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## **NON-DOMESTIC RATES EMPTY PROPERTY RELIEF**

**Report by Director of Resilient Communities**

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**Scottish Borders Council**

**25 January 2024**

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### **1 PURPOSE AND SUMMARY**

**1.1 This report updates the Council on the review of the Non-Domestic Rates (NDR) Empty Property Relief Policy approved at Council on 16 February 2023, and sets out the recommendation for a revised policy to take effect from 1 April 2024.**

1.2 The Scottish Government has made an annual fixed sum available for the next three years to support the revised policy. Scottish Borders Council's allocation of this funding was £1.15m for 2023/24. Local Authorities can retain any income from business rates they charge on empty properties between 1 April 2023 and 31 March 2026.

1.3 Across Scotland every Local Authority is looking at their own policy with the aim of bringing empty properties back into use, and a number are looking to reduce the relief they award on empty properties to support this aim.

1.4 There are 627 empty properties receiving relief as of 6 December 2023, from the 9,368 entries on the Valuation Roll for the Scottish Borders Valuation Area. 74% of these empty properties are in towns.

### **2 RECOMMENDATIONS**

**2.1 I recommend that the Council:**

**(a) Approves the amended Non Domestic Rates Empty Property Relief Policy at [Appendix 1](#) which reflects the changes outlined in section 5 of the report to award 50% relief for 3 months, followed by 10% for a maximum of 9 months after which no relief is awarded; and**

**(b) Agrees that the amended policy is effective from 1 April 2024.**

### 3 BACKGROUND

- 3.1 Local Authorities administered empty property relief for Non-Domestic properties on behalf of the Scottish Government until 31 March 2023. From that date the responsibility for determining empty property relief was devolved to Local Authorities under the Community Empowerment (Scotland) Act 2015.
- 3.2 For the purpose of determining if a rateable entry is empty, Scottish Borders Council establish if the property is currently occupied and in active use and must be satisfied that it is empty of all movable fixtures and fittings having given regard to the underuse procedure.
- 3.3 An [Empty Property Relief Policy](#) was approved at Council on 16 February 2023 to take effect from 1 April 2023. This details all the current reliefs which mirror the former Scottish Government legislation. This approach was similar to most other Scottish Local Authorities.
- 3.4 Table 1 below indicates a breakdown of the 627 (7%) empty property reliefs currently awarded which lie within the scope of the devolved legislation, as of 6 December 2023, from the 9,370 entries on the Valuation Roll:

Table 1

Relief Type	Number	Value (£)
Empty Property - 10%	187	103,285
Empty Property - 50%	4	4,525
Empty Property - 100%	65	100,223
Empty Executor - 100%	6	18,277
Empty Industrial - 100%	3	134,985
Empty Listed Building - 100%	160	774,326
Empty Minimum Rateable Value - 100%	199	74,974
Empty sequestration/liquidation - 100%	3	4,044
<b>Total Empty Properties</b>	<b>627</b>	<b>1,210,595</b>

- 3.5 A breakdown of the locations of these properties can be found in [Appendix 2](#).
- 3.6 In September 2022 there were 480 empty business properties in the Scottish Borders, therefore the number of empty properties has increased by 30.6% over a 15 month period.

## **4 SCOTTISH GOVERNMENT FUNDING**

- 4.1 The Scottish Government has made an annual fixed sum available for the next three years amounting to £105 million across Scotland. Scottish Borders Councils share of this money is £1.15m for 2023/24.
- 4.2 Local Authorities can retain any income from business rates they charge on empty properties between 1 April 2023 and 31 March 2026.
- 4.3 As at 11 September we had committed to spend £1.138 million on empty relief. In December, this figure increased to £1.21 million which is greater than Scottish Borders Council funding allocation. The actual spend will not be available until the end of the financial year and will continue to fluctuate each month until then.
- 4.4 It is important to understand that there are factors which have an impact on the cost of reliefs:
  - (i) The rate poundage set by the Scottish Government each year may impact in the amount of relief awarded, i.e. if the rate poundage increased, this will directly increase the relief award.
  - (ii) Any increase or decrease to the number of empty properties and their rateable value.

## **5. REVIEW OF POLICY**

- 5.1 Under the Community Empowerment (Scotland) Act 2015, Scottish Borders Council has the authority to amend the current policy and vary the levels and duration of any empty property reliefs currently offered.
- 5.2 Across Scotland every Local Authority is looking at their own policy with the aim of bringing empty properties back in to use.
- 5.3 Our South of Scotland partner, Dumfries & Galloway Council, had its policy approved in October 2023 to allow 50% relief for 3 months followed by 10% for 9 months. No relief to be awarded after this 12-month period and there is no element of discretion on extending the relief award.
- 5.4 Several officers from across Scottish Borders Council, including Customer Advice & Support, Revenues & Benefits, Finance, Housing Strategy and Economic Development have met to explore the policy options.
- 5.5 The group were cognisant of the balance of the current economic challenges facing businesses with increased fuel/mortgage/running

costs, however also considered that for those properties that had 100% unlimited rates relief, there was little or no incentive to actively bring the premises back into use.

- 5.6 Empty premises, both domestic and non-domestic, are often a blight on local communities and town centres. They can often have detrimental impact on both residents and other businesses. It was therefore considered important to look at measures that could encourage owners to bring empty units back in to use.
- 5.7 Officers have considered a range of options which have been shared and discussed with elected members. The proposed option is to introduce a standardised level of relief of 50% for 3 months, followed by 10% for 9 months, after which no relief applies. This removes the exempt categories, with the exception of businesses that have gone into liquidation or properties where occupation is prohibited by law, and limits the current 10% relief to only nine months. This is reflected in the amended policy which is detailed at Appendix 1.
- 5.8 As the new policy would take effect from 1 April 2024, any business currently in receipt of 100% relief would be treated as empty from 1 April 2024 which would result in them being eligible for 50% relief for 3 months from 1 April 2024, followed by 10% for the remaining 9 months.
- 5.9 To allow a period of transition for those properties that are currently empty and receiving either 50% or 10% relief as at 31 March 2024, the following awards will be made :
  - (i) Any business currently receiving 50% will continue to receive the balance of that award, up to 3 months, followed by 10% up to 31 March 2025.
  - (ii) Any business currently receiving 10% will retain this award until 31 March 2025.
- 5.10 Any business that becomes empty on or after 1 April 2024 would be eligible for 50% relief for 3 months followed by 10% for 9 months other than those excluded in the policy.
- 5.11 Table 2 below demonstrates the financial impact of the proposed change to the policy for 2024/25. This is calculated solely on the properties that were empty as at 6 December 2023 as shown in table 1 above. The costs will reduce again in 2025/26 when the relief awarded reduces further.

Table 2

<b>Current description</b>	<b>Number of properties</b>	<b>2023/24 Current cost of relief</b>	<b>Relief description from 1 April 2024</b>	<b>2024/25 cost of relief under new policy</b>
Empty Property 10% indefinitely, (relief following 50% for 3 months)	187	£103.3k	10% for 9 months following 50% for 3 months	£103.3k No change as this is the current relief award
Empty Property 50% for 3 months (followed by 10% indefinitely)	4	£4.5	Amended to 50% for 3 months followed by 10% for 9 months	£4.5k No change as this is the current relief award
Empty property (no building) - 100%	65	£100.2k	Amended to 50% for 3 months followed by 10% for 9 months	£19.9k
Empty Executors - 100%	6	£18.3k	Amended to 50% for 3 months followed by 10% for 9 months	£3.6k
Empty Industrial - 100% (6 months)	3	£134.9k	Amended to 50% for 3 months followed by 10% for 9 months	£26.9k
Empty Listed - 100%	160	£774.3k	Amended to 50% for 3 months followed by 10% for 9 months	£154.8k
Empty Minimum RV - 100%	199	£74.9k	Amended to 50% for 3 months followed by 10% for 9 months	£14.9k
Empty Sequestrated - 100%	3	£4.0k	Remains the same	£4.0k
<b>Totals</b>	<b>627</b>	<b>£1.21m</b>		<b>£0.33m</b>

- 5.12 All the figures in Table 1 and Table 2 are based on the number of empty properties at 6 December 2023, they do not take into consideration any new empty properties that may become entitled to relief on an ongoing basis.
- 5.13 The numbers of properties which are empty at any time fluctuates and therefore the costs of the relief will vary on an ongoing basis. The current costs going forward compared to the funding from Scottish Government, as well as the impact of Scottish Borders Council as an owner of some of the empty properties, will provide the Council a net increase in income of c£0.765m which it is recommended that Council consider in setting its budget.
- 5.14 When a business enters liquidation, assets are frozen, and the business is unable to continue trading. The liquidator assesses whether the business has enough assets to meet their financial obligations. Therefore, it would be unreasonable to continue to charge rates on an ongoing basis when the business has no opportunity to trade.
- 5.15 If a property is prohibited by law, they are unable to continue trading therefore it would be unreasonable to charge the business rates when they had no opportunity to trade.
- 5.16 Reconsiderations and appeals will be dealt with in line with the current procedure.

## **6 SUPPORT FOR BUSINESSES**

- 6.1 The proposals contained in this report to reduce empty property relief and encourage investment in bringing these properties back into use would support the following Council Plan Outcomes:
- (i) Strong Inclusive Economy, Transport and Infrastructure - Regenerating our town centres and rural communities;
  - (ii) Empowered Vibrant Communities - Sustainable use of our land and buildings.
- 6.2 There are funding opportunities available via Scottish Borders Council's empty homes officer, should a business wish to change the use of their premises to a dwelling.
- 6.3 Support for businesses is also available from the Council's Business Gateway service, which is delivered in partnership by South of Scotland Enterprise (SOSE). Regeneration grants may also be available to repurpose empty properties in town centres and other locations to bring them back into use.

- 6.4 A communications plan is being developed in advance of these changes coming into effect on 1 April 2024, to ensure property owners and businesses understand the changes to Non-Domestic Rates relief and are signposted to the correct advice and support.

## **7 IMPLICATIONS**

### **7.1 Financial**

It is anticipated that based on current empty properties the Council will receive additional income of around £878k during 2024/25. The Council will also incur additional charges of around £113k due to the increased rates payable on our empty listed buildings giving a net increase of around £765k during 2024/25. This figure will increase during 2025/26 as the transitional relief on properties which continue to remain empty expires.

There will be some ancillary costs involved in proposing these changes to the policy including:

- (a) consideration for the administration of billing and collection of the chargeable Non-Domestic Rates;
- (b) consideration for the cost involved to amend, online forms, update procedures, train staff, update systems and update website content;
- (c) bad debts are assessed each year to ensure we have reasonable bad debt provision, and we will continue to do this. It is assumed that the level of collection will be similar to current levels of collection.

### **7.2 Risk and Mitigations**

If members do not agree to change the current policy, there would be no change to those businesses who receive relief and provides little incentive for those to bring these properties back in to use. It will also result in Scottish Borders Council subsidising the cost of the relief above the level of the Scottish Government funding allocation and after 2025/26 as we do not know what funding we will receive from the Scottish Government at that time.

### **7.3 Integrated Impact Assessment**

An Integrated Impact Assessment has been completed and this established that there were no impacts.



#### 7.4 **Sustainable Development Goals**

This checklist was completed and highlighted that by introducing this policy, we are working towards promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all as a result of generating growth and employment through local economic development opportunities.

#### 7.5 **Climate Change**

By introducing this policy, there is potential to reduce the need for unnecessary car journeys depending on the location and type of business that makes use of the empty property. This policy could potentially have a positive impact on infrastructure and land usage should businesses use existing premises instead of building new premises.

#### 7.6 **Rural Proofing**

There is no impact on rural proofing.

#### 7.7 **Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

#### 7.8 **Changes to Scheme of Administration or Scheme of Delegation**

There is no change to the Scheme of Administration.

### **8 CONSULTATION**

8.1 Director (Finance & Corporate Governance), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council, The Assessor and Corporate Communications and Economic Development and comments received have been incorporated into the final report.

8.2 Others consulted – Corporate Equalities and Diversity Officer

#### **Approved by**

##### **Name**

Jenni Craig

##### **Title**

Director of Resilient Communities

##### **Author(s)**

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**Background Papers:** Agenda Item 9 ([Public Pack](#))[Agenda Document for Scottish Borders Council, 16/02/2023 10:00 \(modern.gov.co.uk\)](#)

**Previous Minute Reference:** Number 6 [Agenda for Scottish Borders Council on Thursday, 16th February, 2023, 10.00 am - Scottish Borders Council \(modern.gov.co.uk\)](#)

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Clare Pettie can also give information on other language translations as well as providing additional copies.

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