

The Highland Council

Agenda Item	10.
Report No	RES/46/23

Committee: Corporate Resources Committee

Date: 7 December 2023

Report Title: Non-Domestic Rates – Empty Property Relief Scheme

Report By: Executive Chief Officer, Communities and Place

1. Purpose/Executive Summary

- 1.1 Effective from 1 April 2023, policy responsibility for Empty Property Relief from Non-Domestic Rates was devolved from the Scottish Government to local authorities. At the meeting of this Committee on 1 December 2022, Members agreed a local scheme for financial year 2023/24. Members also agreed that the Council's Empty Property Relief policy would be reviewed during 2023/24.
- 1.2 The purpose of this report is to set out the outcome of Officers' policy review and to propose an Empty Property Relief Scheme (hereinafter referred to as the Scheme) for implementation from 1 April 2024.

2. Recommendations

- 2.1 Members are invited to:
- i. **Note** the policy intent of the Council's Empty Property Relief Scheme from 1 April 2024 is to encourage ratepayers to bring their properties back into use either through self-occupation or by letting to a third-party;
 - ii. **Agree** the Council's Empty Property Relief Scheme effective from 1 April 2024, and associated additional income net of costs, as set out in section 6 of this report;
 - iii. **Agree** the Scheme will continue on an annual basis, beyond the 4-year period set out in Section 6, and until such time that a review is considered necessary;
 - iv. **Agree** the Scheme will apply on a Highland-wide basis and will apply to all empty/unoccupied non-domestic properties with the exception of the classes of properties as set out in paragraph 6.4 of this report; and
 - v. **Agree** the Scheme effective from 1 April 2024 will replace the Scheme agreed for financial year 2023/24.

3. Implications

- 3.1 Resource – The policy from 1 April 2024 will deliver additional income net of costs, of £0.511m in financial year 2024/25 and further annual recurring income as detailed in section 6 of this report. When considering this policy, the rating authority must have

regard to the authority's income and expenditure and the interests of persons liable to pay council tax set by the authority.

- 3.2 Legal – the Council is required to have a policy in place for Empty Property Relief from Non-Domestic Rates. The recommendations in this report ensure that the Council is in full compliance with this requirement in accordance with Part 11, The Community Empowerment (Scotland) Act 2015 (Non-Domestic Rates).
- 3.3 Community (Equality, Poverty, Rural and Island) – The proposed policy is intended to bring empty/unused non-domestic properties back into use, and supports the steps being taken for economic growth and regeneration across the whole of the Highlands. Having considered the interests of council tax payers, the proposed policy partially aligns the empty property non-domestic relief policy from 1 April 2024 with the Council's existing policy to apply a premium Council Tax charge of 200% on long-term empty properties.
- 3.4 Climate Change / Carbon Clever - There are no climate change/carbon clever implications arising from this report.
- 3.5 Risk – If the proposed policy is not approved, the policy agreed on 1 December 2022, which has been in operation from 1 April 2023, will continue as is. There is therefore a risk that non-domestic properties across the Highlands will continue to remain unoccupied, with a further risk of dilapidation. In these circumstances, the net additional income will not be achieved.
- 3.6 Health and Safety (risks arising from changes to plant, equipment, process, or people) – There are no health and safety implications arising from this report.
- 3.7 Gaelic – There are no Gaelic implications arising from this report.

4. Current Empty Property Relief Scheme

- 4.1 Non-Domestic Rates are a tax on non-domestic properties to help fund Council services. They are charged on non-domestic properties held by the private, public and third sectors and payable by individuals, sole traders, businesses, charities and public sector organisations. Some types of premises are exempt from business rates, e.g. Churches whilst others may be eligible to claim Non-Domestic Rates Relief based on circumstances, e.g. small businesses, charities and unoccupied properties.
- 4.2 Applications for Empty Property Relief (EPR) are demand-led. The Council's current Scheme, contains two types of EPR as set out below:
 - **Unoccupied - industrial properties** are eligible for 100% relief for the first six months of being unoccupied and thereafter 10% relief is available indefinitely, providing the property continues to be unoccupied.
 - **Unoccupied - other properties** are eligible for 50% relief for the first three months of becoming unoccupied and thereafter 10% indefinitely, providing the property continues to be unoccupied.

Where a property falls into one of the following Non-Domestic Rates classes, 100% relief is available indefinitely for as long as the property continues to be unoccupied:

- Listed building

- Rateable value less than threshold, which is currently set by the Scottish Government at £1,700
- Sequestration, Liquidation, Administration, Receivership, Executors
- Occupation prohibited by the local authority or Court;
- Entries in the valuation roll with no building i.e. empty land; and
- In schedule of monuments

5. Legislative Powers

5.1 Local authority Non-Domestic Rates Empty Property Relief Schemes are determined in accordance with Part 11 of The Community Empowerment (Scotland) Act 2015) (Non-Domestic Rates). Part 11 states the following:

Schemes for reduction and remission of rates

1. This section applies in relation to rates leviable for the year 2015-16 and any subsequent year.
2. A rating authority may, in accordance with a scheme made by it for the purposes of this section, reduce or remit any rate leviable by it in respect of lands and heritages.
3. Any reduction or remission under subsection (2) ceases to have effect at such time as may be determined by the rating authority.
4. A scheme under subsection (2) may make provision for the rate to be reduced or remitted by reference to—
 - a) such categories of lands and heritages as may be specified in the scheme,
 - b) such areas as may be so specified,
 - c) such activities as may be so specified,
 - d) such other matters as may be so specified.
5. Any reduction or remission under subsection (2) ceases to have effect on a change in the occupation of the lands and heritages in respect of which it was granted.
6. Before exercising the power conferred by subsection (2), or amending a scheme made under that subsection, the rating authority must have regard to the authority's expenditure and income and the interests of persons liable to pay council tax set by the authority.

6. The Highland Council's Empty Property Relief Scheme from 1 April 2024

6.1 The policy intent of the Council's Scheme from 1 April 2024 is to bring unoccupied non-domestic rates properties back into use. Several steps have been taken by Officers in the Revenues and Business Support section to inform this review of the Council's Scheme, including liaison with other local authorities. Most Councils are reviewing their local schemes in a way that will meet local circumstances and encourage owners to bring their non-domestic properties back into use. Officers have also been liaising with Council Planning Officers to inform the outcome of the review, including for Listed Buildings.

6.2 In accordance with the Part 11 of the Community Empowerment (Scotland) Act 2015 (Non-Domestic Rates), Officers have considered the Council's Revenue budget and the interests of persons liable to pay council tax set by the Highland Council. This

includes the Council's decision to apply a premium from 2015 to the council tax charge for long-term empty domestic properties, which requires owners to pay 200% council tax until such time as these properties are brought back into use.

- 6.2 It is proposed that the Highland Council's Empty Property Relief Scheme be phased in over 3-years, commencing 1 April 2024, and will reduce the relief available for unoccupied/empty non-domestic rates properties. This phasing approach enables and encourages owners of non-domestic properties to bring these properties back into use in a planned way and enables those acquiring empty properties from 1 April 2024 to incorporate the costs of their non-domestic rates liabilities into their business plans and decisions.
- 6.3 For comparison purposes, **Appendix 1** to this report details the Council's Scheme for financial year 2023/24 and the proposed Scheme from 1 April 2024. From 1 April 2024, it is proposed that the amount of relief available is reduced on a phased basis as follows:

The Highland Council's Empty Property Relief Scheme from 1 April 2024				
CURRENT RELIEF 2023/24	Year 1 Relief	Year 2 Relief	Year 3 Relief	Year 4+
100%	50%	25%	10%	0% (full charge)
10%	10%	5%	0% (full charge)	0% (full charge)
50%	10%	5%	0% (full charge)	0% (full charge)

- 6.4 The Scheme effective from 1 April 2024 will not apply to the following categories on the basis that other legislative provisions apply. In the following circumstances, 100% Empty Property Relief shall continue to be available until such time as these circumstances cease to exist:
- Occupation prohibition by law;
 - Ratepayer is subject to Sequestration, Liquidation, Administration or Receivership; and
 - Executor's relief is place prior to grant of confirmation.
- 6.5 The Scheme commencing 1 April 2024 will deliver additional income net of costs of £0.511m from 1 April 2024. Additional income is also forecast as detailed in **Appendix 2** from 2027/28 with recurring additional income predicted to be £1.076m net of costs relating to IT software, collection and enforcement, legal, and property-related costs.

Designation: Executive Chief Officer, Communities & Place

Date: 14 November 2023

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Gavin Munro, Revenues Manager

Background Papers: The Community Empowerment (Scotland) Act 2015) (Non-Domestic Rates)

Appendices: The Highland Council's Empty Property Relief Scheme for Financial Year 2023/24

The Highland Council

The table below details the Council's Scheme for financial year 2023/24

The Highland Council's Empty Property Relief Scheme for Financial Year 2023/24			
Empty property relief class	Level of relief	Number of properties	Value
Industrial property relief	initial 6 months – 100%	29	£106,060
Unoccupied other	initial 3 months – 50%	196	£191,135
Ongoing unoccupied relief (10%)	10%	465	£250,184
Listed building	100%	168	£1,110,303
Entry in valuation roll with no building	100%	29	£123,010
Occupation prohibited by local authority or court	100%	2	£26,067
Rateable value less than threshold: (current £1,700)	100%	270	£119,210
Sequestration, Liquidation, Administration, Receivership, Executors	100%	32	£676,892
In Schedule Monuments	100%	2	£3,135
Total Spend			£2.6m
Budget			£2.6m

The Highland Council's Empty Property Relief Scheme from 1 April 2024

The Highland Council's Empty Property Relief Scheme from 1 April 2024				
CURRENT RELIEF	Year 1	Year 2	Year 3	Year 4+
100%	50%	25%	10%	0% (full charge)
10%	10%	5%	0% (full charge)	0% (full charge)
50%	10%	5%	0% (full charge)	0% (full charge)

Notes

1. Where the ratepayer is subject to Sequestration, Liquidation, Administration or Receivership relief, at the rate of 100%, this will continue to be available from 1 April 2024 and on an ongoing basis until such time as these circumstances cease. This also includes Executors before grant of confirmation.
2. For those properties where occupation is prohibited by law, relief at the rate of 100% will continue to be available from 1 April 2024 and on an ongoing basis until prohibition ceases.

Forecast additional income net of costs with effect from 1 April 2024

	Financial Year	Additional Income Net of costs £m
Year 1	2024/25	£0.511
Year 2	2025/26	£0.330
Year 3	2026/27	£0.201
Year 4	2027/28	£0.033
	Total	£1.076

The forecast additional income is net of costs relating to IT software, collection and enforcement, legal, and costs relating to the Council's property estate.