a grace period, we should move the agenda on around empty homes. You suggested grant funding, and you mentioned that Wales has a £50 million grant fund to get empty homes back

into use. You also had the idea of a first-time buyer fund.

Maybe this is not a question for Timothy, but is for the councillors. What do you think about the idea of money going to support people who have bought empty homes? I do not know whether it would be possible legally—we might need legislation—but could there be a grant fund to incentivise bringing property back into use, with the local authority somehow getting a percentage of the money that is made from homes after the grant is invested?

Rather than just giving away our public money all the time, we need to think about how we might incentivise what we want to happen while also seeing returns to local authorities.

**Councillor Lobban:** That is a really good idea. People should not just be given a gift of public funds to bring a dwelling back into use. If we are to do incentivisation it must be to bring homes back into permanent use. We should not be helping people to buy holiday rentals in the middle of nowhere, where all that is left standing of the house is the gable ends. The process must be to bring homes into permanent use. Maybe we should think about giving councils a golden share, so that they have that if the property is sold later. It requires quite a lot of thought.

**The Convener:** Certainly. The idea of the rural housing burden is being spoken about quite a lot. That could be an interesting approach. Does anybody have thoughts on that?

**Eilidh Keay:** I echo Bill Lobban. We have to ensure that homes will be for permanent use—especially social housing. I want to say specifically that if the Scottish Government intends to allow people to renovate, money should not be allowed for secondary lets. A report was given to the City of Edinburgh Council’s planning committee in June this year during consideration of the licensing scheme and the control zone. It is called “Economic Impact of Residential and Short-Term Let Properties in Edinburgh”, and it states:

“The gross value added effects are greater for residential uses than short-term lets across all property types and all areas.”

Things such as GVA and community wealth building should also be considered with implementation of the policies to ensure that the money remains within the local community and that it is productive.

**Mark Griffin:** If we are talking about change-effecting behaviours and the policy potentially leading to second-home owners selling, I hope that councils would be in a position to buy any such homes that were being put on the market. Timothy Douglas spoke about the additional dwelling supplement applying to private landlords,

but do council colleagues have views on the additional dwelling supplement still applying to councils, and would you like that to be removed so that you could support buy-back programmes to increase the supply of affordable housing and social housing in your local authorities?

**Councillor Lobban:** We have not actively considered that, but the idea is certainly worth progressing. We buy houses on the open market these days: we would be prepared to consider purchasing homes, if they were affordable and were the right properties in the right places, from people who are trying to divest themselves of a holiday home. I presume that people from other councils would feel the same.

**Mark Griffin:** What is your view on local authorities having to pay the additional dwelling supplement? It seems like a tax that is circular in nature, and something from which local authorities should be exempt.

**Councillor Lobban:** I agree 100 per cent that councils should be completely exempt from the supplement. There is no doubt about that.

**Gareth Waterson:** Housing associations are exempt from LBTT, so they would not pay the additional dwelling supplement. We tend to encourage the housing association to do that; it has influenced a number of purchases that the association has pursued. The association is a charity, and is therefore exempt. The housing revenue account—HRA—has special VAT status; if it had LBTT status as well, that would be particularly helpful.

**The Convener:** Great. Timothy Douglas, I see that you want to come back in, so please do so, then Fergus Walker can answer the question on ADS.

10:45

**Timothy Douglas:** I will pick up on the grant funding. There is a question for local authorities about whether there should be a speedier process for obtaining compulsory purchase orders, as has been alluded to, in order to purchase or—as I said earlier—lease properties so that they are in use.

There is a policy proposal in the Levelling-up and Regeneration Act 2023 that could be mirrored and developed; it gives councils powers to replace a requirement on landlords to find tenants for long-term vacant commercial properties in towns and city centres. That policy area could be looked at in more detail across the country, and translated to empty homes, so that local authorities would have more powers to compel owners to live in the property, rent it out or put it on the market for sale after a certain amount of time. That has been



looked at in respect of commercial property; it warrants more thought in relation to empty homes.

**The Convener:** That would be an interesting policy to pursue.

**Fergus Walker:** I totally agree with the comments from Highland Council and Orkney Council on the ADS and councils' ability to purchase second homes. Combining that with more flexible funding from the Government's more homes division could allow the purchase of some second homes in key locations, which might then come on to the market. That would allow the opportunity to prevent those homes from subsequently being used as anything other than principal homes. That would be positive.

I go back to the question about grant funding, which is also a great thing. It would be good if that was available along with powers for local authorities to require planning permission when a property has been developed and brought back into use. We would like to have powers over planning permission to check any change in use of a residential property from its being a primary dwelling. That would be a good and serious consideration, because that could stop the property becoming another second home; we would want it to be a primary residence.

Another control could be the ability to place title burdens on new residential properties that are not specifically applied for as a second home or holiday let. That sort of change would be useful in relation to the grant scheme that we talked about.

**The Convener:** Great; there are many things to pursue, there.

That brings us to the end of our questions. We have a bit of time if anyone feels that we have not pursued an area in depth. I do not see anyone wanting to speak.

It has been helpful to hear all your perspectives; as I said, we have unearthed more areas to consider. Our general objective is to get more housing and to make sure that people have a home before other people have second homes.

We will hear from the Convention of Scottish Local Authorities and the Minister for Community Wealth and Public Finance on the regulations at the committee's meeting on 5 December.

We agreed to take the next item in private.

10:48

*Meeting continued in private until 11:36.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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