

Scottish Water – Water and Sewerage Charges: Charges for Vacant Non-Household Properties

Summary of Responses

June 2016

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Introduction

This consultation paper sought views from customers, licensed providers and other stakeholders on proposals to begin applying water and sewerage charges to vacant properties. In particular it sought views on:

- Whether vacant properties should be charged;
- Should the charges be the same as for occupied properties; and
- When the new arrangements should take effect.

The consultation was launched on 18 May 2015 and closed on 24 August 2015. 20 responses were received. The consultation is available at:

<http://www.gov.scot/Publications/2015/05/6843>

Who responded to the Consultation?

The number of responses received are summarised in the table below.

Type of Organisation	Number
Businesses	4
Licensed Providers	3
Representative bodies/organisations	4
Local Authorities	6
Members of the public	1
Water Industry Organisations	2
TOTAL	20

Responses from representative bodies/organisations included those from organisations representing local authorities, chartered surveyors and owners of non-household properties.

Responses from water industry organisations included those from SEPA and Citizens Advice Scotland.

Subsequent Meetings

Meetings were held with those respondents that had indicated that they wished to discuss the proposals further. This included meetings with two Licensed Providers and one Representative Body. The summary in the next pages reflect these discussions.

The Government's Proposals

1) Do you agree, in principle, that vacant non-household properties should be charged for water, sewerage and drainage services?

12 respondents agreed that vacant non-household properties should be charged for water, sewerage and drainage services, 6 did not agree and 2 did not answer the question.

The majority of respondents agreed with the principle of charging vacant non-household properties for services. Those who provided comments noted that vacant properties still benefit from drainage services in particular. They also noted that providing these services, even if not used, comes at a cost, currently to other customers. Furthermore these services are required to be in full working order to enable properties to be "business ready". Whilst it was acknowledged that applying charges may help incentivise regeneration, some concerns were raised that if a property was disconnected from services this could act as a barrier to bringing the property back into use due to the costs involved. CoSLA noted that many Councils currently own empty properties and that this policy would result in an additional cost, but recognised that the removal of the cross-subsidy would mean lower charges for occupied premises. The SCDI requested that an assurance be given that additional revenues will be used to lower water charges.

Those who did not agree highlighted that vacant properties do not use the same services as those that are occupied and that these costs would be particularly detrimental for the owners of smaller properties. Two Licensed Providers (LPs) raised concerns that charging vacant properties would result in an increased risk of bad debt and additional costs associated with set up costs, tracing and billing property owners and debt management as these costs fall to retailers. Business Stream noted that it holds the accounts for 93% of vacant properties and would therefore be most affected by the introduction of this policy. It estimates that the levels of bad debt are likely to be of the order of 20 to 25% - costs which would need to be borne by its customers through the retail charge. It notes that the high levels of bad debt reflects the fact that disconnection is unlikely to incentivise payment. The LPs suggested that, should this policy be introduced, the wholesaler (Scottish Water) should share the costs of the bad debt and/or the retail margin should be adjusted for vacant properties. East Lothian Council noted that this additional cost on the costs of vacant properties would increase pressure on councils to repurpose land from business use to housing.

Meetings were held with the Scottish Property Federation (SPF) and the two LPs. During the meeting the SPF noted that if this proposal is not a revenue raising measure and merely seeks to remove a cross-subsidy, then it could support the proposal. Meetings were held with the two LPs to understand the data issues that arise as a consequence of the current policies and the bad debt issues that would arise if the policy is introduced. It was noted that levels of bad debt are likely to be far higher as owners of vacant properties are least likely to pay. This is a cost that would fall to LPs and would need to be factored into retail prices. It was also noted that if the policy is not introduced, charges would need to be increased by 5%. Data issues were also discussed. It was acknowledged that the current exemption does

not incentivise owners to notify LPs when properties are reoccupied. This can lead to large back-dated bills when the position is regularised. When questioned about transitional periods and periods of grace, an LP noted that these are complex to administer and might perpetuate some of the current data issues.

2) Do you agree that water and sewerage charges for vacant properties should be the same as those for occupied properties regardless of the reason for the vacant status?

6 respondents agreed that charges for vacant properties should be the same as those for occupied properties. 13 did not agree and 1 did not answer the question.

Those in favour highlighted that properties are typically metered and therefore customers would only pay for services used ie drainage. Many respondents noted that a disconnection from services (on a temporary or permanent basis) would also help to provide accurate charges. However, it was suggested that the current disconnection costs at £2000 to £3000 are too high and should be re-examined. Improvements should also be made to the time taken to secure a disconnection. Citizens Advice Scotland also recommended that properties rendered unusable, for example because of fire or flood, should continue to be exempt until the property is once again serviceable.

Respondents who answered 'no' noted that vacant properties do not use services and the policy would introduce a cross-subsidy from owners of vacant to owners/occupiers of properties that are in use. Others noted that whilst vacant properties do not use water and sewerage services, there was a stronger case for charging for drainage services. Concerns were also raised about the impact of any charges – in particular on encouraging business growth. One consultee noted that for deprived areas of Scotland, where the average time to sell a property is 307 days, an additional cost of some £700 would need to be borne by the property owner. It was also suggested that exemptions and discounts should mirror those in place for business rates to ensure consistency and to encourage empty properties to be reused. It was noted that if owners are encouraged to disconnect from services this might make properties less marketable. One consultee suggested a standing charge be applied to vacant properties as a contribution towards infrastructure costs.

Drainage Charges

3) Do you agree that drainage charges should be the same as those for occupied properties?

8 respondents agreed that drainage charges should be the same as those for occupied properties. 9 did not agree and 3 did not respond to the question.

When commenting on the proposals, those who agreed noted that vacant properties still benefit from surface water drainage and should be charged for these services and that occupied properties should not cross-subsidise vacant properties. Some consultees noted that, whilst they agree that vacant properties should be charged, this was an opportune moment to revisit the basis upon which charges are

calculated and to reflect actual surface areas so as to incentivise the use of more sustainable drainage options.

Those who disagreed suggested that certain exemptions and discounts should apply based on the type of property or the reason for vacancy. Some suggested that exemptions and discounts should be aligned with those applicable to Non Domestic Rates. Others suggested that a standing charge might be more appropriate. It was also suggested a 'buffer' period could apply when a property first becomes vacant.

Timetable for Introduction

- 4) Do you agree that the current exemption should be removed from 1 April 2017?

9 respondents agreed that exemption should be removed from 1 April 2017, 8 did not agree and 3 did not respond to the question.

Many of the respondents were content that applying charges from 1 April 2017 would provide a suitable timeframe to raise awareness with customers and allow owners of vacant properties to budget accordingly. Some respondents noted they would prefer a phased introduction to charging possibly over two to three years. Citizens Advice Scotland noted that effective consumer engagement would be required to ensure that customers are clear about their liabilities for water charges.

Others, especially Licensed Providers, commented that this date did not provide enough time for implementation, particularly in light of the cross-border market opening in 2017.

Water Industry Team
Scottish Government
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