

REPORT TO: POLICY AND RESOURCES COMMITTEE - 20 FEBRUARY 2023
REPORT ON: NON- DOMESTIC RATES EMPTY PROPERTY RELIEF POLICY
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 42-2023

1 PURPOSE OF REPORT

- 1.1 This report advises of the devolution from the Scottish Government to local authorities of responsibility for non-domestic rates Empty Property Relief (EPR) and seeks approval to adopt a policy for Dundee for the period 1 April 2023 to 31 March 2024.

2 RECOMMENDATIONS

- 2.1 It is recommended the Committee:
- (a) notes the background of the devolution to the council of responsibility for the Empty Property Relief Policy from 1 April 2023 and the funding arrangements as set out in the report;
 - (b) agrees to adopt the same Empty Property Relief scheme in Dundee as currently applies at a national level, as detailed at Appendix A, for a period of 1 year from 1 April 2023 to 31 March 2024;
 - (c) authorises the Executive Director of Corporate Services to take the necessary steps to implement the scheme from 1 April 2023; and
 - (d) notes that a report will be brought to a future committee on proposals for a local scheme for Dundee to operate from 1 April 2024.

3 FINANCIAL IMPLICATIONS

- 3.1 The Scottish Government have allocated funding to local authorities based on the current level of EPR granted. Dundee's share of this funding is £2,798,404.98 and is expected to cover the costs of maintain the existing scheme of reliefs.

4 BACKGROUND

- 4.1 The Scottish Government as one of the recommendations of the Barclay Report have devolved responsibility under the Community Empowerment (Scotland) Act 2015 to local authorities for Empty Property Relief (EPR) on business rates properties from 1 April 2023. The aim of this devolution of responsibility is so Councils can develop relief schemes to suit local needs and encourage empty properties back into economic use.
- 4.2 Under the legislation the current set of reliefs ends at 31 March 2023 and each local authority is required to devise their own EPR policy to apply from 1 April 2023.
- 4.3 Funding has also been devolved to local authorities to help meet the costs of relief provided. Councils can choose to provide more relief than the funding available but any additional reliefs would require to be funded from Council Resources.
- 4.4 It should be noted that the Council is liable for non-domestic rates on most of the buildings and land it uses to provide services and is therefore entitled to relief in the same way as other ratepayers.

5 CURRENT POSITION

5.1 The existing EPR scheme operational at a national level is as follows:

- unoccupied empty Industrial properties are eligible for 100% relief for the first 6 months since becoming unoccupied and thereafter 10% indefinitely;
- other (non-industrial) unoccupied empty properties are eligible for 50% relief for the first three months since becoming unoccupied and thereafter 10% indefinitely;
- unoccupied empty property meeting any of the criteria below are not liable for any rate charges indefinitely:
 - lands and heritages - not comprising of one or more buildings or part of a building. i.e. land/site;
 - listed buildings;
 - lands and heritages which are subject to a building preservation order;
 - where the rateable value of the lands and heritages is less than £1,700;
 - where the owner of the lands and heritages is prohibited by law from occupying;
 - where action has been taken by or on behalf of the Crown or any public authority with a view to prohibiting occupation or to acquisition (e.g. compulsory purchase order);
 - where the person entitled to possession of the lands and heritages is in administration (or subject to an administration order);
 - where the owner of the lands and heritages is a company or limited liability partnership subject to a winding up order made under the insolvency act 1986 or being wound up voluntarily under that Act; or
 - where the person entitled to possession of the lands and heritages is entitled only by virtue of being, the trustee under a trust deed, the trustee under an award of sequestration or executor of the estate of a deceased person.

5.2 As at 22 December 2022 497 properties in Dundee were in receipt of EPR to the value of £2,747,268.09 as shown in table A below.

TABLE A – BREAKDOWN OF EXISTING EPR

Description	Number	Value
Exemption – Person Entitled to possession	30	£727,765.77
Exemption Empty Property Industrial – 100% for first 6 months since becoming unoccupied	12	£84,603.87
Exemption Empty Property – Listed Buildings	142	£1,318,289.69
Exemption – Empty property Rateable Value < £1,700	59	£26,878.05
Exemption – Unoccupied land – No Buildings	26	£140,458.56
Empty Property Industrial Relief – 10%	24	£33,980.23
Empty Property Relief – Non-Industrial 50% - for first 3 months since becoming unoccupied	8	£15,085.73
Empty Property Relief – Non-industrial 10%	195	£400,206.19
TOTAL	497	£2,747,268.09

- 5.3 Other relief schemes available to support the business community and which will continue to operate at a national level with policy decisions being made by the Scottish Government are detailed at Appendix B.

6 NEXT STEPS

- 6.1 Whilst, in common with most Councils, it is recommended that the existing reliefs continue to be applied in 2023/24 it is proposed that a further report on options to implement a local scheme be brought to a future meeting of the Committee.
- 6.2 This report will set out how a revised scheme might use the newly devolved powers to support economic development in the City. In developing a local scheme it will be important to ensure that any changes do not have any unintended consequences, either for businesses or the City Council.

7 POLICY IMPLICATIONS

- 7.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

8 CONSULTATION

- 8.1 The Council Leadership Team were consulted in the preparation of this report.

9 BACKGROUND PAPERS

- 9.1 None.

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

Date: 9 FEBRUARY 2023

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APPENDIX A

DUNDEE CITY COUNCIL

EMPTY PROPERTY RELIEF POLICY 1 April 2023 to 31 March 2024

INTRODUCTION

With effect from 1 April 2023 Scottish government have devolved responsibility under the Community Empowerment Scotland Act 2015 to local authorities for Non-Domestic Rates Empty Property Relief.

The devolution of this relief will enable Councils to administer any support for unoccupied properties in a way that is tailored to local needs, with the aim of encouraging and bringing empty property back into economic use.

LEGISLATIVE BACKGROUND

The policy is required to be put in place to allow relief of Non-Domestic rates for empty properties. Section 19 to the Non-Domestic Rates Act (Scotland) 2020 repeals the existing provisions for award of relief (section 24 to the local government (Scotland) Act 1966).

This policy is introduced in terms of section 3A to the Local Government (Financial Provisions etc) (Scotland) Act 1962 as amended by Section 140 to the Community Empowerment (Scotland) Act 2015.

DEFINITION

Empty Properties are defined as those rateable entries which are not currently occupied.

POLICY CONTENT

Time Limited Relief

- Unoccupied industrial property is eligible for 100% relief for the first six months from the date last occupied and thereafter 10% indefinitely.
- Other (non-industrial) unoccupied property is eligible for 50% relief for the first three months from the date last and thereafter 10% indefinitely.
- Short periods of occupation of 3 months or less will be ignored when assessing last occupation date.

100% Relief without limit of time.

- Land and Heritages – not comprising of one or more buildings or part of a building. IE land/site
- listed buildings
- Lands and Heritages subject to a building preservation order
- Where the rateable value of the land and heritages is less than £1,700
- The owner of the land and heritages is prohibited by law from occupying.
- Where action has been taken by or on behalf of the Crown or any public authority with a view to prohibiting occupation or to acquisition (e.g. compulsory purchase order).
 - Where the person entitled to possession of the lands and heritages is in administration (or subject to an administration order).

- Where the owner of the lands and heritages is a company or limited partnership subject to a winding up order made under the insolvency act 1986 or being wound up voluntarily under the action.
- Where the person entitled to possession of the lands and heritages is entitled only by virtue of being the trustee under a trust deed, the trustee under an award of sequestration or executor of the estate of a deceased person.

Awarding Relief to Unoccupied Properties.

Dundee City Council will invite all current ratepayers who are in receipt of an unlimited award to reapply from 1st April 2023.

Where time limited reliefs are in place as at 31 March 2023, we will continue to award the relief but each premises will only receive the balance of the relief based on the overall maximum period of 6 months (industrial 100% relief) and 3 month (other 50% relief) contained in this policy.

For new reliefs, the rateable occupier (or other who is held liable) will be required to make an application to the Council for the relief to be applied. Application forms and advice are available at www.dundee.gov.uk

Dundee city Council will commit to carrying out an empty property relief review across all empty relief during 2023/24.

APPENDIX B

Summary of Other Business Rates Reliefs

(For Information Only Not Part of Proposed Policy)

Some reliefs are mandatory, i.e. if the applicant is deemed eligible then the relief must be awarded. Some reliefs are discretionary, i.e. if the applicant is deemed eligible then the relief may be awarded. The cost of discretionary reliefs is generally 75% funded by the Scottish Government and 25% by the awarding council, except for 100% discretionary sports clubs relief, which is fully funded by the Scottish Government.

The discretionary reliefs are:

- Charity Relief 'top-up' of up to 20% for OSCR-registered charities;
- Charity Relief of up to 100% for certain other not-for-profit organisations;
- Sports Club Relief 'top-up' of up to 80% for HMRC-registered Community Amateur Sports Clubs (CASCs);
- Sports Club Relief of up to 100% for certain other not-for-profit organisations;
- elements of Rural Relief;
- Hardship Relief; and
- Stud Farms Relief.

Local reliefs are fully funded by the Council.

1. Retail, Hospitality and Leisure Relief

50% relief was available for prescribed non-domestic properties in the retail, hospitality and leisure sectors for the first three months of 2022/23, capped at £27,500 per ratepayer.

2. Business Growth Accelerator Relief

Properties which contain new buildings are eligible for 100% mandatory new-build relief until twelve months after they are first occupied. Improved properties that contain buildings are eligible to see no rates increases for 12 months until after the rateable value (RV) has been amended as a result of the improvement.

3. Charity Relief

Properties which are either

- (i) occupied by a charity in the Scottish Charity Register, held by the Scottish Charity Regulator (OSCR), or by trustees thereof, and that are used wholly or mainly for charitable purposes; or
- (ii) held on trust for use as an almshouse, are entitled to 80% mandatory Charity Relief.

4. Day Nursery Relief

100% Relief is available where the premises are used wholly or mainly as a day nursery. This relief is available for properties in all sectors – private, public and charitable.

5. Disabled Rates Relief

Up to 100% relief may be available where:

- residential accommodation is provided for the care or aftercare of people who are disabled,
- facilities are provided for the training of people who are disabled; or
- welfare services or workshops for disabled persons are provided.

6. District Heating Relief (currently none within DCC boundaries)

Properties used wholly or mainly for the purposes of a district heating network may receive 50% relief. This relief is available until 31 March 2032.

Further, properties used wholly or mainly for the purposes of a district heating network which is powered wholly or mainly by renewable generation may receive 90% relief. This relief is available until 31 March 2024.

7. Enterprise Areas Relief (currently none within DCC boundaries)

Properties concerned with specific sectors in four defined Enterprise Areas, each of which comprises a number of defined geographic locations may be eligible. Boundaries for each location are set out in a published series of maps.

8. Fresh Start Relief

Mandatory relief of 100% is available for a period of up to 12 months, for certain occupied premises. The following two criteria must be met:

- the property has been in receipt of Empty Property Relief for a continuous period of at least six months immediately prior to the applicant's occupation; and
- the property has a RV of up to £95,000 (up from £65,000 until 31 March 2021) increasing to an RV of £100,00 for 2023/24.

9. Hardship Relief

A local authority may award up to 100% relief if the applicant would otherwise sustain hardship, and if doing so was reasonable in light of the interests of council taxpayers.

10. Mobile Masts Relief none within DCC boundaries

Relief is 100% mandatory and awarded to mobile masts or towers in:

- (i) three 'Mobile Masts Pilot Areas' (two in Arran and one in Cairngorm) entered in the valuation roll on or after 1 April 2016; or
- (ii) located in a number of specific different grid references.

Relief can be awarded between 1 April 2016 and 31 March 2029

11. New Fibre Relief (currently none within DCC boundaries)

Telecommunications new fibre infrastructure is eligible for 100% relief between 1 April 2019 and 31 March 2034.

12. Religious Exemption from Rates

Buildings occupied by a religious body for the purpose of religious worship or related administration, and halls used in connection with such buildings and their occupiers' purpose, are exempt from rates.

The council decides whether premises are used as a place of worship or related administration. Church halls may be ineligible if they are used mainly for non-religious purposes.

13. Renewable Energy Relief

Eligibility for the Renewable Energy Relief relating to community benefit requires arrangements which give at least 15% of the annual profit to a community organisation, in return for investment (or, failing that, so much of the annual profit as is attributable to 0.5 megawatt of the total installed capacity). There is a sliding scale of applicable relief against

total RV of all the qualifying properties in Scotland that the applicant occupies or (if vacant) is entitled to occupy.

Relief is available for subjects solely concerned with the production of heat or power (or both) from the following sources:

- biomass
- biofuels
- fuel cells
- photovoltaics
- water (including waves and tides, but excluding production from the pumped storage of water) (“hydro schemes”)
- wind
- solar power
- geothermal sources

In addition, hydro schemes with a RV of no more than £5 million are also eligible for 60% relief. This relief is available until 31 March 2032.

14. Reverse Vending Machine Relief

Mandatory relief of 100% is available to sites of a Reverse Vending Machine

15. Rural Relief (not applicable to DCC)

Mandatory relief of 100% is available to certain properties (bullets below) which are the only such property located in a settlement in the local authority’s rural settlement list. The council’s determination of this is generally informed by local knowledge and the applicant’s declaration. The council compiles and maintains the rural settlement list, which is generally updated annually by the council in December to be in place for the start of the next financial year.

- Small food shop, general store or post office RV threshold £8,500
- Petrol filling station, small hotel or public house RV threshold £12,750

In addition, local authorities have discretionary powers to grant up to 100% relief to properties which provide a service which is of benefit to the community where they consider it would be in the interest of Council Tax payers to do so.

16. Small Business Bonus Scheme

Occupiers of property located in Scotland (or those entitled to occupy it) with combined RV of £35,000 or less may be eligible for relief. Multiple properties linked to one business (e.g. a chain of shops) may be eligible for relief if their combined RV does not exceed £35,000.

Cumulative RV range Percentage of rate relief

£15,000 or less 100%

£15,001 to £18,000 25%

£18,001 to £35,000 25% on each individual property with a RV of £18,000 or less

17. Sports Club Relief

Properties occupied by a Community Amateur Sports Club (CASC) registered with HM Revenue and Customs, for the purposes of that club, or for the purposes of that club and of other clubs which are, or are entitled to be, registered as a CASC, are entitled to 80% mandatory rates relief.

Note that OSCR-registered charities may also claim 80% mandatory relief. Where these are sports clubs, it would be considered that they are applying for Sports Club Relief. The

mandatory element of this relief is 100% funded by the Scottish Government. The local authority also has discretion to 'top up' this relief to 100%.⁴⁴ This element of the relief is 75% funded by the Scottish Government.

Properties occupied by certain other sports clubs that are not CASCs or registered charities are eligible to receive up to 100% relief at the discretion of the local authority. Any such relief, whilst it is discretionary, is 100% funded by the Scottish Government.

18 Stud Farms Relief (currently none within DCC boundaries)

Councils may award relief to qualifying stud farms with a rateable value up to £7,000. Note this relief is separate from the de-rating provision under section 7B of the Valuation and Rating (Scotland) Act 1956. This relief is discretionary and is 75% funded by the Scottish Government