

EMPTY PROPERTY RELIEF POLICY IN NON-DOMESTIC RATES

1. EXECUTIVE SUMMARY

- 1.1 On 31 January 2019 the Scottish Government committed to devolving Empty Property Relief (EPR) to councils in time for the next revaluation. However, both the revaluation and the devolution of EPR were delayed because of the pandemic and the go-live date for the devolved EPR became 1 April 2023. In October 2022 the Council's Policy and Resources Committee agreed that from 1 April 2023 to 31 March 2024 the existing rules for Empty Property Relief would continue effectively mirroring the Scottish Government scheme and the scheme would be reviewed prior to 2024/2025 (this position is similar to many other Scottish Local Authorities).
- 1.2 In January 2023 the Scottish Government announced funding of £0.608m per annum for Argyll and Bute for each of the three financial years from 2023/2024 to 2025/2026 as a contribution towards the cost of EPR in our area. As at 1 April 2023 the cost of EPR awarded was £0.758m therefore creating a deficit of £0.150 in 2023/24. The new policy for 2024/2025 onwards will be designed to maximise the use of these funds to revitalise local communities but will also ensure costs will be contained within the funding provided by Scottish Government. There will be another revaluation of Non-Domestic Rates (NDR) from 1 April 2026 at which point the Scottish Government will review arrangements for devolved EPR. At this time they have not committed any funding beyond 31 March 2026.
- 1.3 This decision allowed the Council time to consult stakeholders on any new policy and the issues that they believe are important when considering empty business properties and the impact it has on their communities. A consultation with stakeholders ended on 4 August and the feedback from 506 responses has now been evaluated.
- 1.4 Key findings from the consultation include:
- financial incentives for new businesses to move into empty properties were popular, business support grants, providing free rent and NDR in the first year,
 - penalising owners of empty business properties particularly if they are not being maintained,
 - some barriers were identified as matters that could stop people taking on empty properties including;
 - perceived regulatory barriers

- costs in relation to renovating long term empty properties to bring back into use
 - lack of available tradesmen,
 - there is support for the Council employing an empty business property officer to provide good quality local information to support businesses to take on empty premises,
 - ideas for alternative uses for empty business properties were well supported such as an alternative business use, temporary pop-up use, use of community groups, a hub for music and arts and conversion to affordable housing.
- 1.5 These matters were considered at meetings with Economic Development and Housing officers and options for the new policy were presented to Councillors for consideration at a members seminar on 6 November 2023
- 1.6 Following on from the report considered by Elected Members at the Council's Policy and Resources Committee on 12th October 2023, and the agreement to bring forward a revised Policy, this report provides an update to Council on progress being made with regard to a new Empty Property Relief Policy on Non-Domestic Rates. The purpose of this being to incentivise the owners of empty business premises in Argyll and Bute to do all that they can to bring the property back into use.
- 1.7 The proposed new policy, as outlined in paragraph 3.19 Option A, is provided under section 140 of the Community Empowerment Act 2015.

2. RECOMMENDATION

- 2.1 It is recommended that the Council:-
- a) Approve Option A, Empty Property Relief provisions as outlined in paragraph 3.19;
 - b) Agree the creation of an Empty Property Officer post for a period of 2 years as outlined in paragraph 3.21; and
 - c) Agree the remaining Empty Property Relief funding is used towards a Business Grant Scheme with officers to bring forward the detail to the Environment, Development and Infrastructure Committee Meeting in February 2024 for approval.

3. DETAIL

- 3.1 On 31 January 2019 the Scottish Government committed to devolving Empty Property Relief (EPR) to councils in time for the next revaluation. However, both the revaluation and the devolution of EPR were delayed because of the pandemic and the go-live date for the devolved EPR became 1 April 2023. In October 2022, the Council's Policy and Resources Committee agreed that from 1 April 2023 to 31 March 2024 the existing rules for Empty Property Relief would continue effectively mirroring the Scottish Government scheme and the scheme would be reviewed prior to financial year 2024-25 (this position was

similar to many other Local Authorities).

- 3.2 This decision allowed the Council time to consult stakeholders on any new policy and the issues that they believe are important when considering empty business properties and the impact it has on their communities. A consultation with stakeholders ended on 4 August and the feedback from 506 responses has now been evaluated.

The Current EPR Scheme

- 3.3 The current EPR scheme mirrors the Scottish Government scheme:
1. Standard empty properties can get 50% relief from non-domestic rates for the first 3 months they are empty. They can then get a 10% discount after that in perpetuity.
 2. Empty industrial properties can get 100% relief from non-domestic rates for the first 6 months that they are empty. They can then get a 10% discount after that in perpetuity.
 3. Businesses can get 100% relief for the whole time a property is unoccupied, if:
 - It is a listed building;
 - it has a rateable value under £1,700;
 - it is owned by a trustee for sequestration, liquidation or executors;
 - the company who owns it has been wound up;
 - by law, the property cannot be occupied;
 - it is under a compulsory purchase order;
 - it has no buildings (empty ground);
 - the ratepayer is deceased.
- 3.4 The cost to the Council of the current EPR scheme in 2023/2024 is estimated as £758,000 for the full year compared to funding from the Scottish Government of £608,000. Any new policy will ensure that the cost of EPR to the Council will be contained within the funding provided by the Scottish Government wherever possible.

The cost to the Council is analysed to EPR category in the table below:

Type of Empty Property Relief	EPR Relief	EPR Charge	No of Subjects	Total Value of EPR (£)
Listed Building	100%	0%	46	330,884
Insolvency	100%	0%	2	285,300
Rateable Value Less Than £1700	100%	0%	155	56,470
Standard Empty Property Relief	50% for 3 months 10% thereafter	50% for 3 months 90% thereafter	103	48,865
Ratepayer	100%	0%	5	17,172

Deceased				
Ground – On Valuation Roll	100%	0%	4	15,886
Occupation Prohibited By Law	100%	0%	1	3,785
Industrial Property	100% for 6 months 10% thereafter	0% for 6 months 90% thereafter	0	0
TOTAL			316	758,361

3.5 Note that the costs can be volatile as any big business closure can result in significant increases.

Consultation

3.6 The Council has consulted various stakeholders on any new policy and the issues that they believe are important when considering empty business properties and the impact it has on their communities. This ended on 4 August and the feedback from 506 responses has now been evaluated in four different areas:

1. Identifying barriers and challenges – regulatory, financial and others;
2. Possible new roles for vacant buildings – alternative business use, temporary pop-up use, community use, local hub for music and arts, housing, storage;
3. Types of incentives or support measures to encourage businesses to occupy empty properties – financial incentives, consultancy support, other incentives;
4. Impact on the community.

3.7 Key findings from the consultation included:

- financial incentives for new businesses to move into empty properties, business support grants, providing free rent and NDR in the first year;
- penalising owners of empty business properties particularly if they are not being maintained;
- some barriers were identified as matters that could stop people taking on empty properties including;
 - perceived regulatory barriers;
 - costs in relation to renovating long term empty properties to bring back into use;
 - lack of available tradesmen;
- there is support for the Council employing an empty business property officer to provide good quality local information to support businesses to take on empty premises;
- ideas for alternative uses for empty business properties were well supported such as an alternative business use, temporary pop-up use,

use of community groups, a hub for music and arts and conversion to affordable housing.

- 3.8 Feedback from the consultation, benchmarking information from some other Scottish Local Authorities and two potential options for a new Empty Property Relief Policy was presented to colleagues in Economic Development and Housing on 10 October.

What are other Councils doing?

- 3.9 Some information has been shared across the forums of the Institute of Revenues Rating and Valuation (IRRV).
- 3.10 Aberdeen City Council were the only Council to change the EPR Policy with effect 1 April 2023 all other Scottish Councils continued with the Scottish Government scheme for 2023/2024.
- 3.11 Aberdeen City Council took the decision to make all categories of empty business premises, with the exception of the insolvency category, eligible for three months relief at 50% (50% charge) followed by 10% relief (90% charge) thereafter. In September 2023 the Council reported that the new scheme had been implemented with no complaints being received.
- 3.12 There is case law in relation to insolvency; P&O Holdings Ltd v Glasgow City Council, which supports a lease remaining in the name of the liquidator until a landlord terminates the tenancy and therefore there is no point in removing the 100% EPR relief for this category until the Local Authority can change a decision on rateable occupation to the landlord or owner. This will be the same consideration for options that we define for Argyll and Bute Council.
- 3.13 In Dumfries and Galloway the Council considered a draft Policy in October which mirrored the Aberdeen City Policy however limited the provision of relief to a total of 1 year. Therefore, from 1 April 2024 all properties would get 50% relief (50% charge), then 9 months at 10% relief (90% charge) and from 1 April 2025 if still empty then 0% relief 100% charge.

Principles for new EPR policy in Argyll and Bute

- 3.14 The following are key principles for any new policy in our area;
1. The cost of the scheme to be contained within the overall funding given by Scottish Government;
 2. A motivational approach to bringing empty properties back into use similar to empty dwellings in Council Tax. Incentives such as rates relief, tax breaks and possible business grants to support reuse, with owners facing increased empty property charges staggered the longer the property remains empty;
 3. Keep the scheme simple, relief levels to match those already available on NDR system to prevent incurring significant additional administration

- costs, make administration of the new scheme no more complex than the current scheme otherwise additional staffing resources may be necessary for assessment purposes;
4. Improve communications with empty property owners and potential new business entrepreneurs combining relevant information from across the Council to support stakeholders;
 - a. New webpage and communications strategy to include;
 - i. Available NDR reliefs;
 - ii. Business grants from Business Gateway;
 - iii. Provision of any rent free schemes;
 - iv. General advice, guidance and knowledge at a local level.
 5. Consideration of a fast track planning/building standards/environmental health process for properties in these categories where it is possible to do so.

Incentivising reuse with business support grants

- 3.15 A significant part of the consultation feedback supported the need for financial incentives such as grants for building works, internal decoration and fixtures and fittings to help incentivise owners to bring properties back into use.
- 3.16 There are numerous examples of grant schemes being used across the UK to help stimulate local businesses and make use of empty properties. In Argyll and Bute we have used a number of external funding sources to provide grant assistance to circa 150 shopfronts/small businesses to help them invest in their properties and businesses. We have also invested through area regeneration schemes bringing many buildings back into productive use working with private owners. This has had a very positive impact on our local communities and has helped the places become more investor ready and removed the need of greater interventions by the council through building standards for example.
- 3.17 Providing business grants as an added incentive to invest in a property will help deliver a positive outcome for our town centres. Applicants would have to demonstrate how this investment will benefit their property and the wider town centre. They would have to agree to pay the living wage and demonstrate a clear commitment to future maintenance of the property going forward. The grants could be used to cover a wide range of activities including internal and external building works, shopfront improvements, health and safety requirements and shop fittings.
- 3.18 It should be noted that currently the council has had to pay hundreds of thousands over the years in dealing with health and safety breaches with larger buildings that have become derelict. This would therefore be a spend to save option in that we would reduce the need to intervene as a council and better enable the harvesting of NDR as buildings are occupied.

Options for Argyll and Bute Council to Consider

Option A

50% relief for 3 months followed by 10% thereafter, with the exception of

EPR for Insolvency, similar to other approved schemes in Scotland. No relief will be granted after a property has been empty for over 12 months.

3.19 The table below shows the estimated cost of EPR in Option A is £376,354 based on current empty property caseload, their rateable values and the Scottish Government set annual poundage rate for 2023/24. The proposal limits empty property relief to a maximum period of 12 months from 1 April 2024 for all empty properties with the exception of properties in the Insolvency category.

Type of Empty Property Relief	EPR Relief	EPR Charge	No of Subjects	Total Value of EPR (£)
Listed Building	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	46	33,043
Insolvency	100%	0%	2	285,230
Rateable Value Less Than £1700	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	155	5,593
Standard Empty Property Relief	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	103	48,865
Ratepayer Deceased	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	6	1,717
Ground – On Valuation Roll	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	4	1,527
Occupation Prohibited By Law	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	1	378

Industrial Property	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	0	0
TOTAL			317	376,354

- 3.20 Currently the 10% EPR charge is given in perpetuity or until the property becomes occupied. It is recommended that the Council end the relief altogether after 12 months thereby increasing EPR charges the longer a property remains empty. This is to increase the level of NDR levied on empty properties further incentivising owners to do what is necessary to bring them back into use. This tactic is also being adopted by a number of other Scottish Local authorities. In doing so our costs will reduce to £285,000 for 2025/26 based on the current position and the relief for insolvency.
- 3.21 It is recommended, given the feedback from stakeholders and consideration of the complexities of the situation, that the employment of a two year temporary post as Empty Business Property Officer would be beneficial. The cost of this post is estimated at LGE 10 £43,261 in 2024/2025 and circa £46,500 in 2025/2026. The officer would be based in the Economic Growth Service and would work closely with colleagues in Non-Domestic Rates administration, Housing and the wider Development and Economic Growth Service. They would have an overarching knowledge of place and buildings, discounts, exemptions and reliefs available in local taxes, heritage led regeneration schemes and build a good working relationship with all stakeholders. They would be a single point of contact for the Council with property owners. They would help coordinate activity across council services and liaise with property owners.
- 3.22 An estimated £150,000 per annum would be set-a-side to offer business grant support in year 1 increasing to £200,000 in year 2. These grants will be administered through the Economic Growth Team. This could cover grants for matters such as the application for decoration costs, monies for building works, fixtures and fittings details have yet to be fully determined.
- 3.23 The table below shows the allocation of Scottish Government funds for empty property relief for **Option A**

Cost	Year 1 2024/2025 (£'000)	Year 2 2025/2026 (£'000)
EPR	376	285
Funding for Business Support Grants	150	200
New Post	43	46
Level of Tolerance for unanticipated business premises vacancies going	39	77

forward		
TOTAL FUNDING PROVIDED BY SCOTTISH GOVERNMENT	608	608

* note – allocations need to be flexible and adjusted given changes to the number of empty properties. The level of funding available for business grants would be adjusted depending on movements in EPR across all categories.

Option B

As Per Option A but target Listed Buildings taking level of relief to 0% in that category given the scale of the problem with empty listed buildings in Argyll and Bute

- 3.24 The justification for Option B is the sheer volume of empty listed buildings in Argyll and Bute at 46 and that some are prominent buildings within our town centres and in a very poor state of repair. Officers believe this option should be considered as a result, additionally some feedback from the consultation clearly referenced empty listed buildings having a detrimental impact on our town centres. Other Councils in Scotland have reported through the Institute of Revenue Rating and Valuation (IRRV) that they are experiencing similar issues with dilapidated listed buildings and are considering similar actions as a result.

This option will allow us to charge full NDR quickly to the owners of these buildings in an attempt incentivise the works required to bring them into use. There is no scope in this proposal to continue offering any EPR if the owner starts work to bring the property into use. Incentives would be in the form of possible business support grants only.

- 3.25 The table below shows the estimated cost of EPR in Option B is £343,311 based on current empty property caseload, their rateable values and the Scottish Government set annual poundage rate for 2023/24. The proposal limits empty property relief to a maximum period of 12 months from 1 April 2024 for all empty properties with the exception of properties in the Insolvency category.

Type of Empty Property Relief	EPR Relief	EPR Charge	No of Subjects	Total Value of EPR (£)
Listed Building	0%	100%	46	0
Insolvency	100%	0%	2	285,230
Rateable Value Less Than £1700	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	155	5,593

Standard Empty Property Relief	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	103	48,865
Ratepayer Deceased	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	6	1,717
Ground – On Valuation Roll	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	4	1,527
Occupation Prohibited By Law	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	1	378
Industrial Property	50% for 3 months; 10% for 9 months; no relief thereafter	50% for 3 months; 90% for 9 months; 100% thereafter	0	0
TOTAL			317	343,311

- 3.26 Like option A, currently the 10% EPR charge is given in perpetuity or until the property becomes occupied. It is recommended that the Council end the relief altogether after 12 months thereby increasing EPR charges the longer a property remains empty. This is to increase the level of NDR levied on empty properties further incentivising owners to do what is necessary to bring them back into use. This is with the exception of those in the category of insolvency. Our costs will then reduce to £285,000 for 2025/2026 based on the current position.
- 3.27 The employment of a two year temporary post as Empty Business Property Officer is required. The cost of this post is estimated at LGE 10 £43,261 in 2024/2025 and circa £46,500 in 2025/2026 as per paragraph 3.22.
- 3.28 An estimated £175,000 per annum would be set-a-side to offer business grant support in year 1 increasing to £200,000 in year 2. These grants will be administered through the Economic Growth Team. This could cover grants for matters such as the application for decoration costs, monies for building works, fixtures and fittings details have yet to be fully determined.
- 3.29 The table below is shows the allocation of Scottish Government funds for empty property relief for Option B

Cost	Year 1 2024/2025 (£'000)	Year 2 2025/2026 (£'000)
EPR	343	285
Funding for Business Support Grants	175	200
New Post	43	46
Tolerance for unanticipated business premises vacancies	47	77
TOTAL FUNDING PROVIDED BY SCOTTISH GOVERNMENT	608	608

*note – allocations need to be flexible and adjusted given changes to the number of empty properties. The level of funding available for business grants would be adjusted depending on movements in EPR across all categories.

Analysis of the Options and Officer Recommendation

- 3.30 In terms of costs, both Options A and B offer a significant reduction in EPR costs that the Council need to pick up. Option B reduces EPR costs more quickly than Option A but the difference is not deemed material however the level of tolerance to unanticipated changes is less with Option A as it is with Option B.
- 3.31 Level of innovation to provide incentives to bringing properties back into use is similar with both Options. Option B providing slightly more funds for business support grants in year one than Option A. However, both Options provide real opportunities for us to use the remaining funds to put in place some innovative support mechanisms to help people bring these properties back into use.
- 3.32 If the Council accepts the officer recommendation that all EPR should end after 12 months, and not remain in perpetuity, with the exception of insolvency cases, then the effect of removing all relief for Listed Buildings between options is reduced as under **Option A** owners would get to relief after 12 months, and **Option B** any relief would be removed straight away.
- 3.33 Fairness and consistency is better with **Option A** where under all categories (except insolvency) empty business property will get 50% relief for 3 months followed by 10% relief for 9 months and then 0% relief thereafter. With Option B owners of listed buildings are more likely to feel targeted.
- 3.34 Officers therefore recommend **Option A** is taken forward as the new policy going forward.

Members Seminar Feedback

- 3.35 On November 6, policy options were introduced during a seminar for members,

and the presentation was positively received. There was a high level of participation, and there seemed to be support for the implementation of Option A based on the proposal.

4. CONCLUSION

- 4.1 The consultation provided valuable insights into the challenges and opportunities associated with vacant properties in Argyll and Bute. Stakeholders across various backgrounds expressed a strong desire to help revitalise these properties for the benefit of the wider community and also look to reduce future financial burdens on the council through having to deal with unsafe buildings.
- 4.2 Two new Policy options have been prepared by officers for Members consideration with **Option A** being the recommended preferred option by officers.

5. IMPLICATIONS

- 5.1 Policy – This is a new policy for Empty property relief in non-Domestic Rates that required council approval.
- 5.2 Financial –Options are cost neutral for the Council but is designed to incentivise building owners to improve their properties.
- 5.3 Legal – New policy will be prescribed under section 140 of the Community Empowerment Act 2015.
- 5.4 HR – Proposed new temporary post in Development and Economic Growth.
- 5.5 Fairer Scotland Duty - None
 - 5.5.1 Equalities – None
 - 5.5.2 Socio-Economic Duty – This would help bring buildings back into productive use and create new employment opportunities
 - 5.5.3 Islands Duty - None
- 5.6 Risk – None.
- 5.7 Customer Service - None
- 5.8 Climate Change Implications – Helping to invest in existing buildings helps capture their carbon footprint and in the majority of case support our town centres.

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