

#### 4. Written Responses – Questions

##### The Government's Proposal

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

Yes  No

Water and sewage services are a vital component of the business operating environment. The current cost of exempting vacant property from water, sewerage and drainage charges is currently met by higher charges for other non-household customers. The principle that this should be removed and the savings made directly returned to non-household customers in the form of lower bills is one which SCDI can support, but the practical impacts of the changes need to be appreciated and, where negative, mitigated by the Scottish Government.

SCDI believes that a more joined-up understanding of the cost of doing business is needed, particularly in town and city centres where vacant property remains an issue despite a return to economic growth, due, fundamentally, to the changes in the economy (such the growth in online retailing) and a lack of demand. Other costs, in particular business rates, have been rising quickly in recent years; the long-standing freeze in Council Tax has meant that local authorities are increasingly reliant on business rates as a source of finance, resulting in a 21.7% increase in total revenues from business rates since 2007 (compare to a 3% increase in Council Tax). The overall policy emphasis should be on comprehensive action and support to help bring currently vacant non-household properties back into productive use.

There is a need for an assurance that there will be a transparent mechanism to ensure extra revenues generated by the new charges will be channelled into reduced water rates.

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?

Yes  No

The logic and the fairness of introducing standardised charges has been set out in the consultation for drainage, but the rationale for charging for other services is less clear, and there is some dubiety around the justification which is presented. As such, it is not yet clear whether setting standing charges for water and sewerage services for non-occupied properties at the same rate as occupied properties can be justified by the Scottish Government.

The example of other utilities, where charges must be paid unless services are disconnected, was raised. SCDI disagrees with this approach, as a lack of service combined with reconnection costs will act as disincentives to subsequent occupation of a property. It will also act against the increasing trend for short-term lets, which provide flexibility and greater responsiveness to business needs, but result in increased likelihood of gaps in occupation occurring as businesses move and refurbish properties. An exemption period may be necessary to allow landlords or occupiers to effectively meet market demand.

### **Charges – Drainage Services**

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

Yes  No

As previously stated, the case to set drainage charges for non-occupied properties at the same rate as occupied properties is clearly made by the Scottish Government. The proposed link made to incentivising better management of grey water is positive.

### **Timetable for introduction**

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

Yes  No

A more extensive review of the water charges system - placed firmly in the context of the wider business operating environment - would be welcome before this date.

SCDI continues to support the exemption for small charities with low levels of annual income.