

EAST RENFREWSHIRE COUNCIL
CABINET

23 March 2023

Report by Director of Business Operations and Partnerships

NON-DOMESTIC RATES - EMPTY PROPERTY POLICY

PURPOSE OF REPORT

1. To provide an update on Non-Domestic Rates and devolution of Empty Property Relief to Local Authorities, and bring forward a new Empty Property Relief Policy for approval.

RECOMMENDATIONS

2. Council is asked to:

- a) Note the changes introduced by the Scottish Government to devolve the setting of Empty Property Relief to Local Authorities from 1st April 2023;
- b) Approve the Non-Domestic Rates – Empty Property Relief policy at Appendix 1, which retains the “status quo” for the 2023/24 year;
- c) Approve a review of reliefs in 2023, including consultation on potential change to reliefs, which would be brought back for Cabinet approval and take effect in the 2024/25 year.

BACKGROUND

3. Non-domestic Rates (NDR), often referred to as business rates, are levied on non-domestic properties, subject to statutory exemptions and reliefs. The NDR framework for Scotland is devolved to the Scottish Parliament and Scottish Government, and although broadly similar, is different in detail from arrangements in the rest of the UK.

4. A number of reliefs are available for certain types of property under current Scottish legislation, some reliefs are mandatory (i.e. they must be awarded) and some are discretionary (i.e. local authorities have discretion whether to award or not).

5. Currently, Empty Property Relief (EPR) is mandatory, and therefore all Scottish local authorities follow the same regulations with a consistent approach to the awarding of this type of relief throughout the country. There are various pieces of legislation related to this area, being sections 24 to 25 of the Local Government (Scotland) Act 1966, the Non Domestic rating (Unoccupied Property) (Scotland) Regulations 1994, the Non Domestic Rating (Unoccupied property) (Scotland) regulations 2018 and section 3A of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

6. From 1st April 2023, EPR will be devolved to Scottish local authorities and each Council will decide in what circumstances, and for how long, they will award empty property relief. Local Government Revenue funding will be adjusted to reflect the devolution of EPR.

REPORT

Rationale for the change

7. There are two key aims in devolving EPR to Scottish Local Authorities. One is to give councils additional fiscal flexibility, with councils able to adjust reliefs and generate revenue to invest in regenerating local economies. The other is to stimulate the occupation of long-term empty properties, many of which are in high profile sites such as town centres.

8. East Renfrewshire has a relatively small business caseload, with just over 1,800 properties listed in the Valuation Roll. 162 properties are currently empty and subject to relief. There is therefore less scope for the Council to deliver substantial benefits from this change (see paragraph 9) as compared to other councils.

Policy options

9. There are 2 key options available to East Renfrewshire Council:

- Transition all reliefs as they are and make no changes
- Review the reliefs and make changes. If more relief is provided this would have to be funded directly by the Council, but if less relief is provided the increased income can be retained by the Council.

10. The level of reliefs over the past 5 years have varied from £210k in 2018/19 to £124k in 2022/23. Due to the Covid-19 pandemic, reliefs in recent years have varied as a significant level of temporary reliefs were introduced to support businesses at that time. The following table shows the empty property reliefs at February 2023:

Type of Relief	Number of properties	Value of relief (£)
Empty Property Relief 10%	33	13,828
Empty Property Relief 50%	20	7,625
Industrial Empty Relief 10%	6	1,315
Industrial Property 100%	6	4,979
Insolvency 100%	2	349
Listed Building 100%	21	86,703
Rateable Value Less Than Limit 100%	74	9,606
Total	162	124,405

11. It is understood through the Institute of Revenues Rating and Valuation (IRRV) that many councils may retain the “status quo” during 2023/24 to allow the transition to take place. Our neighbouring council, Renfrewshire who also administer NDR on behalf of East Renfrewshire Council, are following this approach, with one change which will reduce listed buildings relief from 100% to 10% during 2023/24.

12. Officers from Renfrewshire and East Renfrewshire Council have worked closely on this matter, recognising the importance and opportunities that this change can deliver, particularly to bring empty buildings back into use. For ease of administration, to limit scope for error and to minimise the cost to each council, it would be preferable for both councils to have the same policy. However, it is recognised that consultation on any change to these reliefs would be required prior to a change to reliefs to ensure that all options, issues and potential impacts have been considered. It is therefore proposed that East Renfrewshire Council transition all reliefs with no change for 2023/24 and that further engagement is undertaken on future potential changes to reliefs, including looking first at listed buildings, with a view to bringing back a revised Policy later in 2023 for Cabinet approval prior to implementation of changes for 2024/25.

FINANCE AND EFFICIENCY

13. Funding available from Scottish Government to fund EPR will be provided through Local Government Revenue funding based on historic levels of relief awarded. There is potential to generate a financial benefit for East Renfrewshire Council through a review of reliefs for 2024/25, however there is a risk that future grant levels from Scottish Government related to EPR will be amended to reflect local policy decisions.

CONSULTATION

14. Consultation with Environment Team (Economic Development & Estates), Accountancy and Legal has taken place as well as extensive discussion with colleagues in Renfrewshire Council and other Scottish Councils through the IRRV. As part of the next stage of development, consultation would need to be undertaken with local businesses that could potentially be affected by any future change to policy. This will be undertaken prior to development of new policy proposals for 2024/25.

PARTNERSHIP WORKING

15. NDR is administered by Renfrewshire Council on East Renfrewshire Council's behalf. Any change to policy will be reflected in the SLA that governs this arrangement.

IMPLICATIONS OF THE PROPOSALS

16. An Equality Fairness and Rights Impact Assessment (EFRIA) will be carried out to inform any future policy proposals.

CONCLUSIONS

17. Following a change to Scottish Government regulations, local authorities are required to develop their own policies for Empty Property Relief from 1 April 2023. Given the short timescales for preparations and engagement, it is recommended that the Empty Property Reliefs currently in place in East Renfrewshire will transition across with no change effective from 1st April 2023. Any potential changes to reliefs will be subject to consultation for consideration by Cabinet at a future meeting, with potential to implement a new policy for 2024/25.

RECOMMENDATIONS

18. Council is asked to:

- a) Note the changes introduced by the Scottish Government to devolve the setting of Empty Property Relief to Local Authorities from 1st April 2023;
- b) Approve the Non-Domestic Rates – Empty Property Relief policy at Appendix 1, which retains the “status quo” for the 2023/24 year;
- c) Approve a review of reliefs in 2023, including consultation on potential change to reliefs which would be brought back for Cabinet approval and take effect in the 2024/25 year.

REPORT AUTHOR

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Non-Domestic Rates – Empty Property Relief Policy

Draft February 2023

Approved: To be considered by Cabinet 23/3/23

Owner: Alison Ballingall, Senior Revenues Manager

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1. Introduction & Context

East Renfrewshire Council's vision is to be a modern, ambitious council creating a fairer future with all and our ultimate aim is to make people's lives better.

We work together with our partners to achieve the best outcomes for our 95,000 residents in terms of early years and vulnerable young people; learning, life and work; the economy and environment; to deliver safe and supportive communities and for older people and people with long term conditions.

For the purposes of this policy, Outcome 3 – East Renfrewshire is a thriving, attractive and sustainable place for business and residents and our Efficiency outcome (Our physical, information and financial assets are efficiently managed) are most relevant.

We achieve these outcomes by focusing on 5 capabilities: prevention, empowering communities, data, modernisation and digital.

And in everything we do, we seek to live by our values of Ambition, Kindness and Trust.

2. Background

2.1 Non-Domestic Rates

Non-domestic rates (NDR), often referred to as business rates, are levied on non-domestic properties, subject to statutory exemptions and reliefs. The NDR framework for Scotland is devolved to the Scottish Parliament and Scottish Government, and although broadly similar, is different in detail from arrangements in the rest of the UK. A number of reliefs are available for certain types of property nationally under current Scottish legislation, some reliefs are mandatory (i.e. they must be awarded) and some are discretionary (i.e. local authorities have discretion whether to award or not).

This policy relates to the Empty Property Relief aspect of NDR.

East Renfrewshire has a relatively small business caseload, with just over 1,800 properties listed in the Valuation Roll (at February 2023). 162 properties are currently empty and subject to relief.

NDR is administered for East Renfrewshire Council by Renfrewshire Council.

2.1. Empty Property Relief

2.1.1. Prior to 1 April 2023, Empty Property Relief was mandatory and fully funded by the Scottish Government through the Local Government Settlement.

2.1.2. During 2019/20 budget discussions, the Scottish Government committed to the devolution of empty property relief on 1 April 2023, with 2 key aims:

- To give councils additional fiscal flexibility, to adjust reliefs and generate revenue to invest in regenerating local economies;
- To stimulate occupation of long-term empty properties.

2.1.3. Empty Property Relief (EPR) provides certain rates relief on unoccupied non-domestic properties.

2.2. Devolution of Empty Property Relief

2.2.1. Local authorities have powers contained in section 3A of the Local Government (Financial Provisions etc.) (Scotland) Act 1962 to award discretionary local reliefs. Such reliefs are funded by councils and could be used to offer relief in full or in part for empty properties from April 2023.

3. Policy Purpose & Objectives

3.1. Purpose:

3.1.1. The purpose of this policy is to:

- Specify the Council's position in relation to the awarding of relief for empty non-domestic properties
- Detail the appropriate reliefs applicable for all categories of empty non-domestic properties.
- Provide a supporting measure to help bring empty properties back into economic use

3.2. Policy Objectives

3.2.1. The objectives of this policy are to:

- To allow property owners a window to achieve reoccupation of property without the burden of a full Non-Domestic Rates charge on a property which has become unoccupied.
- Offer an (immediate) incentive for owners of empty non-domestic properties to invest in / dispose of / consider the building's future recurring financial liabilities for them as an owner.
- Minimise to an optimum level the number of derelict non-domestic properties in East Renfrewshire.
- Generate additional economic activity in East Renfrewshire by incentivising the marketing of properties to attract at rental charge which as a minimum covers the non-domestic rates charge

3.3. Policy Risks

- Owners may seek to demolish their property or render it unoccupiable as a result of not being willing / able to pay NDR.
- Any future increase in the value of reliefs awarded may exceed government funding, although this will be partly mitigated by the removal of indefinite listed building relief. Additionally, any risk of shortfall would also increase where the level of grant from Scottish Government related to Empty Property Relief is amended to reflect local policy decisions.

4. Empty Property Relief – Unoccupied Properties

4.1. Awarding defined relief

- 4.1.1. Unoccupied industrial property is eligible for 100% relief for the first six months since becoming unoccupied, and 10% thereafter.
- 4.1.2. Other (non-industrial) unoccupied non-domestic property is eligible for 50% relief for the first three months since becoming unoccupied and 10% thereafter.
- 4.1.3. Any property part way through a defined period of relief as at 1 April 2023, awarded under the previous legislative framework, will continue to receive the relief awarded until the appropriate end date is reached i.e., six months for an industrial property and three months for other properties.

4.2. Awarding indefinite 100 % Relief

- 4.2.1. 100% relief is provided indefinitely for unoccupied properties which meet any of the following criteria:
 - listed building
 - rateable value is under £1,700
 - owned by a trustee for sequestration, liquidation or executors
 - cannot be occupied by law
 - under a compulsory purchase order
 - the property has no buildings i.e., it comprises of empty land
 - the owner is in administration (or subject to an administration order)
 - the owner is a company or partnership being wound up

5. Dispute Process

5.1. Appeals

5.1.1. An appeal can be made on the grounds that the rates charged have been incorrectly calculated. All appeals must be made within 28 days of the date on the notice by writing to the Director of Business Operations & Partnerships.

5.1.2. Where an appeal is received and is wholly in relation to the award of relief for an unoccupied property, a Senior Officer will review the case and respond to the appellant to explain that reliefs are non-legislative and that a local policy is in place.

5.1.3. If the appellant wishes to progress the appeal thereafter, a senior officer will make a submission to the NDR Appeal Panel.

5.2. Complaints

5.2.1. Any complaints received concerning this policy will be logged, investigated and responded to in accordance with the Council’s Complaints Handling Procedure.

6. Debt Recovery Action

6.1.1. The Council’s normal recovery action will be taken, where appropriate.

Ownership and Control

Owner:	Alison Ballingall, Senior Revenues Manager
Review date:	Ongoing and minimum formal review every 5 years
Updates and Changes:	Version 1, February 2023