

Finance and Resources Committee

10am, Tuesday 21 November 2023

Non-Domestic Rates - Empty Property Policy

Executive/routine
Wards

1. Recommendations

- 1.1 To approve the update to the Non-Domestic Rates – Empty Property Policy, which will come into operation from 1 April 2024.

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Report

Non-Domestic Rates – Empty Property Policy

1. Executive Summary

- 1.1 This report details a revision to the Non-Domestic Rates Empty Property policy, which will come into effect from 1 April 2024. This revision removes open ended exemptions and reliefs for most empty properties and instead places a 12-month limit on any such award. This timeline will apply from the last time the property was occupied, regardless of the owner/occupier.
- 1.2 There are approximately 1800 empty properties in Edinburgh. The future occupation and active use of these properties will deliver economic, social and cityscape benefits. The potential net increase in billable liability for these properties is estimated at over £13.8m, with billing and recovery activities to be progressed in the normal way.

2. Background

- 2.1 Proposed changes to the policy were presented to the Finance and Resources committee on 20 June 2023. A commitment was made to bring a final recommendation to Committee, following engagement with the Scottish Property Federation (SPF). The report also addresses the Addendum approved by Committee in June, which requested consideration of 3 months relief at 50% followed by months 3-6 at 10% relief or alternatively to abolish empty property relief altogether (except in cases where occupation is prohibited by law).

3. Main report

- 3.1 Council officers met with members of the Scottish Property Federation on 30 August 2023 and there was agreement that the future occupation and active use of empty properties would deliver economic, social and cityscape benefits. The SPF however advised that the policy changes could impact these goals and the productive event discussed the nature of the policy, the start date of any change, and the appropriate relief period and the circumstances in which they apply. The discussion also noted that planning and related engagement processes for property redevelopment is time consuming and costly. This is amplified by Edinburgh's unique heritage and property landscape and the current challenging economic conditions. It also

considered the potential viability of future projects, including complex listed building projects and the costs associated with bringing properties in line with appropriate regulations and policies e.g. net zero and decarbonising requirements and the impact of NDR liabilities being charged on these projects. This presents short term challenges, however, the longer term property outlook is considered to be positive.

- 3.2 With regards to empty listed buildings, Appendix 3 illustrates that the number of empty properties has been static over the last 10 years, albeit with an increase of 142 properties in 2023.
- 3.3 The portfolio of empty Council owned properties continues to be proactively managed by the Council's Estates team. At the date of writing there were around 54 vacant properties owned by the Council, down from the 71 discussed at the June Committee meeting and 93 originally quoted in the report at that time.
- 3.4 The addendum approved by Committee in June 2023 and the SPF feedback have been reviewed in light of the direction of travel approved by Committee in June 2023 and the Council's £59M budget gap for 2024/25. The following adjustments are recommended.
- Policy implementation date is moved to 1 April 2024. This will allow for time to effectively communicate the change to businesses and assist with queries or procedural matters related to the change. This revised date will also allow internal implementation plans to be effectively actioned.
 - The evidence to trigger the 12 month relief extension is expanded to include pre-application discussions and the statutory proposal of application notice. This is designed to encourage businesses to progress properties into active use.
 - The policy will be reviewed on an annual basis, as part of the Customer Services policy assurance statement. In addition, a report will be brought to Committee at the end of the first year of operation to consider the ongoing effectiveness of the policy and ensure there are no material unintended consequences.

4. Next Steps

- 4.1 The proposed policy is detailed at Appendix 2 and will apply from 1 April 2024. It simplifies existing classifications and removes the open-ended nature of various exemptions and reliefs and instead creates a standard 12-month time limit, with the ability for a 12-month extension if certain criteria are met.

5. Financial impact

- 5.1 There is no change to the financial scale reported to Committee on 20 June 2023. The Council's revenue grant funding settlement for 2023/24 includes funding sufficient to fully meet existing relief and exemption liabilities created by the Council

policy, which has operated since 1 April 2023. The existing level of grant funding received from Scottish Government will be maintained for 3 years.

- 5.2 Future changes to the empty property policy will be the financial responsibility of the Council e.g. any loss/increase in income flows directly to the Council.
- 5.3 Business rates for empty properties owned by the Council will be billed and paid in the normal way. Additional Council charges resulting from this proposal will be offset against revenue generated through the changes to the empty property relief policy. Any additional revenue generated through changes to existing reliefs would also require to be offset against the Council's assumption of liability for newly eligible properties, irrespective of ownership, with effect from April 2023.
- 5.4 The costs of implementing and supporting the proposal, including system alterations, is estimated at £150k per annum. Ongoing resource costs would be met from potential increased collection levels.

6. Equality and Poverty Impact

- 6.1 Occupied premises are a vital component of a healthy and growing economy. Established benefits include an increased economic activity through the city by attracting customers and businesses to the area. This increased footfall also supports other local businesses such as cafes, restaurants, and entertainment venues, creating a virtuous cycle of economic activity. As more businesses open to meet the demand of the growing customer base, it generates additional economic activity beyond their own operations through the wages paid to employees, purchases made from suppliers, and the spending of customers. This multiplier effect can amplify the economic benefits of each occupied premise.
- 6.2 Occupied premises facilitate better spaces and amenities for residents and visitors, by improving the quality of the visual environment. This can assist the city's High Streets and Town Centres being attractive places to visit and helps to protect the value of surrounding properties. Occupied premises can increase the value of nearby properties, as they make the area more attractive to potential buyers, renters, and investors.
- 6.3 Occupied premises also decrease the risk of vandalism, crime, and antisocial behaviour in all its forms while reducing pressures on Police and other public services, and contributes towards community cohesion, shared sense of identity, civic pride, and local distinctiveness.

7. Climate and Nature Emergency Implications

- 7.1 There are no direct environmental impacts associated with this policy.

8. Risk, policy, compliance, governance and community impact

- 8.1 The risks associated with the policy relate to non-compliance and the potential for unintended consequences. These matters will be considered and appropriate adjustments made as part of the proposed annual review process and update.

9. Background reading/external references

- 9.1 [Finance and Resources Committee – 10 November 2022](#)
- 9.2 [Finance and Resources Committee – 10 March 2023](#)
- 9.3 [Finance and Resources Committee – 20 June 2023](#)

10. Appendices

- Appendix 1 - Empty Property Reliefs & Exemptions Current Policy & Proposal
- Appendix 2 - Summary of Proposal
- Appendix 3 – 10 Year Empty Property Trend Data

**Comparison of Empty Property Reliefs & Exemptions
(Current to 1 April 2024)**

Empty Property Relief	Relief Description	Current Policy (1/4/23) Duration	Policy from 1/4/24 Duration
Standard Empty Property Relief 50%	50% empty property relief for the first 3 months of a property being unoccupied	3 Months	3 Months
Standard Empty Property Relief 10%	10% relief after initial 3 months of 50% Empty relief ended	No time limit	9 Months*&**
Empty Property Classifications aligned with standard relief	Exemption Description (As is equates to 100% relief)	Current Duration	Policy from 1/4/24 Duration
Void Industrial Property 100%	Unoccupied industrial properties	6 months	Standard Empty Property Relief applied for all categories including voids (3 months at 50% and 9 months at 10%) *&**
Void Industrial Property 10%	10% Relief after initial 6 months of 100% industrial relief ends	No time limit	
Ground/land – no buildings	Applies to vacant ground entries with no infrastructure on them	No time limit	
Listed Buildings	Applies to vacant listed buildings	No time limit	
Rateable Value < £1700	Unoccupied properties with RVs less than £1,700	No time limit	
Administrator	Unoccupied properties where liable party is in administration	No time limit	
Executor in deceased estate	Vacant properties where person entitled to possession is executor of a deceased person's estate	No time limit	
Building Preservation Notice	Unoccupied property subject to a building preservation order	No time limit	
Company being wound up	Unoccupied properties where liable party is subject to a winding up order	No time limit	
Vacant Crown/L.A. action	Unoccupied properties subject to crown / LA acquisition, e.g., compulsory purchase order	No time limit	
Liquidator	Unoccupied properties where liable party is in administration	No time limit	
Empty Property Classifications - No Change	Exemption Description	Current Duration	Policy from 1/4/24 Duration
Occupation prohibited by law	Properties prohibited from being occupied by law e.g., asbestos removal	No time limit	No time limit

*Full charge applies after 12 months from date property is first empty.

Evidence required to extend 10% relief for a further 12 months: **Sale or Let - Advertising details from the solicitor/estate agent. **Pre-planning/PAN information and building work** to bring property back into use (Building Warrant reference number/Planning permission reference number).

Summary of Empty Property Reliefs & Exemptions from 1 April 2024

Empty Property Relief	Relief Description	Policy from 1/4/24
Standard Empty Property Relief	All empty property classifications unless listed below	Standard Empty Property Relief applied (3 months at 50% and 9 months at 10%) *&**
Empty Property Classifications - No Change	Exemption Description	Policy from 1/4/24 (No change)
Occupation prohibited by law	Properties prohibited from being occupied by law e.g., asbestos removal	Full exemption - no time limit

*Full charge applies after 12 months from date property is first empty.

Evidence required to extend 10% relief for a further 12 months: **Sale or Let - Advertising details from the solicitor/estate agent. **Pre-planning/PAN information. Building Work** to bring property back into use - Building Warrant reference number/Planning permission reference number.

10 Year Empty Property Trend Data

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	High	Low	Period Change
Exemption: Rateable Value	141	192	97	97	129	122	118	163	170	160	192	97	-19
Exemption: Listed Building	858	716	654	654	654	702	678	689	699	715	858	654	143
Exemption: Building Preservation Notice	1	2	0	0	0	0	0	0	0	0	2	0	1
Exemption: Industrial building	0	0	0	0	0	1	0	0	144	172	172	0	-172
Exemption: Trustee in sequestration	0		1	1	0	0	0	3	0	0	3	0	0
Exemption: Executor in deceased estate	4	9	5	2	5	3	4	4	4	4	9	2	0
Exemption: Liquidator	25	16	15	22	17	14	9	24	3	18	25	3	7
Exemption: Occupation prohibited by law	0		1	1	0	0	8	10	3	2	10	0	-2
Exemption: Vacant Crown/L.A. action	0	2	0	0	0	0	0	0	0	0	2	0	0
Exemption: Ground/land - no buildings	120	158	137	160	141	143	46	56	57	59	160	46	61
Exemption: Administrator	8	16	10	10	14	4	11	26	22	18	26	8	-10
Statutory Exemption	352	408	405	409	408	414	420	420	421	419	420	352	-67
Empty Property Relief 10%	679	660	463	431	567	621	756	682	591	638	756	431	41
Empty Property Relief 50%	136	54	3	66	57	109	90	87	0	0	136	0	136