
NORTH AYRSHIRE COUNCIL

14 February 2024

North Ayrshire Council

Title: Council Tax on Second Homes

Purpose: To advise Council of the new discretionary powers available under the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 and seek approval to consult with our island communities on a proposal to revise the current policy on Council Tax charges for Second Homes within North Ayrshire.

Recommendation: That Council agrees to:

- (a) note the discretionary powers for the variation of Council Tax charges on Second Homes detailed within the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023; and
- (b) consult on the proposal to implement an increased Council Tax charge on second homes in North Ayrshire, ensuring in particular that the island communities on the Isles of Arran and Cumbrae are given a platform to voice their opinions, concerns and suggestions.

1. Executive Summary

- 1.1 Following a recent consultation, the Scottish Government has now published the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023, under which councils will have the power to vary the Council Tax charge for second homes from the current 100% charge to include a premium of up to a further 100% of the applicable Council Tax charge.
- 1.2 The main policy intent behind these powers is to mitigate the negative impacts of second home ownership across our communities through the promotion of a behavioural change across second homeowners which leads to a better balance between second homes and more permanently occupied homes. This could also help increase the supply in the private rented sector and benefit local economies with a shift in more housing occupancy throughout the year.

- 1.3 In deciding whether and how to use these new powers, the Council must have regard to island communities. Given the number of second homes on the Isles of Arran and Cumbrae, increasing the council tax payable on second homes in North Ayrshire is likely to have a significantly different impact on the island communities compared to other communities. An island communities impact assessment (ICIA) therefore requires to be carried out before deciding whether and how any increase should be applied.
- 1.4 Consideration must also be given to the possible impact of any policy change on people with protected characteristics under the Equality Act 2010. A screening will be undertaken to determine whether an Equality Impact Assessment (“EIA”) is required.
- 1.5 It is recommended that the Council consults with key stakeholders to inform the required impact assessments and development of the policy.

2. Background

2.1 On 17 April 2023 the Scottish Government published partial impact assessments in respect of the proposals to increase council tax on second and empty homes, and/or to alter non-domestic rates thresholds for self-catering accommodation.

2.2 The partial ICIA completed by the Scottish Government noted:

“Local councils would need to carefully consider when to use discretion to change council tax rates for second and empty homes. Negative impacts might include: loss of tourism economy, homes switching from personal use or self-catering accommodation to empty homes (at least in the short term).”

2.3 In addition, the Scottish Government’s partial EIA noted that:

“given that there is significant variation in the concentration of second and empty homes across Scotland, the protected and other characteristics of communities who might benefit from the proposed policies are likely to vary from one area to another. Giving councils discretion will allow them to consider whether there any [sic] relevant equality characteristics in the particular area where the policies will be applied.”

2.4 During the period 17 April 2023 to 11 July 2023, the Scottish Government undertook a consultation on Council Tax charges for Second Homes and Long-Term Empty Properties. North Ayrshire Council’s response to the consultation was approved by Cabinet at its meeting of 13 June 2023.

- 2.5 In response to the consultation, the Scottish Government published the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 (the “Regulations”) on 19 December 2023. The Regulations give councils the power to vary the Council Tax charge for second homes from the current 100% charge to include a premium of up to a further 100% of the applicable Council Tax charge. This brings the powers available to councils in relation to second homes into line with those already in place for long-term empty properties. Under the Regulations, a second home is classed as a dwelling which is no one’s sole or main residence, but which is furnished and, in respect of which, during any period of 12 months, the person who is liable to pay the Council Tax that is chargeable can produce evidence to establish that it is lived in other than as a sole or main residence for at least 25 days during that period. The Regulations come into force from 1 April 2024.
- 2.6 Alongside these proposals, further potential changes to Council Tax, including a review of Council Tax bands and the potential increase of the levy premium on long-term empty properties and second homes council tax premium of up to 300%, would require primary legislation by the Scottish Parliament. Any further developments in relation to these proposals will be monitored by officers and recommendations on the potential future implementation of such changes will be presented to Council for consideration when appropriate.
- 2.7 There are a number of potential benefits of imposing a premium on the applicable Council Tax charge on second homes across North Ayrshire in terms of promoting behaviour change across second homeowners which could lead to a better balance between second homes and more permanently occupied homes. This in turn could benefit local communities and increase supply in the private rented sector. The introduction of an additional charge would also result in additional annual income for the Council. However, the Regulations give local authorities discretion in terms of how any additional premium is applied to allow flexibility to respond to local circumstances.
- 2.8 The short lead-in time for the Regulations means that it will not be possible to consult with key stakeholders in sufficient time to increase the Council Tax payable on second homes in the next financial year.
- 2.9 Section 7 of the Islands (Scotland) Act 2018 (the “2018 Act”) imposes a duty on local authorities to have regard to island communities in carrying out their functions. Where a policy, strategy or service is likely to have an effect on an island community which is significantly different from its effect on other communities within the local authority area, a Council must prepare an ICIA under section 8 of the 2018 Act. The ICIA must describe the likely significant different effect of the policy, strategy or service, and assess the likely extent to which it can be developed or delivered in such a manner as to improve or mitigate the outcomes resulting from it for island communities.

2.10 The island communities of the Cumbraes and Arran have a high proportion of second home ownership. 31% of North Ayrshire second homes are located on Cumbrae (452 properties), 40% on Arran (580 properties) and 29% on the mainland (432 properties). It is therefore recognised that introducing a premium on the applicable Council Tax charge on second homes is likely to have a proportionally greater impact on the islands. Tourism is a vital element of the island economy across both islands, and the impact of any modal shift in housing ownership models on tourism must be considered. In these circumstances, an increase in the Council Tax payable in respect of second homes is likely to have an effect on the island communities which is significantly different from its effect on other communities in North Ayrshire, and the duty to conduct an ICIA is therefore engaged.

2.11 In fulfilling the duty to have regard to island communities, the Council must have regard to any guidance issued by the Scottish Ministers. The “Island communities impact assessments: guidance and toolkit” issued by the Scottish Government contains specific guidance on carrying out ICIA’s and emphasises the importance of consultation and robust community engagement so that islanders are given a platform to voice their opinions, concerns and suggestions.

3. Proposals

3.1 It is proposed that Council agrees to:

- a) note the discretionary powers for the variation of Council Tax charges on Second Homes detailed within the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023; and
- b) consult on the proposal to implement an increased Council Tax charge on second homes in North Ayrshire, ensuring in particular that the island communities on the Isles of Arran and Cumbrae are given a platform to voice their opinions, concerns and suggestions.

4. Implications/Socio-economic Duty

Financial

4.1 There are no financial implications of going out to consultation. Any costs associated with this will be met within existing budgets.

Human Resources

4.2 Any consultation would be conducted using existing resources.

Legal

4.3 The Council has been given new powers under the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023. In exercising these powers it must comply with its obligations under the Islands (Scotland) Act 2018 and the Equality Act 2010.

Equality/Socio-economic

4.4 Consideration will be given to the possible impact of any proposed policy change on people with protected characteristics under the Equality Act 2010. A screening will be undertaken to determine whether an Equality Impact Assessment is required.

Environmental and Sustainability

4.5 None.

Key Priorities

4.6 This report supports the key activity of developing strong relationships with communities and partners based on trust and shared aspirations using their experiences to inform service provision as set out in the Council Plan 2023-2028. If an increased Council Tax charge is adopted for second homes this may ultimately support the key priority of affordable housing set out in the local island plans for both Arran and Cumbrae.

Community Wealth Building

4.7 None.

5. Consultation

5.1 The Scottish Government launched a Consultation during the period 17 April 2023 to 11 July 2023 on Council Tax charges for Second Homes and Long-Term Empty Properties. North Ayrshire Council's response to the consultation was approved by Cabinet at its meeting of 13 June 2023. This Consultation was open to all citizens.

Craig Hatton
Chief Executive

For further information please contact Aileen Craig, **Head of Democratic Services**, on 01294 324125.

Background Papers

Scottish Government's Island communities impact assessments: guidance and toolkit