



## **Non-Domestic Rates Relief Policy**

**Report by Saty Kaur, Chief Officer Corporate Solutions**

**Report for Decision**

### **1 Recommendations**

Council is recommended to agree to implement the new policy with effect from 1 April 2024.

### **2 Purpose of Report/Executive Summary**

Following the devolvement of powers to Local Authorities, from 1 April 2023 Midlothian Council can change its existing policy to potentially generate more revenue.

This report sets out the proposal for a revised policy effective from 1 April 2024.

**Date** Friday 1 December 2023

**Report Contact:**

Saty Kaur, Chief Officer Corporate Solutions

[Saty.Kaur@midlothian.gov.uk](mailto:Saty.Kaur@midlothian.gov.uk)

### 3 Background/Main Body of Report

#### Legislative position

- 3.1** Following recommendations from the Barclay Review, the legal position for Non-Domestic Rates (NDR) changed. As of 1 April 2023, the decision on charging and reliefs available to empty properties was devolved to Local Authorities under the Non-Domestic Rating (Scotland) Act 2020. This means that as of 1 April 2023, there was no requirement to continue to follow a national framework, and Local Authorities could have their own scheme. However, in the absence of a local scheme by 1 April 2023, all relief for empty properties would cease. In response to this, at its meeting of 21 February 2023, Council agreed to adopt a policy that continued from that which was in place at that time (national framework), therefore there was no material change to the NDR process.

#### Current position

- 3.2** The decision to continue the existing scheme for 2023/24 has given officers the opportunity to review the changes in more detail and consider if a change to the policy is viable.
- 3.3** The definition of Empty Property Relief (EPR), in the context of business rates, is **unoccupied non-domestic property meeting the criteria within the policy**, attracting relief which provides a discount of up to 100 per cent.

**Table 1 below shows the current exemptions and reliefs applied (as agreed by Council on 21 February 2023)**

Empty Property Relief Name	Relief Description	%	Duration
Empty Property Relief 50%	Standard empty property relief for the first 3 months of a property being unoccupied	50	3 Months
Empty Property Relief 10%	Standard empty property relief after initial 3 months of 50% has come to an end	10	No time limit
New Build Property Relief	Applies to unoccupied new build properties	100	12 Months
Void Industrial Property	Unoccupied industrial properties	100	6 months
Void Industrial Property	10% relief after initial 6 months of 100% industrial relief ended	10	No time limit

Empty Property Exemption Name	Exemption Description	%	Duration
Ground/land - no buildings	Applies to vacant ground entries with no infrastructure on them	100	No time limit
Listed Buildings	Applies to vacant listed buildings	100	No time limit
Building Preservation Notice	Unoccupied property subject to a building preservation order	100	No time limit
RV < £1700	Unoccupied properties with RVs less than £1,700	100	No time limit
Administrator	Unoccupied properties where liable party is in administration	100	No time limit
Company being wound up	Unoccupied properties where liable party is subject to a winding up order	100	No time limit
Occupation prohibited by law	Properties prohibited from being occupied law e.g., asbestos removal	100	No time limit
Vacant Crown/L.A. action	Unoccupied properties subject to crown / LA acquisition, e.g., compulsory purchase order	100	No time limit
Liquidator	Unoccupied properties where liable party is in administration	100	No time limit
Executor in deceased estate	Vacant properties where person entitled to possession is executor of a deceased person's estate	100	No time limit

**3.4** Officers have undertaken a review of the NDR relief and exemptions applied and can advise that as of **1 November 2023** there are:

- 59 properties in receipt of EPR at 10%
- 1 property in receipt of EPR at 50%
- 35 properties exempt under rateable value less than £1700
- 39 vacant listed buildings exempt
- 3 properties exempt due to executor in deceased estate
- 1 property exempt as in liquidation
- 23 exemptions applied to ground/land (no buildings)

Members should note that this is a dynamic picture as properties will become vacant/occupied at different times. This also includes non-domestic properties and ground/land owned by Midlothian Council.

### Proposal for change

**3.5** The changes proposed for consideration aim to simplify the existing classifications, changing the open-ended exemptions and reliefs to a standard 3-month limit. It is proposed that:

- The relief/exemption timescale is applied to the property rather than the account holder. In this regard, timescale commences from the last date of property occupancy; irrespective of owner and would ensure appropriate liabilities are billed.
- Classifications would be simplified to allow for relief to be applied more uniformly.
- A minimum occupancy requirement of six months would apply.
- Charges would be subject to the Council's existing approved financial recovery processes.
- Properties that are prohibited by law from being occupied are exempt.

**Table 2 below shows the current reliefs and exemptions applied alongside the proposed changes.**

<b>Empty Property Relief Name</b>	<b>Relief Description</b>	<b>%</b>	<b>Duration</b>	<b>Proposed change</b>
Empty Property Relief 50%	Standard empty property relief for the first 3 months of a property being unoccupied	50	3 Months	*No change* 3 Months
Empty Property Relief 10%	Standard empty property relief after initial 3 months of 50% has come to an end	10	No time limit	Changed to be removed
New Build Property Relief	Applies to unoccupied new build properties	100	12 Months	No change – this is out with scope as is a statutory scheme
Void Industrial Property	Unoccupied industrial properties	100	6 months	Change to 3 months at 50% then no relief applied thereafter
Void Industrial Property	10% relief after initial 6 months of 100% industrial relief ended	10	No time limit	

Empty Property Exemption Name	Exemption Description	%	Duration	
Ground/land - no buildings	Applies to vacant ground entries with no infrastructure on them	100	No time limit	Change all - Standard Empty Property Relief applied for all categories (3 months at 50% the no relief thereafter)
Listed Buildings	Applies to vacant listed buildings	100	No time limit	
Building Preservation Notice	Unoccupied property subject to a building preservation order	100	No time limit	
RV < £1700	Unoccupied properties with RVs less than £1,700	100	No time limit	
Administrator	Unoccupied properties where liable party is in administration	100	No time limit	
Occupation prohibited by law	Properties prohibited from being occupied law e.g., asbestos removal	100	No time limit	
Vacant Crown/L.A. action	Unoccupied properties subject to crown / LA acquisition, e.g., compulsory purchase order	100	No time limit	
Liquidator	Unoccupied properties where liable party is in administration	100	No time limit	
Executor in deceased estate	Vacant properties where person entitled to possession is executor of a deceased person's estate	100	No time limit	
Company being wound up	Unoccupied properties where liable party is subject to a winding up order	100	No time limit	

### Financial implications

- 3.6** Nationally, the Scottish Government and officer group previously agreed a funding model whereby Local Government will receive £105m per annum (fixed for three years) to be distributed to each Council based on historic spend on empty property relief. This amount is based on the Institute of Fiscal Studies estimate of the ongoing cost for three years from 1 April 2023. Distribution of the quantum is calculated by the Settlement and Distribution Group at COSLA and presented to COSLA Leaders. Based on the annual national relief awarded for previous and the current year, Midlothian's share of the £105m is approximately £0.717m per annum for three years from 2023/24 financial year.
- 3.7** Future changes to the empty property policy will be the financial responsibility of the Council e.g., any loss/income in income flows directly to the Council.
- 3.8** For illustrative purposes only, and based on current empty property levels as at 1 November 2023, with the caveats of pre-revaluation rateable values and an assumption that all properties were already vacant for 12 months therefore no further relief extension is applicable, this proposal could generate of over £500k of annual liability (net of charges that Midlothian Council would be liable for as owner of empty properties/land in the county), that could be billed for collection.
- 3.9** Council should note that these are indicative costs and would be subject to a range of influencers such as number and nature of properties at the time of a policy change; length of time they have been empty and reason(s) for being empty. Given this is a new proposed policy change and differs significantly from the current policy, there is no clear historical data that can give completely accurate forecasts. One of the anticipated outcomes of the proposed change is to bring empty properties into use so it is fair to assume that there would be some level of income generated to the Council.

### Stakeholder engagement

- 3.10** Early discussion has taken place with the Economic Development Team on the proposed changes. The proposed changes aim to bring back into use vacant properties for economic good and would bring a range of economic and socio-economic benefits such as:
- promoting vibrant communities;
  - supporting the local economy;
  - creating jobs for local people;
  - facilitating local supply chain activity;
  - increasing local spend; and
  - delivering inclusive growth.
- 3.11** There are a range of public realm benefits to having vacant properties brought back into use. Visually this benefits town centres, increasing attractiveness of spaces as places to visit and invest and potentially increase the value of neighbouring properties. Empty/vacant properties can encourage anti-social behaviour, vandalism and crime.

**3.12** Since October 2021, the Economic Development Team have been recording the number of enquiries about premises for rental from existing and new businesses looking to locate/relocate to Midlothian (Table 3). Information recorded includes the size of the units requested, as well as preferred locations within Midlothian and rental budget. From the information held, many of the requestors would consider premises of a range of sizes and locations within the county.

**Table 3 – enquiries received for properties in Midlothian**

Period	Retail Enquiry count	As % of total property enquiries	Total number of property enquiries
15/10/2021 - 31/03/2022	70	54%	130
01/04/2022 – 31/03/2023	58	42%	138
01/04/2023 – 11/10/2023	46	37%	126

**3.13** There is currently more demand than supply of properties within Midlothian, particularly in town centres. Tables 4-6 below show the estimated vacant units for the last three financial years as reported to the Scottish Local Authorities Economic Development (SLAED) Group.

**Table 4 – estimated vacant units in Town Centres 2020-21**

		Bonnyrigg	Dalkeith	Gorebridge	Loanhead	Penicuik
<b>Estimated Total Units in Town Centre</b>	<b>112</b>	17	46	11	17	21
<b>Of which:</b>						
<b>Vacant/ Void</b>	<b>15</b>	1	3	0	0	11
<b>Vacancy Rate %</b>	<b>13.39</b>	5.88	6.52	0	0	52.38

**Table 5 – estimated vacant units in Town Centres 2021-22**

		Bonnyrigg	Dalkeith	Gorebridge	Loanhead	Penicuik
<b>Estimated Total Units in Town Centre</b>	<b>126</b>	17	63	10	14	22
<i>Of which:</i>						
<b>Vacant/ Void</b>	<b>17</b>	2	3	0	0	12
<b>Vacancy Rate %</b>	<b>13.49</b>	11.76	4.76	0	0	54.54

**Table 6 – estimated vacant units in Town Centres 2022-23**

		Bonnyrigg	Dalkeith	Gorebridge	Loanhead	Penicuik
<b>Estimated Total Units in Town Centre</b>	<b>128</b>	19	64	10	13	22
<i>Of which:</i>						
<b>Vacant/ Void</b>	<b>12</b>	0	6	0	1	5
<b>Vacancy Rate %</b>	<b>9.38</b>	0	9.37	0	7.69	22.73

**3.14** If the proposed changes were agreed, an implementation plan would complement the policy change. City of Edinburgh Council administer NDR on behalf of Midlothian Council. They would contact the empty property owners and make them aware of changes to be effective from 1 April 2024, as well as include information on changes at the time of annual billing.

**3.15** Locally, changes would be communicated through an awareness raising campaign and Economic Development would provide advice to property owners on marketing of properties for sale/rent for local business use. Economic Development carry a waiting list and support enquirers in identifying Council and non-Council sites, business set-ups, funding advice and support with business planning. They would match enquiries to the properties available as well as marketing through all of their existing channels including Business Gateway.

### **Mandatory and Discretionary Reliefs**

#### Mandatory Relief

**3.16** Mandatory relief is granted to charities where they occupy premises and use them wholly or mainly for charitable purposes. This is not impacted by the devolution of policymaking to Local Authorities.



### Discretionary Rating Relief (DRR)

- 3.17** The Council operates a DRR policy which provides an additional discount of up to 100%. Currently, this is as follows:
- An additional 20% DRR is granted to organisations already in receipt of mandatory relief where they:
    - Are mainly concerned with working with youths (defined as under 19 years of age).
    - Provide community facilities i.e., village halls, community centres and social enterprise schemes; and
    - Are organisations that act, primarily, to provide benefit to Midlothian residents and taxpayers.
  - An additional 20% DRR is granted to organisations already in receipt of mandatory relief where they provide and maintain grounds and buildings used for the purposes of leisure time occupation where facilities are available to members of the public at large.
  - 50% DRR is granted to recreation clubs which do not have a license to sell alcohol.
  - 80% DRR is granted in respect of properties used for recreational purposes and occupied by clubs/societies which are charitable bodies and not established/conducted for profit.
  - 100% DRR is granted to all clubs who meet the definition of 'Sports Clubs' as set out by the Scottish Sports Association and who operate an equal opportunities policy. This relief is granted subject to full compensation for such relief being contained within the Rating Pool arrangements.
- 3.18** Legislation permits DRR to be granted for:
- The year in which, or the year next following that in which, the determination is made for.
  - For a specified term of years not exceeding three.
  - For an indefinite period, subject to termination by not less than twelve months' notice.
- 3.19** Midlothian Council currently has two businesses/organisations in receipt of DRR. They have been granted DRR on the basis that they are not established/conducted for profit and provide benefit to Midlothian residents and taxpayers. As reported in the policy proposal agreed by Council at its meeting of 21 February 2023, it is not proposed to change the DRR policy at this time. The Council will continue to award the current recipients of DRR for three years from 1 April 2023.

## **4 Report Implications (Resource, Digital and Risk)**

### **4.1 Resource**

The current policy is administered by City of Edinburgh Council (CEC) who collect NDR on behalf of Midlothian Council. At its meeting of Finance and Resources on Tuesday 21 November 2023, CEC agreed to this new policy to be implemented from 1 April 2024.

CEC have confirmed that if the two Councils have the same policy, CEC will continue to administer NDR on behalf of Midlothian Council. However, if the policies across the two Councils are to differ, CEC will be unable to continue to do this and that arrangement will cease on 31 March 2024.

There is currently no in-house resource nor technical expertise/knowledge to administer NDR within Midlothian Council. It is also expected that a change to policy will prompt questions and additional staff would be required to respond to these. In addition, any administering of NDR within Midlothian Council would also require a software solution to be procured and configured. All of the aforementioned resource implications would have to be assessed for full costings.

### **4.2 Digital**

No digital impact currently but this is subject to change if the administration of the policy is to fall to Midlothian Council and the implications of this are currently unknown, but it is reasonable to assume that a system/application would be required to be purchased and installed at an additional cost to the Council to be defined.

### **4.3 Risk**

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CEC have confirmed that if the two Councils have the same policy, CEC will continue to administer NDR on behalf of Midlothian Council. However, if the policies across the two Councils are to differ, CEC will be unable to continue to do this and that arrangement will cease on 31 March 2024.

There is currently no in-house resource nor technical expertise/knowledge to administer NDR within Midlothian Council. It is also expected that a change to policy will prompt questions and additional staff would be required to respond to these. In addition, any administering of NDR within Midlothian Council would also require a software solution to be procured and configured. All of the aforementioned resource implications would have to be assessed for full costings.

**4.4 Ensuring Equalities (if required a separate IIA must be completed)**

N/A

**4.5 Additional Report Implications (See Appendix A)**

See Appendix A

**Appendices**

**Appendix A – Additional Report Implications**

## **APPENDIX A – Report Implications**

### **A.1 Key Priorities within the Single Midlothian Plan**

Promotion of economic growth.

### **A.2 Key Drivers for Change**

Key drivers addressed in this report:

- Holistic Working
- Hub and Spoke
- Modern
- Sustainable
- Transformational
- Preventative
- Asset-based
- Continuous Improvement
- One size fits one
- None of the above

### **A.3 Key Delivery Streams**

Key delivery streams addressed in this report:

- One Council Working with you, for you
- Preventative and Sustainable
- Efficient and Modern
- Innovative and Ambitious
- None of the above

### **A.4 Delivering Best Value**

Not applicable

### **A.5 Involving Communities and Other Stakeholders**

Engagement has taken place with Economic Development to understand the economic impact of change.

### **A.6 Impact on Performance and Outcomes**

Not applicable

### **A.7 Adopting a Preventative Approach**

Not applicable

### **A.8 Supporting Sustainable Development**

Not applicable