

# Empty council properties

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## Introduction

Local authorities own a wide range of non-residential properties, from shops and warehouses to schools and libraries. A 2020 report by the National Audit Office (NAO) found that this trend has grown, with local authorities spending £6.6 billion on commercial property from 2016-17 to 2018-19, 14.4 times more than the preceding three year period.<sup>1</sup> When properly utilised, such properties can provide a critical revenue stream for councils, reducing their reliance on council tax and allowing for a lower tax burden.

This is significant as council taxes continue to rise, with nearly all local authorities raising it by the maximum amount permitted in 2024-25, resulting in households seeing their council tax bills increase by 5.1 per cent to £2,171 for the average Band D property.<sup>2</sup> Before councils seek to extract more revenue from residents, it is essential that they fully utilise the resources already at their disposal, including any council owned commercial properties. While some periods of vacancy are to be expected in between tenants or for refurbishment works, commercial properties left vacant for long periods of time represent not only an inefficient use of resources, but a burden on taxpayers who still have to pay to upkeep the properties in the absence of a tenant.

This research examines non-residential properties owned by local authorities that were vacant for either all or some of a two year period from 1 January 2022 to 31 December 2023, including information on what councils spent insuring, maintaining, renovating, and providing security for these properties. It follows work previously done by the TaxPayers' Alliance (TPA) in 2019 looking at data from 1 January 2016 to 31 December 2017.<sup>3</sup> By comparing the number of unoccupied properties across time and between local authorities this research aims to provide a broad indication of where council resources are potentially not being fully utilised.

## Key findings

- Between January 2022 and December 2023, at least **4,908** council-owned non-residential properties were vacant for all or part of that time.
- **172** councils provided data on their unoccupied non-residential properties for both January 2016 to December 2017 and January 2022 to December 2023. Among this group the number of unoccupied properties grew by **11.2 per cent** from 3,206 to 3,564.
- Size data was provided for 3,408 properties that were empty for one month or longer between January 2022 and December 2023, totalling **8,347,680 square meters**. This is nearly **three times** the size of the City of London.<sup>4</sup>
- The total cost of insuring, securing, maintaining and renovating properties that were empty for one month or longer between January 2022 and December 2023 was at least **£88,478,082**.
- **£61,991,086** of this was renovation costs, with five empty properties comprising **£25,950,175** of this sum between January 2022 and December 2023.
- The most expensive empty property between January 2022 and December 2023 was **Parallax, 270 Cambridge Science Park** where renovations cost **£14,086,092**. It was unoccupied for 22 of the 24 months examined.

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<sup>1</sup> Davies, G., *Local authority investment in commercial property*, National Audit Office, 13 February 2020, p.4.

<sup>2</sup> Wallis, W. & Williams, J., Council tax bills across England rise by maximum allowed, *Financial Times*, 21 March 2024.

<sup>3</sup> Hutton, J., *Hollow high streets: empty council owned commercial properties*, TaxPayers' Alliance, June 2019, [www.taxpayersalliance.com/hollow\\_highstreets\\_empty\\_council\\_owned\\_commercial\\_properties](http://www.taxpayersalliance.com/hollow_highstreets_empty_council_owned_commercial_properties), (accessed 8 August 2024).

<sup>4</sup> City of London, *Our role in London*, 1 August 2024, [www.cityoflondon.gov.uk/about-us/about-the-city-of-london-corporation/our-role-in-london](http://www.cityoflondon.gov.uk/about-us/about-the-city-of-london-corporation/our-role-in-london), (accessed 2 August 2024)

- Excluding renovation costs, councils with properties that were empty for one month or longer between January 2022 and December 2023 spent on average **£8,117 per property** and **£155,625 per council** insuring, securing and maintaining them.<sup>5</sup>
- The council with the largest number of empty properties between January 2022 and December 2023 was **Sandwell with 165** unoccupied properties, while **23** councils reported they had no unoccupied properties.
- The region with the most unoccupied properties between January 2022 and December 2023 was **Scotland** with **1,044** at a total cost of **£11,320,325**. The English region with the most unoccupied properties was the **South East** with **818** at a total cost of **£24,003,054**.

## Background

Since the previous iteration of this paper was released in 2019, there has been a global pandemic which resulted in significant changes to the use of commercial properties. As working from home becomes more prevalent, office space has been reimaged and repurposed, while changing shopping trends have led to reduced demand for retail spaces, impacting high streets. For example, from 2019 to 2022 vacancy rates for office and retail space in London rose by 10 and 6.2 percentage points respectively.<sup>6,7</sup> With the bulk of investment spending by local authorities from 2016-17 to 2018-19 being on the acquisition of office and retail property (£3.1 billion and £2.3 billion respectively out of £6.6 billion),<sup>8</sup> councils will need to adapt to ensure that these properties are utilised effectively.

Understanding the effect of the pandemic is particularly important as a significant proportion of local council spending on commercial property (between 38.5 per cent and 91.2 per cent)<sup>9</sup> has been financed through prudential borrowing from the Public Works Loans Board (PWLB), which provides discounted loans at taxpayers' expense.<sup>10</sup> The NAO highlighted that as these loans are not priced in accordance with risk, there is a possibility that authorities have paid a premium above the market rate to acquire property.<sup>11</sup> When rental income exceeds debt servicing costs, this is not a problem. In mid-2019 local authorities were issued PWLB loans at rates of between 1.5 and 2.5 per cent, while annual return rates on commercial property were in the region of 5 to 10 per cent.<sup>12</sup> However, a downturn in the property market that leads to falling rents or higher vacancies could mean that authorities will need to cover borrowing costs from other sources.<sup>13</sup>

This has the potential to become a serious problem for councils which have accumulated large commercial portfolios through debt and rely on income from these investments to pay it off. TPA data, analysed by *The Times* in 2021,<sup>14</sup> showed that 37 councils owned commercial property worth more than their core budgets, including 24 councils with commercial holdings double their core spending. Similar analysis by *The Guardian* in 2020 revealed that more than 30 local authorities receive at least a quarter of their income from commercial investments, making them particularly reliant on the success of these

<sup>5</sup> Average number of properties owned by a council multiplied by average expenditure per property.

<sup>6</sup> White, O. et al., *Empty spaces and hybrid places*, McKinsey Global Institute, July 2023, p.40.

<sup>7</sup> Ibid, p.52.

<sup>8</sup> Davies, G., *Local authority investment in commercial property*, National Audit Office, 13 February 2020, p.21.

<sup>9</sup> It is not possible to identify the precise source of financing as authorities' capital programmes are resourced as a whole from multiple sources. As discussed in Davies, G., *Local authority investment in commercial property*, National Audit Office, 13 February 2020, p. 8.

<sup>10</sup> Ibid, p.36.

<sup>11</sup> Ibid, p.9.

<sup>12</sup> Sandford, M., *Local government: commercial property investments*, House of Commons Library, 14 November 2022, p.8.

<sup>13</sup> Ibid, pp. 9-10.

<sup>14</sup> Greenwood, G. et al., Councils spend £6.4bn on commercial property, *The Times*, 16 September 2021.

investments.<sup>15</sup> Where local authorities are overly reliant on income from commercial properties to pay their debts or fund services, a downturn in this income could affect their ability to provide frontline services.<sup>16</sup> Woking, which had the second largest commercial property to spending budget ratio,<sup>17</sup> issued a section 114 notice in 2023, effectively declaring bankruptcy, halting all non-essential spending and raising council tax by ten per cent.<sup>18</sup>

The council with the highest commercial property to annual spending ratio was Spelthorne, which had an annual core spending power of just £10.9 million in 2020-21 but a commercial property portfolio of £959 million in that same period,<sup>19</sup> with net income from their commercial property investments being larger than their entire annual non-school's revenue expenditure in 2018-19.<sup>20</sup> While council officials claim that over a 50-year financing period the investments will generate a net contribution of £10 million a year,<sup>21</sup> properties in the portfolio have fallen in value by £81 million since purchase.<sup>22</sup> The council, which is £1.1 billion in debt and the second most debt-laden local authority in the country, has already had to increase its borrowing limit once after breaching it in April 2024.<sup>23</sup> Following a government commissioned review warning that the council's affordable housing programme could not be divorced from its already high indebtedness, and describing the council's approach as 'problematic',<sup>24</sup> Spelthorne council scaled back its affordable housing plan in order to avoid borrowing a further £284 million.<sup>25</sup>

This research shows that between January 2022 and December 2023, Spelthorne spent £4.3 million on 19 non-residential properties that were unoccupied for a month or longer, the third highest of any council. The sum included £3.2 million for renovating a ground floor office that was empty for more than 17 out of the 24 months examined.

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<sup>15</sup> Barr, C. and Butler P., Which English councils rely heavily on commercial investments, *The Guardian*, 13 July 2020, [www.theguardian.com/society/2020/jul/13/english-councils-rely-heavily-commercial-investments](http://www.theguardian.com/society/2020/jul/13/english-councils-rely-heavily-commercial-investments), (accessed 23 May 2024).

<sup>16</sup> Davies, G., *Local authority investment in commercial property*, National Audit Office, 13 February 2020, p.48.

<sup>17</sup> Greenwood, G. et al., Councils spend £6.4bn on commercial property, *The Times*, 16 September 2021.

<sup>18</sup> Dale, B., *Bankrupt council's tax to increase by nearly 10%*, BBC, 5 March 2024, [www.bbc.co.uk/news/articles/cw0zgd7w9l2o](http://www.bbc.co.uk/news/articles/cw0zgd7w9l2o), (accessed 2 August 2024).

<sup>19</sup> Greenwood, G. et al., Councils spend £6.4bn on commercial property, *The Times*, 16 September 2021.

<sup>20</sup> Ogden, K. and Phillips, D., *The financial risk and resilience of English local authorities in the coronavirus crisis*, Institute for Fiscal Studies, 22 June 2020, p.24.

<sup>21</sup> Holland, J. Spelthorne: 'our investments will generate £500m towards services over 50 years', *Room 151*, 25 July 2024, [www.room151.co.uk/interviews/spelthorne-our-investments-will-generate-500m-towards-services-over-50-years/](http://www.room151.co.uk/interviews/spelthorne-our-investments-will-generate-500m-towards-services-over-50-years/), (accessed 31 July 2024).

<sup>22</sup> Chartered Institute of Public Finance and Accountancy, *Spelthorne Borough Council Review of debt/investment risk profile July 2023*, July 2023, p.11

<sup>23</sup> Coady-Stemp, E., *Borrowing limit increased at debt-laden council*, BBC, 26 April 2024, [www.bbc.co.uk/news/articles/crgye7wyk87o](http://www.bbc.co.uk/news/articles/crgye7wyk87o), (accessed 31 July 2024).

<sup>24</sup> Chartered Institute of Public Finance and Accountancy, *Spelthorne Borough Council Review of debt/investment risk profile July 2023*, July 2023, p.4

<sup>25</sup> Holland, J. Spelthorne: 'our investments will generate £500m towards services over 50 years', *Room 151*, 25 July 2024, [www.room151.co.uk/interviews/spelthorne-our-investments-will-generate-500m-towards-services-over-50-years/](http://www.room151.co.uk/interviews/spelthorne-our-investments-will-generate-500m-towards-services-over-50-years/), (accessed 31 July 2024).

## Recommendations

While there are inherent risks to any investment, these are particularly acute when local authorities take on debt in high multiples of core spending power to fund their investments, as some councils have done.<sup>26</sup> Access to discounted loans means councils have been able to outbid the private market, potentially resulting in less than efficient transactions. Recognising this, the government tightened the lending criteria of the PWLB in 2020 to prevent councils using cheap finance to fund risky bets on property.<sup>27</sup>

Although this was a positive step, it does not undo previous transactions or fix underlying problems with local governance of commercial property investments. These include concerns that chief financial officers feel inhibited about giving proper but unwelcome advice, limited internal challenge to decisions, poorly formulated objectives for purchases, lack of scrutiny and reliance on advisors with apparent conflicts of interest, just to name a few.<sup>28</sup> It is critical that councils first resolve these issues before making large scale investments in property. Even where an individual investment has been profitable, failure to address structural deficiencies with the commercial property investment process means councils might not be so lucky the next time.

Unlike in the private sector where risks are borne by private investors, should the gains from these investments fail to materialise, it will be taxpayers and residents who pay the price. Debt and governance considerations raise the question of whether local authorities are in the best position to make these investments in the first place. Councils should seriously reconsider plans to further expand their property portfolios, especially if they intend to rely on borrowing to do so. For properties that have been chronically empty, councils must either find a productive use for them or else cut their losses and sell those properties back into the private market to recoup at least some of the costs. The primary focus of councils, especially those that are already facing financial difficulty, should be on how to deliver services efficiently rather than speculating on property with taxpayers' money.

## Data

**Table 1: top 10 local authorities with the greatest number of unoccupied properties, 1 January 2022 – 31 December 2023**

Local authority	Number of empty properties
Sandwell	165
South Lanarkshire	133
Aberdeenshire	119
Portsmouth	119
Falkirk	113
Chesterfield	105
Scottish Borders	89
Bath and North East Somerset	85
North Ayrshire	74
Stoke	69

<sup>26</sup> Davies, G., *Local authority investment in commercial property*, National Audit Office, 13 February 2020, p.11.

<sup>27</sup> Hammond, G., UK local councils banned from making risky property bets, *Financial Times*, 25 November 2020.

<sup>28</sup> House of Commons Public Accounts Committee, *Local authority investment in commercial property*, 13 July 2020, p.18.

**Table 2: top 10 local authorities with the largest increase in unoccupied properties, 1 January 2016 – 31 December 2017 to 1 January 2022 – 31 December 2023**

Local authority	1 January 2016 to 31 December 2017	1 January 2022 to 31 December 2023	Increase
Portsmouth	6	119	113
Aberdeenshire	39	119	80
Scottish Borders	24	89	65
City of London	7	57	50
Solihull	3	51	48
Test Valley	7	47	40
Wakefield	26	65	39
Herefordshire	8	47	39
Knowsley	15	51	36
Welwyn Hatfield	1	34	33

**Table 3: top 10 local authorities with the largest decrease in unoccupied properties, 1 January 2016 – 31 December 2017 to 1 January 2022 – 31 December 2023**

Local authority	1 January 2016 to 31 December 2017	1 January 2022 to 31 December 2023	Decrease
Renfrewshire	85	9	76
Leicestershire	80	10	70
West Dunbartonshire	79	11	68
West Suffolk	70	20	50
Dacorum	71	32	39
Tamworth	65	27	38
Isle of Anglesey	49	12	37
Shropshire	64	33	31
Derbyshire	37	7	30
Merthyr Tydfil	72	43	29

**Table 4: top 10 local authorities with the greatest total expenditure on unoccupied properties, 1 January 2022 – 31 December 2023**

Local authority	Total expenditure (£)
South Cambridgeshire	14,103,860
Isle of Wight	5,452,726
Spelthorne	4,801,807
City of London	4,035,191
Bath and North East Somerset	3,986,559
Aberdeenshire	3,869,018
Wakefield	3,344,011
Oxford	2,991,762
Inverclyde	2,711,304
Cherwell	2,611,933

**Table 5: top 10 councils by average maintenance cost per unoccupied property, 1 January 2022 – 31 December 2023 (for which maintenance costs were provided)**

Council	Properties	Maintenance cost (£)	Maintenance cost per property (£)
Spelthorne	12	1,529,945	127,495
Mole Valley	2	137,000	68,500
Newcastle Upon Tyne	11	500,789	45,526
Warwickshire	24	907,804	37,825
Fife	45	129,1910	28,709
Shetland Islands	6	162,594	27,099
Surrey Heath	22	588,472	26,749
Wigan	20	497,654	24,883
Derbyshire	7	165,885	23,698
Richmond	4	75,884	18,971
<b>All council average</b>	<b>15</b>	<b>79,916</b>	<b>5,218</b>

**Table 6: top 10 councils by average security cost per unoccupied property, 1 January 2022 to 31 December 2023 (for which security costs were provided)**

Council	Properties	Security cost (£)	Security cost per property (£)
Shetland Islands	1	106,483	106,483
Suffolk	1	45,495	45,495
Greater London Authority	11	441,982	40,180
Southend	4	150,000	37,500
Plymouth	2	64,043	32,022
Cheshire East	2	50,881	25,441
Redbridge	15	286,200	19,080
Surrey	10	182,119	18,212
Wigan	15	271,718	18,115
Lancashire	15	266,858	17,191
<b>All council average</b>	<b>14</b>	<b>38,947</b>	<b>3,994</b>

**Table 7: top 10 councils by average insurance cost per unoccupied property, 1 January 2022 to 31 December 2023 (for which insurance costs were provided)**

Council	Properties*	Insurance cost (£)	Insurance cost per property (£)
Merthyr Tydfil	3	402,284 <sup>29</sup>	134,095
Broadland	1	19,561	19,561
Cherwell	5	75,660	15,132
Greater London Authority	11	138,085 <sup>30</sup>	12,553
Argyll and Bute	1	12,422	12,422
South Norfolk	2	22,678	11,339
Tandridge	1	10,766	10,766
Fylde	2	17,316	8,658
Staffordshire	9	61,176	6,797

<sup>29</sup> Included £388,493 in insurance costs for Cyfarthfa Castle, where only the school area of the building was unoccupied.

<sup>30</sup> While properties were empty for the calendar year, insurance costs provided were for financial years 2022-23 and 2023-24.

Torbay	11	64,269	5,843
<b>All council average</b>	<b>14</b>	<b>17,128</b>	<b>2,597</b>

**Table 8: regional breakdown of number of unoccupied properties and total expenditure, 1 January 2022 to 31 December 2023**

Region	Number of empty properties	Total expenditure (£)
East Midlands	273	1,911,467
East of England	471	17,157,882
London	376	8,174,194
North East	116	2,069,488
North West	326	5,972,702
Northern Ireland	56	135,980
Scotland	1,044	11,320,325
South East	818	24,003,054
South West	363	7,234,536
Wales	210	648,956
West Midlands	579	3,730,889
Yorkshire and the Humber	276	6,118,609
<b>Total</b>	<b>4,908</b>	<b>88,478,082</b>

**Table 9: top 5 most expensive individual unoccupied properties, 1 January 2022 to 31 December 2023**

Address	Council	Total expenditure (£)*	Size
Parallax, 270 Cambridge Science Park, Milton Road, Cambridge, CB4 0WE	South Cambridgeshire	14,103,860	3,364 sqm
Ground floor (office) Roundwood Avenue, Stockley Park	Spelthorne	3,487,057	21,428 sqft
Columbine Building, East Cowes	Isle of Wight	3,401,764	1,672 sqm
King George VI Building, 9-11 King Street Port, Glasgow, PA14 5JA	Inverclyde	2,706,500 <sup>31</sup>	462 sqm
Carlton House, Arduthie Road, Stonehaven, AB39 2QP	Aberdeenshire	2,250,994	1,154 sqm

\*Total expenditure includes insurance, security, maintenance and renovation costs

## Methodology

This research was fulfilled by sending freedom of information (FOI) requests to 381 councils. The request asked the following:

*Please provide an itemised list of non-residential properties owned by the council that were unoccupied for one month or longer between 1 Jan 2022 and 31 December 2023.*

*Please include the following information:*

- *The address of the property*

<sup>31</sup> Includes renovation costs of £2,706,500 of which £1,734,000 relates to work that is still ongoing.



- *The dates during which the property was unoccupied*
- *The cost of insuring the property during the period it was unoccupied.*
  - ◆ *If this is not possible, please provide an annual amount*
- *The cost of providing security for the property during the period it was unoccupied.*
  - ◆ *If this is not possible, please provide an annual amount*
- *Any other maintenance costs for the property during the period it was unoccupied.*
  - ◆ *If this is not possible, please provide an annual amount*
- *The cost of any renovation works undertaken during the period it was unoccupied*
- *The dates any such renovation work was undertaken*
- *The size of the property*

Of the 381 councils contacted, 328 or 86 per cent responded by 29 July 2024. Of these, 23 reported they had no empty properties, 72 denied the request, while 233 provided some or all of the data requested. This is significant a decline from the 2019 iteration of this paper, which saw 302 councils providing some or all of the data requested.

Several of the councils with the largest number of empty properties in the previous exercise either denied the request, said they no longer held the information, or did not respond at all. These include Cheshire West and Chester (185 empty properties), Bristol (163 empty properties) and Hull (125 empty properties). As such, the actual number of unoccupied properties is likely to be significantly higher.

Moreover, not all councils which responded provided the full range of data requested. For example, some councils reported that they relied on group insurance policies and were thus unable to provide property-specific insurance figures, while other councils reported that they did not collect one or more of the data points requested. There was also variation in the way councils reported information. Some councils grouped units in the same development together while others broke them down by unit. Some councils were able to provide costs for the specific period the property was unoccupied while others were only able to provide annual costs. Where total costs for several properties were provided, they have been divided equally between them. Errors in the data provided by councils such as incorrect dates and duplicates have been corrected as far as possible or otherwise noted in the accompanying data.

Since the data for this research was collected, some properties may have found tenants, been sold or completed renovation works. Conversely, many other properties may now be vacant. This paper does not claim to comprehensively represent the specific circumstances of each and every unoccupied property. Rather, by comparing the number of empty council-owned non-residential properties across councils and across time, it aims to provide insight into how the pandemic has affected the property portfolios of local authorities, benchmark the performance of councils and present the data in a way that enables future research at a local, regional or national level.

The following local authorities reported that they possessed no vacant non-residential properties during the specified period:

- |                           |                       |                       |
|---------------------------|-----------------------|-----------------------|
| ▪ Blaby                   | ▪ Blaenau Gwent       | ▪ Brentwood           |
| ▪ Bridgend                | ▪ Broxtowe            | ▪ Chichester          |
| ▪ Derry City and Strabane | ▪ Devon County        | ▪ East Cambridgeshire |
| ▪ East Hertfordshire      | ▪ Erewash             | ▪ Isles of Scilly     |
| ▪ Lewes                   | ▪ Maldon              | ▪ Ribble Valley       |
| ▪ Rutland Valley          | ▪ South Staffordshire | ▪ Stafford            |
| ▪ Stratford on Avon       | ▪ Torfaen             | ▪ Uttlesford          |
| ▪ Wealden                 | ▪ West Devon          |                       |