

# Finance and Resources Committee

10am, Tuesday 20 June 2023

## Non-Domestic Rates - Empty Property Policy

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 To agree in principle, subject to possible refinement, the proposed changes to the Council's Non-Domestic Rates – Empty Property Policy, which are intended to come into operation from 1 January 2024.
- 1.2 To note that Officers will engage with Businesses and invite representation from the Scottish Property Federation and other relevant groups to provide comment on the proposed changes by the end of June 2023.
- 1.3 To note a final report will be brought to Committee in the autumn, detailing the recommended policy.

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## Non-Domestic Rates – Empty Property Policy

### 2. Executive Summary

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- 2.1 This report details a proposal to revise the Council's Non-Domestic Rates Empty Property policy. The proposal 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.
- 2.2 There are over 1800 empty properties in Edinburgh. The future occupation and active use of these properties would deliver economic, social and cityscape benefits. The potential net increase in billable liability for these properties is estimated at over £13.8m, and billing and recovery activities would be progressed in the normal way.
- 2.3 Officers will engage with Businesses and invite representation from the Scottish Property Federation and other relevant groups to provide comment on the proposed changes. This will be led by Place colleagues and concluded by the end of June 2023.
- 2.4 A final report will be brought to Committee in the autumn, detailing the recommended policy, which is intended to be operational from 1 January 2024.

### 3. Background

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- 3.1 Non-Domestic Rates are a tax on Non-Domestic properties to help fund essential services. They are charged on properties held by the private, public and third sectors and payable by individuals, sole traders, businesses, charities, and public sector organisations (including the Council itself). Certain premises are exempt from business rates, whilst others may be eligible to claim Non-Domestic Rates relief based on circumstances, e.g. small businesses, charities, and unoccupied properties.
- 3.2 From 1 April 2023, Local Authorities in Scotland have been able to adjust Empty Property Relief (EPR) within the Non-Domestic rating system. On 10 March 2023 the Finance and Resources Committee approved the Council's Empty Relief policy, which mirrored the previous Scottish Government scheme. Committee also requested a further report considering potential changes to the approved scheme. That action is addressed by this report, which includes contributions from Elected Members and Council Officers.

## 4. Main report

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- 4.1 Scottish councils now have the power to amend Non-Domestic Rates empty property relief and exemptions. There is no requirement to follow a national framework, and each council has autonomy to design their own scheme. This creates flexibility for the Council to develop a scheme to address the issue of empty properties within Edinburgh.
- 4.2 Recent analysis confirmed the following split of empty properties in Edinburgh.
- Over 1800 empty properties in Edinburgh.
  - The Council is landlord for 93 empty properties.
  - The location of the empty properties is city wide, with further information provided in Appendix 1.
  - There are 159 sites with no buildings, which fall within this relief, and these are currently divided into green and brown field sites. 30 of these sites are Council owned. This level has remained static and there are currently no outstanding entries.
- 4.3 The following factors were considered when reviewing the Council's Non-Domestic Rates Empty Property policy:
- Scope to encourage owners to use properties, with anticipated economic, social and cityscape benefits (considered in Section 6 & 7);
  - implementation date should allow sufficient notice for businesses to plan for change and avoid any negative impact on inflight commercial agreements that could potentially inhibit buildings being brought back into use;
  - ensure fairness of NDR billing, by addressing open ended reliefs and exemptions;
  - opportunity to simplify relief categories; and
  - potential to deliver increased income to support service delivery.
- 4.4 The proposed changes to the policy are detailed at Appendix 2. They simplify existing classifications and remove the open-ended nature of various exemptions and reliefs and instead create a standard 12-month time limit, with the ability for a 12-month extension if certain criteria are met. The following operating principles would apply.
- a) The relief/exemption timescale would be applied to the property rather than the accountholder. This means the timescale commences from the last date the property was occupied, irrespective of the owner. This practice would ensure appropriate liabilities are billed.
  - b) To avoid unintended consequences a minimum occupancy requirement of six months would apply.
  - c) The proposal would impact the Council, as an owner of empty properties in the city. The portfolio of empty Council owned properties continues to be proactively managed by the Council's Estates team, with ongoing work to bring empty properties owned by the Council back into meaningful use. These activities are reported to Committee by the Estates team.
  - d) Charges would be subject to the Council's normal financial recovery activities.

- e) Classifications would be simplified to allow for relief time limits to be applied more uniformly. Discussions with senior planning officers established that whilst specific legislation determines the listed/unlisted classification, there is no material distinction progressing each property type through the planning and building warrant process.
- f) Properties subject to legal action would continue to be exempt e.g. occupation prohibited by law etc.
- g) A further 12-month extension of the 10% standard empty property relief would be applied where appropriate evidence exists, that the building is being actively marketed for sale/let or a current planning permission/building warrant exists. This would create a total relief timescale for standard properties of up to 24 months - 3 months at 50% and up to 21 months at 10%.

## 5. Next Steps

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- 5.1 The Non-Domestic Rates – Empty Property policy, approved by Committee on 10 March 2023 has been in operation since 1 April 2023.
- 5.2 To note that Place colleagues will engage with business and invite representation from the Scottish Property Federation and other relevant groups to provide comment on the proposed changes by the end of June 2023. A final report will be brought to Committee in the autumn, detailing the recommended policy, which is intended to be operational from 1 January 2024.
- 5.3 Any policy change will be supported by an implementation plan, that will include time to engage with impacted owners as part of coordinated awareness raising activities. This plan will align with the NDR work programme for 2023, which includes the 2023 rates revaluation, associated transitional relief activities, the small business bonus scheme changes, and support for the Essential Edinburgh re-ballot.

## 6. Financial impact

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- 6.1 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.
- 6.2 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.
- 6.3 For illustrative purposes only, and based on current empty property levels, pre-revaluation rateable values **and** an assumption **that all properties were vacant for more than 12 months and no relief extension is applicable**, this proposal could generate over £13.8 million of annual liability (net of charges that Edinburgh Council would be liable for as owner of empty properties in the city) that would be billed for collection. This is detailed in Appendix 3. The actual sums would depend on the number and nature of the properties and the length of time they have been empty. Collection levels would also be heavily influenced by these characteristics including

the reason for the property being empty i.e. business in administration, deceased estate etc. Given the long-standing nature of the previous Scottish Government policy it is not possible at this time to predict with sufficient accuracy potential collection levels. .

- 6.4 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 would 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.
- 6.5 The initial costs of implementing and supporting the proposal, including system alterations, is estimated at £150k. Ongoing resource costs would be met from increased collection levels.

## **7. Stakeholder/Community Impact**

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- 7.1 The proposed changes are designed to encourage building owners to return properties to active use. 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.
- 7.2 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.
- 7.3 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.
- 7.4 The proposal will impact on owners of empty properties in Edinburgh and a focused consultation exercise will now be undertaken with business forums on the proposed changes.

## **8. Background reading/external references**

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- 8.1 [Finance and Resources Committee – 10 November 2022](#)  
[Finance and Resources Committee - 10 March 2023](#)

## **9. Appendices**

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9.1 Appendix 1 - Empty Property Caseload

Appendix 2 - Empty Property Reliefs & Exemptions Current Policy & Proposal

Appendix 3 - Financial Implications of Proposal - Indicative Only

## Snapshot of Empty Property Caseload

## Empty Property by Postcode (Includes CEC)

Relief / Exemption	EH1	EH2	EH3	EH4	EH5	EH6	EH7	EH8	EH9	EH10	EH11	EH12	EH13	EH14	EH15	EH16	EH17	EH21	EH27	EH28	EH29	EH30	Total
Empty Property Relief 10%	26	51	81	29	12	92	19	29	12	12	32	130	3	19	17	13	2	0	2	17	2	5	605
Empty Property Relief 50%	5	6	9	2	1	4	2	0	0	1	1	5	0	1	1	0	0	0	0	0	0	1	39
Administrator	1	3	0	0	0	0	0	0	0	0	0	0	0	0	1	2	0	0	0	1	0	0	8
Building Preservation Notice	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Executor in deceased estate	0	0	1	0	1	3	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	7
Ground/land - no buildings	7	15	11	5	32	17	6	4	0	0	7	16	1	11	0	13	5	0	0	9	0	0	159
Liquidator	0	3	1	0	1	2	5	0	0	2	4	0	1	0	1	0	0	0	0	1	0	0	21
Listed Buildings	112	294	178	10	4	106	18	20	34	6	2	14	1	3	4	15	1	0	0	1	0	9	832
RV	8	14	14	15	2	23	7	10	6	1	3	35	2	5	4	12	3	0	0	0	4	5	173
Void Industrial Property	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	2
<b>Total</b>	<b>159</b>	<b>386</b>	<b>296</b>	<b>61</b>	<b>53</b>	<b>247</b>	<b>57</b>	<b>63</b>	<b>52</b>	<b>22</b>	<b>53</b>	<b>200</b>	<b>8</b>	<b>39</b>	<b>28</b>	<b>55</b>	<b>11</b>	<b>0</b>	<b>2</b>	<b>29</b>	<b>6</b>	<b>20</b>	<b>1,847</b>

## CEC Detail by Postcode

Relief / Exemption	EH1	EH2	EH3	EH4	EH5	EH7	EH8	EH10	EH11	EH12	EH14	EH15	EH16	EH17	EH28	EH30	Total
Empty Property Relief 10%	1	1	3	5	8	0	0	1	2	4	1	0	3	0	3	1	33
Empty Property Relief 50%	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1
Ground/land - no buildings	3	0	0	1	13	0	0	0	0	1	3	0	8	3	0	0	32
Listed Buildings	5	0	0	1	0	7	1	0	0	0	0	1	2	0	0	0	17
RV	1	0	0	0	1	1	0	0	0	1	2	0	1	0	0	2	9
Void Industrial Property	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1
<b>Total</b>	<b>10</b>	<b>1</b>	<b>3</b>	<b>7</b>	<b>22</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>14</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>93</b>

The portfolio of Council owned empty properties are actively managed by Estates colleagues. Sale or lease of property is reported through the Finance and Resources Committee

### Comparison of Empty Property Reliefs & Exemptions

Empty Property Relief	Relief Description	Current Policy (1/4/23) Duration	Proposal
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	Current Duration	Proposal
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 ended	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	
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.

**Building Work** to bring property back into use - Building Warrant reference number/Planning permission reference number.

## Summary of Empty Property Reliefs & Exemptions Proposal

Empty Property Relief	Relief Description	Proposal
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	Exemption Description	Proposal (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.

**Building Work** to bring property back into use - Building Warrant reference number/Planning permission reference number.

## Financial Implications of Proposal - Indicative Only

The table shows potential liability generated by the proposal. For discussion purposes this assumes that all properties have been **empty for over 12 months** and therefore reflect the **maximum** liability level (i.e., no relief/exemption apply) based on the current caseload and rateable values. These changes would result in £1.1m of additional costs for CEC properties, and when these are netted off the increased liability for collection is over £13.8m. These values are subject to change following the conclusion of the 2023 revaluation process.

At this time the level of collection is difficult to predict with sufficient accuracy, but initial analysis suggests certain categories may present collection challenges.

Empty Property Relief - Current Classification	Proposal Impact	Total Per Annum (£)	Cost to CEC (£)	Potential additional annual liability less CEC costs *
Empty & Void Property Relief	Difference between 90% and Full Charge	1,223,906	41,721	<b>1,182,185</b>
Empty Property Exemption - Current Classification	Proposal Impact	Total Per Annum (£)	Cost to CEC (£)	Potential additional annual liability less CEC costs *
Ground/land – no buildings	Applies to vacant ground entries with no infrastructure on them	2,384,522	719,670	<b>1,664,852</b>
Listed Buildings	Applies to vacant listed buildings	9,488,257	337,399	<b>9,150,858</b>
Rateable Value < £1700	Unoccupied properties with RVs less than £1,700	87,919	5,023	<b>82,896</b>
Administrator, liquidator, etc	Unoccupied properties where liable party is in administration or subject to a winding up order	1,686,734	0	<b>1,686,734</b>
Deceased estate	Vacant properties where person entitled to possession is executor of a deceased person's estate	42,408	0	<b>42,408</b>
Vacant Crown/L.A. action	Unoccupied properties subject to crown / LA acquisition, e.g., compulsory purchase order	17,248	0	<b>17,248</b>
<b>Totals</b>		<b>14,930,994</b>	<b>1,103,813</b>	<b>13,827,181</b>

\*Assumes all properties have been vacant for over 12 months, and none are being actively marketed/no current planning permission and therefore no relief applies.