



Glasgow City Council

City Administration Committee

Report by Councillor Richard Bell, Deputy Leader, City Treasurer and
Convenor for Financial Inclusion

Item 4

23rd March 2024

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Non-Domestic Rates Empty Property Relief

Purpose of Report:

The report provides an update on changes to the Non-Domestic Rates Empty Property Relief Regulations with effect from 1st April 2023.

The report outlines the current Empty Property Relief position in the city and actions to be taken in order to comply with the amended regulations.

Recommendations:

The committee is asked to approve the recommendation to continue to award Empty Property Relief in line with the current regulations from 1st April 2023 and thereafter conduct a wider review of options for further consideration of potential changes to be implemented from 1st April 2024.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes ☐ No ☐ consulted: Yes ☐ No ☐

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1 Introduction and Background

- 1.1 Non-Domestic Rates (NDR), sometimes referred to as Business Rates, is a property-based tax that is levied on business premises and is used to fund local services provided by the council, including those provided to businesses. In Scotland, the NDR regulatory framework is fully devolved to Scottish Ministers and the Scottish Parliament.
- 1.2 Local Authorities are responsible for the administration, billing and collection of NDR in their local authority area. However, local authorities do not set the rate of NDR payable on the properties they collect from. The amount of NDR payable is derived from the Rateable Value of the property concerned, which is set by one of the 14 geographically based Assessors. The Rateable Value is then multiplied by a Rate Pounding, which is set by Scottish Ministers, to derive the amount due from each premises.
- 1.3 Reductions in the amount of NDR payable, normally referred to as reliefs, can be awarded should the premises and/or the occupier meet the prescribed regulatory criteria. The available reliefs are noted here: <https://www.mygov.scot/non-domestic-rates-relief> .
- 1.4 Traditionally the award criteria and value of any reliefs afforded were prescribed in regulation and individual councils had very little discretion on the type or value of relief awarded.
- 1.5 However, the Non-Domestic Rates (Scotland) Act 2020 allows discretion to each individual local authority around the value of Empty Property Relief (EPR) to be awarded with effect from 1st April 2023.
- 1.6 The funding previously provided by the Scottish Government to deliver EPR across Scotland has been allocated to individual local authorities as part of the 2023/24 settlement. The individual councils would then decide the level of reliefs that will be available to empty premises in each local authority area.

2. The current EPR award scheme

- 2.1 Regulations in force until 31st March 2023 prescribe that all empty NDR properties can be entitled on application to 50% relief for the first 3 months they are empty. A 10% discount is applicable thereafter. This is usually referred to as Standard Empty. However, there are some exceptions where different timeframes and relief values can be applied.
- 2.2 For example, 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 thereafter.
- 2.3 In addition there are some types of premises that attract 100% relief for the whole time a property is unoccupied. These include:

- listed buildings
- properties with a rateable value under £1,700 (deminimus)
- properties owned by a trustee for sequestration, liquidation, executors of deceased owners or where the company who owns it has been wound up
- properties which by law cannot be occupied

2.4 Across the city 4,822 EPR awards to the value of £21.7 million were made in 2021/22. Of that total, £16.1 million was awarded to 1,928 listed buildings. The following table lists the number and value of awards across all categories:

Category	Volume	Total award
Listed Building	1,928	£16,138,834
Deceased/Insolvency	86	£2,153,030
Standard Empty	1,603	£2,014,684
Other	61	£512,814
Industrial	396	£506,958
Deminimus	723	£222,463
Prohibited by Law	25	£154,961
Total	4,822	£21,703,744

3. Proposal for 2023/24

3.1 With effect from 1st April 2023 each Scottish council can adjust the value of NDR EPR awards made in the area they administer. There is no requirement for consistency across the country or commonality of approach. From a regulatory perspective there is no requirement to award any EPR, however should a particular council wish to continue to award any amount in EPR the award value and criteria must be formally agreed each year.

3.2 Due to the time required to undertake an options appraisal including stakeholder engagement, consideration by committee and then allow time for the changes to be implemented and tested in the NDR system the only feasible option for 2023-24 was to continue with the current scheme. This was the assumed position during the budget process after discussions with the Strategic Budget Group.

3.3 The Scottish Government allocated £105 million to local authorities as part of the 2023-24 local government settlement. Glasgow's share of that is £28.5 million. Taking into account expected increases in demand and the increase in rate poundage from 2021-22 an estimate of £25.5 million was forecast for 2023-24. The balance of £3 million was used to reduce the Spending Gap when setting the budget for 2023-24.

4. Considerations for future review of NDR EPR

4.1 It is proposed to consider options for reviewing the current scheme during 2023-24. The ability to reduce the value of EPR awarded in the city allows the unallocated funds saved to be utilised for other purposes. However, it also

allows the EPR scheme to be adjusted to encourage reoccupation of unoccupied business premises.

- 4.2 Clearly changes to EPR award rates across the city would have an impact on the local business community, particularly owners and landlords, and may have unintended consequences for development or refurbishment projects going forward.
- 4.3 It is clear from the figures noted at 2.4 that the most significant element of the EPR awards in Glasgow are the impact of unoccupied listed buildings. With 40% of the award numbers and 74% of the total value of relief awarded in the city, this category of EPR awards will be of particular significance in any consideration of changes.
- 4.4 There is potential to design a scheme that would protect the integrity of the special architectural and historic features of the many empty listed buildings in the city while encouraging reoccupation of buildings using NDR EPR flexibilities as an incentive. This, however, is likely to be complex and further detailed discussions involving the Council's Planning and Economic Development services as well as the local business community is likely to be required before any scheme could be proposed.
- 4.5 Of the remaining categories of EPR outlined at 2.4, Industrial premises and Standard Empty premises are already subject to regulatory limits on both value and duration of awards, as noted at 2.2 and 2.3. The regulatory limits would seem sufficient to encourage minimisation of the duration of award and appear to be reflective of reasonable reoccupation timeframes in the commercial property and rental markets.
- 4.6 The other categories that receive 100% for an unlimited period offer very little scope for change that would encourage reoccupation and are closely linked to other regulatory protections for executors of deceased estates and trustees in insolvency cases by way of example.

5. Conclusion

- 5.1 The changes included in the Non-Domestic Rates (Scotland) Act 2020 require the Council to formally adopt an approach to the award of NDR EPR policy for 2023-24.
- 5.2 While not unique, Glasgow and other larger cities, have a disproportionate number of empty listed buildings when compared to the majority of other Scottish councils. As a result, any changes in approach to NDR EPR that did not factor in a change to the 100% unlimited award for listed buildings would be unlikely to assist in the delivery of the goal to bring empty properties back into use.
- 5.3 These issues will be considered as part of proposals to be brought back for approval.

6. Policy and Resource Implications

6.1 Resource Implications:

<i>Financial:</i>	The financial implications of continuing with the current scheme have been built into the approved 2023-24 Budget.
<i>Legal:</i>	Legal advice will be sought in relation to the future review of the scheme.
<i>Personnel:</i>	None
<i>Procurement:</i>	None
<i>Council Strategic Plan:</i>	None.

6.2 Equality and Socio-Economic Impacts:

<i>Does the proposal support the Council's Equality Outcomes 2021-2025</i>	No
<i>What are the potential equality impacts as a result of this report?</i>	None
<i>Please highlight if the policy/proposal will help address socio economic disadvantage.</i>	None

6.3 Climate Impacts:

<i>Does the proposal support any Climate Plan actions? Please specify:</i>	No
<i>What are the potential climate impacts as a result of this report?</i>	None
<i>Will the proposal contribute to Glasgow's net zero carbon target?</i>	No

**6.4 Privacy and Data
Protection Impacts:** *None*

7 Recommendations

7.1 The committee is asked to approve the recommendation to continue to award Empty Property Relief in line with the current regulations from 1st April 2023 and thereafter conduct a wider review of options for further consideration of potential changes to be implemented from 1st April 2024.