LOCAL GOVERNMENT AND REGENERATION COMMITTEE

LOCAL GOVERNMENT FINANCE (UNOCCUPIED PROPERTIES ETC.) (SCOTLAND) BILL

SUBMISSION FROM SCOTTISH LAND & ESTATES

General

- Scottish Land & Estates is supportive of charging a Council Tax levy on long-term empty homes only where it is part of a package of measures to bring such properties back into use.
- It is important to ensure that the motivation for such a levy is not additional income generation for local authorities.
- To penalise owners of properties that required renovation or were in the process of renovation would be nonsensical and potentially counter-productive.
- There must be flexibility of approach by local authorities, as well as advice and information for owners and incentives.
- There must be proportionate levels of enforcement.
- The general condition of the economy requires to be considered as part of the review of non-domestic rates.
- We do not have comment to pass on the abolition of the Housing Support Grant.

Response to specific issues

- Council's should be able to apply additional time-limited exemptions in certain circumstances.
- There should be a duty on homeowners to inform their local authority where a home has been empty and unoccupied for 6 months.
- There should remain a distinction between an empty home and a second home.
- Long-term furnished and unfurnished properties ought to be treated the same.
- Revenue raised should be used to provide or enable affordable housing supply through a variety of ways, including funding infrastructure costs for such provision, especially in rural areas.

Scottish Land & Estates (formerly The Scottish Rural Property and Business Association) is a membership organisation, uniquely representing the interests of landowners and land managers in Scotland. Our membership includes those who own farms, landed estates and rural businesses throughout Scotland, as well as professional firms who advise rural landowners. Accordingly, Scottish Land & Estates and its membership are key stakeholders and therefore are pleased to take this opportunity to submit written evidence on the content of the Local Government Finance (Unoccupied Properties etc.) (Scotland) Bill.

General comments:

As a member of the Scottish Empty Homes Partnership, Scottish Land & Estates agrees in principle with the removal of the current Council Tax discount on long-term empty properties as part of a package of measures and that there should be the ability to charge an additional levy equivalent of up to 100% of the Council Tax on long-term empty homes, where such purposes meet clearly defined criteria. However, it is important that local authorities are able identify local solutions to local problems and are not mandated to follow a blanket approach. Scottish Land & Estates does remain in favour of a sliding scale with a gradual increase to 100% over time.

We are concerned about the possibility of some properties simply being raised to remove liability for this additional levy or for others to be made into self-catering properties. Clearly neither result would make further housing stock available and in fact may make the letting of properties a less viable attraction for some owners thereby providing less affordable rented properties. These concerns need to be addressed.

On a practical level it requires to be borne in mind that abandoned houses in remote places will be caught by this additional levy when due to their remoteness they are either not of interest to a prospective tenant or would be uneconomic to refurbish. There are significant costs involved in refurbishing certain properties and the taxation position can change dramatically dependent upon circumstances, for example a period of non-occupation for 3 years prior to re-letting reduces the applicable VAT from 20% to 5%.

It is paramount that in the desire to bring empty properties back into use, owners are not penalised where steps are already being taken in good faith to refurbish empty properties. In fact, a wider package to incorporate incentives such as grants or loans to bring properties back into use and the provision of specific advice and information for owners of empty homes requires, to be part of the overall approach to empty properties in Scotland.

Response to specific issues:

It is recognised that local authorities may charge penalties of up to £200 where the owner either does not provide required information or provides false information. This is an increase from the current £50 penalty which it is appreciated, may not be cost effective for a local authority to pursue. Scottish Land and Estates agree with the need for a proportionate penalty. It is important the sanction is appropriate.

There is provision to enable some owners to claim a time limited exemption from the tax increase i.e. they would continue to pay council tax at a discounted rate of between 10% and 50%. This would be in addition to any existing time-limited exemptions the owner is eligible for and this would apply for instance after the six months period during which all homes classed as long term empty properties would be eligible for a council tax discount between 10% and 50%. This is welcome, for instance the mandatory exemption from the tax increase for up to twelve months for owners who are proactively attempting to sell their home at a reasonable price.

It is noted that the evidence justifying the exemption would be a matter for each local authority, and basic confirmation that property is on the market and a comparison of price with Home Report Valuation should be all that is required to avoid unnecessary costs or bureaucracy. Any exemption system should be straightforward and not unnecessarily burdensome.

Where a home is unfurnished and the local authority is satisfied that it is actively being marketed for sale, the owner may be exempt from Council Tax altogether for the first six months and then able to pay Council Tax at a discount rate for up to 18 months.

Once empty for two years, the owner would become liable for any increase the local authority decided to impose.

In terms of commercial properties and non-domestic rates it is thought that the period of exemption should be extended (or the 50% relief left in place) where properties are being refurbished and those refurbishments include improved energy efficiency measures.

A member of Scottish Land & Estates has illustrated the damage that was done to their small business, a rural business centre, particularly during these recessionary economic times, by levying non-domestic rates on empty commercial property.

In rural areas there are much fewer opportunities to attract new tenants during a recession than there are in urban areas of high business activity. This is a simple numbers game. Our member leased out office units which has been 90 - 100% full most of the time, ever since the early 1990s.

They are responsible for paying the non-domestic rates on the boardroom which is rented out on an hourly basis to tenants. However, they normally qualify for small business rates discount up to 100% as they have less than £20,000 of rateable value space in Scotland (tenants pay their own rates).

In summer 2011, one tenant went into administration and was then liquidated: 1 office vacant (and considerable expense required redecorating and re-carpeting – normally outgoing tenant's responsibility). In September 2011, a large tenant who rented 4 offices at the Centre left to establish their own purpose built premises: 4 offices vacant. So our member ended up with 5 vacant offices (one since re-let in February 2012).

After the 3 month "non-domestic rate" when a property first becomes vacant, the local authority began charging our member 50% of the normal rates payable on these 5 offices. In addition, all the vacant offices become our member's responsibility for non-domestic rates and so they lost their Small Business Rates Relief.

To put things in perspective, the average quarterly rent for each of the above-mentioned 5 offices is £2,500 (£500 per month x 5 offices) = Total Rental Income lost £2,500 per month.

The additional non-domestic rates they are currently paying per month (50% of full rates payable) add a cost to our member's business of £1,000 per month. The business receives a net negative impact from loss of rent, loss of small business rates relief and non-domestic rates obligations of £3,500 per month.

In addition, as is standard with many rural and urban businesses, there are still considerable costs (Service Charges) to cover such as maintenance, alarm systems, external and emergency lighting, etc. The Business has to pick up the vacant units' share of these (all costs are calculated on a square meterage of floor space basis). Clearly, they cannot increase the other tenants' costs to cover vacant units' share of service charges. When those costs are added in, that cannot be passed on when units are vacant, there is another cost per month of circa £500 to add into the equation.

Total cost to our member's business is therefore £4,000 per month (including lost rent). Excluding lost rent, the specific cost of vacant property non-domestic rates and lost Small Business Rates Relief equals £1,500 pcm.

Apart from the fact that there is less income coming in to cover the costs illustrated above, our real concern is that private, rural, estate-run businesses pay considerable charges for rubbish collection and cardboard & paper recycling collections. They often also have their own waste treatment system (septic tanks for each building) and so do not receive many services from their local authority. It is simply a local tax. They often pay Scottish Water for their water and all other utilities.

In rural areas in particular there are therefore real concerns at present time in terms of the "costs of not doing business" culminated with the loss of rent already hitting business due to vacant offices.

In fairness our member has indicated that the local valuations office acknowledges that these charges are "unfair" but they simply point out that they are following Scottish Government guidelines.

Other Issues Not Covered by the Bill:

Scottish Land & Estates wishes to make the following comments on other issues relating to unoccupied properties and Council Tax:

Where there is a planning application to convert old housing into business premises there is very often an issue of deterioration in condition of the property which, because it is designated for complete change of use, makes it unrealistic to upgrade as an existing house or houses (e.g a Stable Block that may have several houses in it).

Where the local authority is aware that planning application procedures have been instigated and an application made for the change of use involving considerable expense, it seems unrealistic and unreasonable to treat said empty housing which is empty due to deterioration of condition (in other words not fit for habitation) as a normal lettable empty property.

We suggest that in such cases that local authorities be advised to establish the condition of the housing and also confirm the planning application process in order to "zero rate" the relevant house(s) for council tax. 50% empty property relief can still be very expensive when the property is clearly not going to be inhabited due to the change of use proposed.

For further information or clarification on this written evidence, please contact

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