



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

Audit and Scrutiny Committee

A Special Meeting of the **Audit and Scrutiny Committee** of North Ayrshire Council will be held remotely on **Tuesday, 27 June 2023 at 10:15** to consider the undernoted business.

Meeting Arrangements - Fully Remote

This meeting will be held remotely in accordance with the provisions of the Local Government (Scotland) Act 2003. Where possible, the meeting will be live-streamed and available to view at <https://north-ayrshire.public-i.tv/core/portal/home>. In the event that live-streaming is not possible, a recording of the meeting will instead be available to view at this location.

1 Declarations of Interest

Members are requested to give notice of any declarations of interest in respect of items of business on the Agenda.

2 Call-In: Council Tax for Second and Empty Homes and Non Domestic Rates Thresholds: Consultation

Submit report by the Head of Service (Democratic) on a Call In Request received in respect of a decision taken by Cabinet on 13 June 2023 on a proposed response to the consultation for submission to the Scottish Government consultation on Council Tax for second and empty homes, and non-domestic rates thresholds (copy enclosed).

Audit and Scrutiny Committee Sederunt

John Bell (Chair)
Donald Reid (Vice Chair)
Eleanor Collier
Cameron Inglis
Tom Marshall
Matthew McLean
Davina McTiernan
Ian Murdoch
John Sweeney

Chair:

Apologies:

Attending:

NORTH AYRSHIRE COUNCIL

27 June 2023

Audit and Scrutiny Committee

Title: Call In: Council Tax for second and empty homes, and non domestic rates thresholds: Consultation

Purpose: To allow the Committee to consider a Call In Request in respect of the decision taken by Cabinet at its meeting on 13 June 2023 to approve the proposed consultation response at Appendix 1 to the report, for submission to the Scottish Government by the consultation deadline of 11 July 2023.

Recommendation: That the Committee considers the terms of the Call In and agrees, or otherwise, to make a recommendation to the Cabinet.

1. Executive Summary

- 1.1 In terms of the Scheme of Administration (Section 5), the Audit and Scrutiny Committee has a remit to consider Call in Requests and invite at least one of the Members who has requested the reference to Call In to attend the Committee to explain the request.
- 1.2 This report sets out the background to the Call In Request in respect of the decision taken by Cabinet at its meeting on 13 June 2023 in relation to the report on a response to the Council Tax for second and empty homes and non-domestic rates threshold consultation.

2. Background

- 2.1 The Cabinet, at its meeting on 13 June 2023, considered a report on a response to the Council Tax for second and empty homes, and non-domestic rates threshold consultation.
- 2.2 A request was received in terms of the Call In procedure set out in the Council's Scheme of Administration and Standing Orders, that the Audit and Scrutiny Committee examine the decision taken by the Cabinet.
- 2.3 The Call In Request, which was signed by Councillors Billings, Todd Ferguson and Stephen is in the following terms:-

Reason for Call In

“That the response to the Scottish Government consultation will form the basis of North Ayrshire’s policy if this becomes policy and therefore, the Council’s responses should be as complete and considered as possible. The current response makes several assumptions about the potential benefits of charging additional council tax on second homes that are not supported by any evidence. North Ayrshire Council is currently undertaking wide-reaching research into the housing supply and housing demand on Arran, with the aim of ascertaining where the housing gaps are on Arran and what needs to be done to fill the gaps. There is no reference to this work in the response.

Other specific items are:

Question 2 – people with a second home for work purposes – the current response is ‘don’t know’ and only suggests that key workers and staff in vital services should be exempt from additional tax. We already know that our island economies are struggling and that there is a shortage of staff across all sectors of the economy, therefore, if somebody needs to get a second home to take up employment on Arran or Cumbrae they should not be penalised with additional council tax.

Question 3 – The issues with the answer to this question are that it makes some assumptions and does not provide a complete answer to the question. In particular:

- there is an assumption that local authorities must have this power as it is ‘important’ so that they can influence the housing market to increase the availability of houses for local people. There is no evidence that just making more houses available will increase the availability of housing for the people that Arran needs to support local businesses or public services. Arran already has more houses for sale per head of the population compared with the rest of North Ayrshire, including properties at the cheaper end of the housing stock.
- the answer assumes that a second home is used intermittently, which some may be. However, a second home that is also rented out as a holiday let would come into this category. There needs to be recognition between the various types of second home usage because anecdotal evidence suggests that holiday makers will spend more money in local restaurants and shops than a permanent resident.
- there is an assumption that the same tax levels would be appropriate for all areas within the local authority whereas it is possible that different levels of tax on second homes could be needed depending on the local circumstances. In addition it may be appropriate to have different levels of additional council tax on different levels of council tax. For example, if the main purpose of the additional council tax is to increase the availability of affordable housing for sale there is no point in penalising people living in houses rated at G for council tax as these will never be ‘affordable’ homes.

Question 4 – this question is about the maximum level of taxation. The response from does recognise that levels of taxation will depend on modelling and impact assessment. However, it does not include recommendations that local authorities should have full flexibility on level of taxation so that different levels of taxation could be used in different areas of the local authority and that different levels of taxation could be appropriate for differently tax rated properties.

The response does not make it clear that levels of taxation for second homes and empty homes must be considered together as one would not want to encourage a home to be left empty because the level of taxation would be less.

Question 5 – all of the factors in this section are about the availability of housing. There are no factors relating to the assessment of the housing needs for an area, and if the change in housing availability caused by increases in council tax on second homes would benefit the housing needs of the area. In addition the response does not include the possible harm caused by additional levels of council tax. For example, if the result of increased taxation was a glut of houses for sale causing a fall in prices forcing existing home owners into negative equity thereby stagnating the Arran housing market.

Question 8 – this response already states that local authorities should have flexibility to impose additional council tax on empty properties depending on local circumstances. However, it does not state that levels of empty home taxation must be considered along side second home taxation, and that local authorities should have the flexibility to vary rates across the authority area and across properties with different council tax rates.

Question 21 – the response is confusing several issues many of which are not related to the question. The response does recognise that further assessment is required but there are gaps in the response and there are some implied assumptions that are not supported by evidence. In particular, there is nothing about assessment of housing need and housing supply, and what changes in the housing market that imposing increases in council tax could have. The question asks for the opinion about what changes in taxation might have on local business. There are two ways in which business could be impacted – first is that there is a change in economic activity of the people occupying properties, the second is that there could be changes in the supply of properties for people to live in who work in local businesses. However, until there is a full assessment of the relationship between housing demand, housing supply, and economic activity of property residents it is not possible to make an assessment on the impact that any changes in council tax levels could help support.”

Desired Outcome

“The desired outcome is that the wording of the response to the Scottish Government’s consultation on council tax on second homes is amended to make the wording neutral when referencing the potential effects that higher levels of council tax, and there is reference to all the possible impacts that interference with the housing market could have. There should also be reference to the housing research that NAC is doing and that should be an integral part of the decision-making process before any decisions are made regarding increases in council tax for second homes.

Other specific changes are:

Question 2 – response changed to ‘yes’ and that it should apply to all people who move away from their main home to take up employment. Local authorities need to support people moving to islands to take up employment and should not penalise anybody moving to an island for work purposes with additional council tax. It should be noted that if the person moving to take up work rented a second home for job purposes they would not be penalised so why should somebody who purchases a home be penalised for taking up employment.

Question 3 –the response should:

- state that if local authorities have the power to increase the council tax for second homeowners there must be evidence that the housing need would be solved by forcing second homeowners to put their homes up for sale.
- recognise that there may be a difference in economic benefit from having a permanent or holiday resident which must be fully assessed so as not create unintended harm to the local economy.
- state that local authorities must have fully assessed the housing supply and demand factors for any area where additional second home tax is being considered, and have evidence that imposing additional tax will help have a positive influence on the housing market;
- state that local authorities should be able to have different levels of council tax supplements for different areas within the local authority.
- state that local authorities should be able to have different levels of additional council tax for different rated properties so that local authorities have the flexibility to promote positive changes in specific areas of the housing stock that are in short supply.

Question 4 – the response should include recommendations that if local authorities are going to impose additional council tax then the rates of taxation should be based on full assessment of local circumstances, and the levels of tax could be different in different geographic area and could be different for properties with different tax ratings. The purpose of this is to give local authorities to use its powers flexibly so as to support the desired response within the housing market whilst not penalising or damaging other aspects of the area’s economy or community.

The response should also make it clear that rates for empty and second homes must be linked and have the same flexibility so that there is no benefit in leaving a property empty.

Question 5 – the list of main factors must include an assessment of the housing needs for an area, so that before imposing council tax increases on second homes there is some assurance that the changes in local housing supply will actually have a positive impact on the assessed housing need.

The response must include reference to possible negative effects of falling property prices causing economic hardship for existing homeowners, such as negative equity and stagnation of the housing market.

Question 8 - the NAC answer should restate that councils should have total flexibility to impose additional council tax on empty homes depending on locally agreed criteria and circumstances, and that this will include varying tax levels in different geographic area and across different council tax bands.

Question 21 –The question asks for the opinion about what changes in taxation might have on local business. There are two ways in which business could be impacted – first is that there is a change in economic activity of the people occupying properties, the second is that there could be changes in the supply of properties for people to live in who work in local businesses. However, until there is a full assessment of the relationship between housing demand, housing supply, and economic activity of property residents it is not possible to make an assessment on the impact that any changes in council tax levels could help support.

Therefore, the response to this question must start with the assumption that the local authority has assessed the local supply and demand for housing, and that the potential changes caused by imposing increases in council tax will have a positive impact on the local shortage of housing types and will support increases in the overall economic activity in the area.

Before introducing tax changes local authorities must be confident that imposing council tax increases will have a realistic expectation of positive changes in the housing market and increases in overall economic activity.”

- 2.4 A copy of the original report presented to Cabinet on 13 June 2023 is attached as Appendix 1 to the report. A briefing note has been provided by the Head of Service (Finance) and is attached at Appendix 2.
- 2.5 The Call In Request is valid for consideration by the Committee. The request was received within the appropriate timescale, it was signed by three Elected Members and details were provided on both the reason for the Call In and the desired outcome.
- 2.6 The Elected Members who have submitted the Call In will be invited to address the Committee to explain the Call In Request. The appropriate Cabinet Member, accompanied by senior officers, will then be invited to clarify the reasons for the decision. The Committee will have an opportunity to ask questions of both parties and of those officers in attendance.
- 2.7 The Committee will then debate the Call In Request and decide whether or not it agrees with the decision of the Cabinet.
- 2.8 The Audit and Scrutiny Committee therefore has to:-
 - i) decide if it agrees or not with the decision of the Cabinet; and
 - ii) consider what alternative action the Committee would recommend to the Cabinet if it does not agree with the decision.

In the event that the Committee does not agree with the decision of the Cabinet, as the deadline for submission of the consultation response is 11th July 2023, the matter will be referred to a Special Meeting of the Cabinet with recommendations from the Audit and Scrutiny Committee for alternative action.

- 2.9 When the matter is considered by the Cabinet, the Chairperson or another member of the Audit and Scrutiny Committee will have the right to attend the Cabinet and speak in support of any recommendation.
- 2.10 In the event the Cabinet declines to accept the recommendation from the Audit and Scrutiny Committee, the matter will be referred to Council for determination. The decision of the Council will be final.

3. Proposals

- 3.1 It is proposed that the Committee considers the Call In Request.

4. Implications/Socio-economic Duty

Financial

- 4.1 The financial implications are outlined in the Council Tax for Second and Empty Homes June 2023 report attached at Appendix 1.

Human Resources

- 4.2 The human resource implications are outlined in the Council Tax for Second and Empty Homes June 2023 report attached at Appendix 1.

Legal

- 4.3 The legal implications are outlined in the Council Tax for Second and Empty Homes June 2023 report attached at Appendix 1.

Equality/Socio-economic

- 4.4 The equality/social-economic implications are outlined in the Council Tax for Second and Empty Homes June 2023 report attached at Appendix 1.

Climate Change and Carbon

- 4.5 The climate change and carbon implications are outlined in the Council Tax for Second and Empty Homes June 2023 report attached at Appendix 1.

Key Priorities

- 4.6 The key priorities are outlined in the are outlined in the Council Tax for Second and Empty Homes June 2023 report attached at Appendix 1.

Community Wealth Building

- 4.7 The community wealth building implications are outlined in the Council Tax for Second and Empty Homes June 2023 report attached at Appendix 1.

5. Consultation

5.1 No formal consultation has been undertaken at this stage.

Craig Hatton
Chief Executive

For further information please contact **Diane McCaw, Committee Services Officer**, on
01294 324133

Background Papers

N/A

NORTH AYRSHIRE COUNCIL

13 June 2023

Cabinet

Title:	Council Tax for second and empty homes, and non-domestic rates thresholds: consultation
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Purpose:	The report outlines the proposed response from North Ayrshire Council to the Scottish Government consultation on Council Tax for second and empty homes, and non-domestic rates thresholds
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Recommendation:	Cabinet is asked to approve the proposed response to the consultation for submission by 11 July 2023
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1. Executive Summary

- 1.1 The Scottish Government launched a consultation on Council Tax for second and empty homes, and non-domestic rates thresholds, on the 17 April 2023 and responses are sought by 11 July 2023.
- 1.2 The proposal is whether to provide additional powers to councils allowing them discretion to:
 - charge up to 100% premium (double the full rate) on council tax for second homes;
 - charge more than 100% premium on council tax for second homes and long-term empty homes
- 1.3 The proposed response to the consultation is included in Appendix 1 of the report. It is recognised that North Ayrshire does experience particular challenges for affordable housing availability within the island community of Arran. The proposed response therefore supports the general policy of local authorities having the powers to apply a premium on Council tax for second home ownership and similarly, to have the powers to increase further any Council tax premium on long term empty properties. The extent to which, however, would very much depend on further evidenced based modelling of consequences and any unintended consequences around home ownership models, to be applied to the local circumstances of North Ayrshire. This approach also applies to any consideration around changing thresholds in respect of holiday lets.

2. Background

- 2.1 This public consultation seeks views on giving local authorities the power to increase council tax on second homes and empty homes, as well as considering whether the

current non-domestic rates thresholds for self-catering accommodation remain appropriate. There is the potential for greater fiscal empowerment for councils in the area of council tax, with the aim of creating the right incentives to increase the availability of housing.

2.2 The proposal is whether to provide additional powers to councils allowing them discretion to:

- charge up to 100% premium (double the full rate) on council tax for second homes;
- charge more than 100% premium on council tax for second homes and long-term empty homes

2.3 Taxation is one measure that can support local areas to reach the right balance for their local circumstances, to influence ownership patterns and the detrimental impact they can have on the availability of homes to meet local needs. Enabling councils to apply a premium on council tax on second homes could potentially generate additional revenue that could be used to benefit the local community and contribute to affordable housing schemes. It is also recognised however, that such a move could shift ownership patterns more towards holiday letting models and as such, liability shifting from council tax to non-domestic rates.

2.4 Cabinet is asked to consider the broad policy aims included within the Consultation and to what extent this could or should be adopted within a North Ayrshire context. In particular, to what extent local taxation should be used as an instrument to influence change and how the overall impacts for the area are balanced e.g. more affordable housing availability, net impact on the local economy, impact on tourism, and impact on current second home owners or owners of long term empty properties and holiday letting accommodation.

2.5 Availability and affordability of housing is a major issue for the Island community of Arran. Local authority powers to charge a premium for second homes could potentially influence a behavioural change to deliver more housing availability for local people. To set a local context, almost 40% of second homes in North Ayrshire are located in Arran, with a further 30% located in Cumbrae. This could also potentially have a net positive economic benefit due to the greater levels of occupancy within those communities and provide additional finance for local authorities to help continue to fund affordable housing programmes, albeit this may only be short-term. From a North Ayrshire Council perspective, it is important that the local authority has the power to charge a premium on Council tax for second home ownership and potentially a further premium on top of the 100% levy applied to long-term empty properties, however, the extent to which would be based on local circumstances and an evidenced based understanding of the impacts across all stakeholder groups. In particular, there would be a requirement to model various scenarios across potential behavioural patterns and outcomes and taking cognisance of housing availability types linked to affordable housing need.

2.6 It is also recognised that care should be taken when considering any changes to thresholds associated with holiday letting accommodation. North Ayrshire benefits from some very popular tourist destinations. It is important therefore to ensure

appropriate levels of tourist accommodation provision remains in place to support this important sector. Similar to second home ownership, the recommended position reflected in the Consultation response is for the local authority to have the power to change thresholds associated with determining holiday letting accommodation, however the extent of any potential change would have to be supported by appropriate modelling and evidence gathering to ensure the impacts are fully understood.

- 2.7 The proposed response to the consultation is included in Appendix 1 of the report. Not all questions within the consultation lend themselves to an appropriate local authority response as they are more citizen driven and as such they have been recorded as not applicable.

3. Proposals

- 3.1 Cabinet is asked to approve the proposed response to the consultation included in appendix 1 of the report for submission to the Scottish Government by 11 July 2023

4. Implications/Socio-economic Duty

Financial

- 4.1 None. However, it is recognised that any future powers for the local authority that leads to changes to the level of council tax premiums, could generate additional levels of council tax income for the local authority and potentially provide additional funding to support the Affordable Housing programme.

Human Resources

- 4.2 None identified at this stage. There is a risk however if the local authority is granted more powers to apply council tax premiums and amend thresholds for holiday letting accommodation, this could have resource implications for the council. This will become clearer if the powers are granted.

Legal

- 4.3 The current legislative framework around second homes, long-term empty properties and thresholds for holiday letting accommodation will require to be updated by the Scottish Government should the additional powers be granted to local authorities.

Equality/Socio-economic

- 4.4 Should additional powers be granted to local authorities there will be a requirement to undertake an equality impact assessment as well as key stakeholder consultation in order to fully understand the impacts associated with any change.

Climate Change and Carbon

- 4.5 None.

Key Priorities

- 4.6 This report cuts across all 3 key priorities of the Council i.e. Aspiring Communities, Inspiring Place and A Council for the Future and across a range of priority outcomes and is aligned to the local housing strategy and Islands plan.

Community Wealth Building

- 4.7 Supports the Community Wealth Building Strategy across the pillars of finance, land and property and inclusive ownership.

5. Consultation

- 5.1 Engagement across Council Directorates, senior officers and a Member's Policy Advisory panel delivered on 2 June 2023.

Mark Boyd
Head of Service (Finance)

For further information please contact **Mark Boyd, Head of Finance**, on **01294 324560**.

Background Papers

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Respondent Information Form

Please Note this form **must** be completed and returned with your response.

To find out how we handle your personal data, please see our privacy policy:

<https://www.gov.scot/privacy/>

Are you responding as an individual or an organisation?

- ☐ Individual
- ☒ Organisation

Full name or organisation's name

North Ayrshire Council

Phone number

01294 324560

Address

Cunninghame House, Irvine.

Postcode

KA12 8EE

Email Address

markboyd@north-ayrshire.gov.uk

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- ☐ Publish response with name
- ☐ Publish response only (without name)
- ☐ Do not publish response

Information for organisations:

The option 'Publish response only (without name)' is available for individual respondents only. If this option is selected, the organisation name will still be published.

If you choose the option 'Do not publish response', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- ☒ Yes
- ☐ No

Questionnaire

Question 1

Do you think the current definition of a second home should continue to apply?:

More information:

For council tax purposes, the current definition of a second home is, 'a dwelling which is no one's sole or main residence and that is lived in for at least 25 days during the 12 month period of the council tax charge'.

Answer:

- ☒ Yes
- ☐ No
- ☐ Don't know

Please give reasons for your answer.

A second home is a dwelling which is no one's sole or main residence but which is furnished and lived in for at least 25 days during the chargeable 12 month period.

The current definition seems appropriate and proportionate to determine a second home.

Question 2

Do you think the discount eligibility for job related dwellings and purpose built holiday accommodation is appropriate?:

More information:

Eligible job related dwellings and purpose built holiday accommodation are entitled to a council tax discount of 50%.

Purpose built holiday accommodation is defined as a dwelling that is used for holiday purposes and has a licence or planning permission limiting its use for human habitation throughout the whole year. An example might be chalets or other types of holiday accommodation that are either unsuitable to be occupied all year round (their construction may mean they are only suitable to be lived in during the warmer months) or are not allowed to be lived in all year due to planning, licensing or other restrictions.

Job-related dwellings are defined as homes owned by someone who has to live elsewhere for most or all of the time as part of their job, or the home the person occupies to undertake their job if the person has another home that is their main residence.

Answer:

- ☐ Yes
- ☐ No
- ☒ Don't know

Please give reasons for your answer.

When considering the policy intent for more permanent affordable housing, any change to the current discount for purpose built holiday accommodation would not necessarily help address this core issue as the property would not be suitable for permanent residence, so no driver for change here.

In respect of job related dwellings, if this helps secure key workers / staffing for vital services that contribute to the services in the area and support the local economy then this could be deemed appropriate, however, local authorities could benefit from more discretion in applying a discount depending on whether the property is owned or rented by the occupant and the extent to which it is occupied throughout the year.

Question 3

Do you think councils should be able to charge a council tax premium on top of regular council tax rates for second homes?

More information:

A premium is charging more than the full rate of council tax.

Answer:

- ☒ Yes
☐ No
☐ Don't know

Please give reasons for your answer.

Availability and affordability of Housing is a major issue for the Island community of Arran within North Ayrshire. Local authority powers to charge a premium for second homes could help influence a behavioural change that leads to more housing availability for local people. This could also have a net positive economic benefit due to the greater levels of all year occupancy within the communities and provide additional finance for local authorities to help further fund affordable housing programmes, albeit this may only be short-term. From a local authority perspective, it is important that the local authority has the powers to charge a premium, however, the extent to which would be based on local circumstances and an evidenced based understanding of the impacts across a variety of stakeholder groups.

Question 4

If you have answered yes to question 3, what do you think the maximum premium councils could charge should be?

More information:

50% premium is the same as one and a half times the normal rate of council tax.

100% premium is double the normal rate of council tax

150% premium is two and a half times the normal rate of council tax

200% premium is three times the normal rate of council tax
250% premium is three and a half times the normal rate of council tax
300% premium is four times the normal rate of council tax

Answer:

- ☐ 50%
- ☐ 100%
- ☐ 150%
- ☐ 200%
- ☐ 250%
- ☐ 300%
- ☒ Other (specify)

Please give reasons for your answer.

A 100% premium on Council tax would initially bring charges for second homes into alignment with the current levy on long term empty properties, however, consideration should be given to providing local authorities with discretionary powers to set a level of premium based on their particular local circumstances and needs e.g. to influence an outcome of achieving greater availability of permanent housing. This would have to be supported by an evidence base, including modelling and impact assessments across a range of stakeholder groups.

Question 5

What factors should be taken into account by councils when deciding whether to introduce a premium on council tax for second homes?

More information:

A non-exhaustive list of potential factors is set out below:

- numbers and percentages of second homes in the local area
- distribution of second homes and other housing throughout the council area and an assessment of their impact on residential accommodation values in particular areas
- potential impact on local economies and the tourism industry
- patterns of demand for, and availability of, affordable homes
- potential impact on local public services and the local community
- other existing measures or policies that are aimed at increasing housing supply and the availability of affordable housing

Councils may also decide not to use the powers or to disapply a premium for a specific period of time.

A non-exhaustive list of examples of where a council might consider doing this include:

- where there are reasons why the home could not be lived in as a permanent residence
- where there are reasons why a home could not be sold or let
- where the owner's use of their accommodation is restricted by circumstances not covered by an exception from the premium
- where charging a premium might cause hardship

Answer:

Please list the factors and provide reasons for your answer:

The main factors to be taken into account would include:

- Potential impact on availability of affordable housing, especially in tourist hot spot areas, through influencing the change in ownership / occupation patterns
- Potential impact on public services
- Potential impact on tourism destinations and balancing the need for adequate tourist accommodation with accommodation for seasonal workers and accommodation for residents
- Financial impact on second homeowners as a consequence of any premium applied
- Potential impact on local authority revenue e.g. could create further council tax and support investment in affordable housing programmes, however, also recognising the need to model the revenue flow based on changes in ownership patterns e.g. greater model shift away from council tax to non-domestic rates through holiday lets qualification and potential NDR reliefs.

Question 6

If you do, or were to, own a second home please tell us what you would do if the applicable rate of council tax were to increase, and the 'thresholds' to be classed as self-catering holiday accommodation for non-domestic rates purposes stayed the same?

More information:

The current threshold for defining premises as self-catering holiday accommodation liable for non-domestic rates is it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year.

A private residential tenancy is when a registered landlord lets accommodation to an individual/s and it will be their sole or main residence. All tenancies created on or after 1 December 2017 are open-ended, which means a landlord will no longer be able to ask a tenant to leave simply because the fixed term has ended.

Answer:

Not applicable for a local authority response.

- ☐ The home is (or would be) already used as self-catering accommodation and liable for non-domestic rates
- ☐ The home is (or would be) already used as a private residential tenancy and the tenant is liable for council tax
- ☐ I would continue to use it purely for personal use and pay the higher rate of council tax
- ☐ I would continue with split use between self-catering accommodation (below the non-domestic rates threshold) and personal use, and pay council tax
- ☐ My second home already has/would have split use between self-catering accommodation (below the non-domestic rates threshold) and personal use. Rather than pay the higher rate of council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the non-domestic rates thresholds
- ☐ My second home is purely for personal use. However, in order to stop paying council tax, I would make it available as self-catering accommodation for 140 days or more and actually let it for 70 days or more in order to be liable for non-domestic rates
- ☐ I use my second home purely for personal use but I would change its use to a private residential tenancy
- ☐ I use my second home as self-catering accommodation (below the non-domestic rates threshold) but I would change its use to a private residential tenancy
- ☐ I will seek reclassification as an empty home and pay council tax
- ☐ I will sell the second home

Question 7

Do you think councils should be able to charge a higher premium than the current 100% (double the full rate) of council tax on homes empty for longer than 12 months?

More information:

Councils currently have the discretion to charge up to 100% premium on council tax on homes empty for longer than 12 months.

Answer:

- ☒ Yes
- ☐ No
- ☐ Don't know

Providing local authorities with the powers to charge higher premiums is supported. Again, this would be based on particular local circumstances and require to be supported by evidence. This could potentially provide further financial incentives to current owners to bring such properties into use with potential benefits including greater availability of housing supply, positive economic impact to local area through higher levels of occupancy and the potential for further revenue generation to local authorities to support affordable housing investment. However, it is recognised that each case surrounding empty properties can be different and there would also have to be an assessment of any additional financial impact on the owners.

Please give reasons for your answer.

Question 8

If you have answered yes to question 7, what do you think the maximum premium councils could charge should be?

More information:

This question is asking what the maximum premium should be for homes that have been empty for longer than 12 months.

The current maximum is 100% premium, which is double the normal rate of council tax.

Answer:

- ☐ 150%
- ☐ 200%
- ☐ 250%
- ☐ 300%
- ☒ Other (specify)

Please give reasons for your answer.

There is a recognition that the individual circumstances around long term empty properties can vary significantly and the potential additional financial burden that this may cause over and above current levels. Would therefore support local authorities having the powers to apply an increase. This would have to be supported by robust modelling of potential outcomes before any decision around the level of premium is considered. Potential impacts could include impacts on housing availability of supply and financial recovery rates of any increased premium understood.

Question 9

Do you think there should be a stepped approach to charging higher rates of council tax on long-term empty homes?

More information:

By 'stepped approach' we mean only giving councils powers to charge higher rates of council tax the longer the home is empty. For example, 100% premium at 12 months, 200% premium at 2 years, 300% premium at 5 years.

100% premium is the same as double the normal amount of council tax.

200% premium is the same as three times the normal amount of council tax

300% premium is the same as four times the normal amount of council tax.

Answer:

- ☒ Yes
- ☐ No
- ☐ Don't know

Please give reasons for your answer.

For the reasons outlined in the response to question 8. Subject to the outcome of robust modelling and impact assessments, a staged approach to any increase would be supported. This would allow careful monitoring of impacts.

Question 10

Are there any exceptions that are not already taken into account, that should be, when charging a premium of council tax on homes empty for longer than 12 months?

More information:

Current discretionary powers for councils to change council tax liability for empty homes

Status of empty home	Up to 6 months	6-12 months	12 months +	2 years +
No work underway and not for sale or let	Owner may apply for an unoccupied and unfurnished exemption	Discount can be varied between 50 and 10%	Discount can be varied between 50 and 10% or discount can be removed or premium of up to 100% can be applied	Discount can be varied between 50 and 10% or discount can be removed or premium of up to 100% can be applied
If undergoing repair work to make them habitable	50% discount cannot be changed	Owner may apply for a major repairs or structural alterations exemption. Discount can be varied between 50 and 10%.	Discount can be varied between 50 and 10% or discount can be removed or premium of up to 100% can be applied.	Discount can be varied between 50 and 10% or discount can be removed or premium of up to 100% can be applied.

If being actively marketed for sale or let	50% discount cannot be changed	50% discount cannot be changed	50% discount cannot be changed	a premium of up to 100% can be charged
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The current list of exemptions to council tax are:

Exemption	Period of Exemption
Dwellings last occupied by charitable bodies	Up to 6 months
Dwellings last occupied by persons living or detained elsewhere	Unlimited
Deceased owners	Unlimited up to grant of confirmation 6 months after grant of confirmation
Dwellings empty under statute	Unlimited
Dwellings awaiting demolition	Unlimited
Dwellings for occupation by ministers	Unlimited
Dwellings occupied by students, etc.	Unlimited
Repossessed dwellings	Unlimited
Agricultural dwellings	Unlimited
Dwellings for old or disabled persons	Unlimited
Halls of residence	Unlimited
Barracks, etc.	Unlimited
Dwellings occupied by young people	Unlimited
Difficult to let dwellings	Unlimited
Garages and storage premises	Unlimited
Dwellings of persons made bankrupt	Unlimited
Visiting forces	Unlimited
Dwellings occupied by severely mentally impaired persons	Unlimited
Prisons	Unlimited
Prescribed housing support services accommodation	Unlimited

Answer:

Please tell us about exemptions that you feel should apply and give reasons for your answer. Do not include exemptions that are already provided for.

The current policy on exemptions available beyond the initial 12 month period seem reasonable and appropriate, therefore there are no obvious exceptions. The current exemptions include:

- left empty by deceased occupier
- left empty by occupier to provide personal care to another person
- unoccupied charity building
- unoccupied church manse
- repossessed property
- subject to Closing or Demolition order
- empty as occupier is in prison, or
- property under responsibility of a bankrupt's trustee

Question 11

What factors should be taken into account by councils when deciding whether to introduce a premium on council tax for homes empty for longer than 12 months?

More information:

A non-exhaustive list of potential factors might be:

- numbers, percentages and distribution of long-term empty homes throughout a local area
- potential impact on local economies and the community
- patterns of demand for, and availability of, affordable homes
- potential impact on local public services
- impact on neighbours and local residents

Councils may also decide not to use the powers or to disapply a premium for a specific period of time. A non-exhaustive list of examples of where a council might do this include:

- where there are reasons why a home could not be sold or let
- where an offer has been accepted on a home but the sale has not yet been completed and the exception period has run out
- if the home has been empty for longer than 12 months but has been recently purchased by a new owner that is actively taking steps to bring the home back into use
- if an owner has submitted a timely planning application or is undergoing a planning appeal that is under consideration by the council or Scottish Government. This means they cannot undertake work to bring the home back into use until that process is concluded
- where charging a premium might cause hardship or act as a disincentive to bringing the home back into use e.g. where extensive repairs are actively being carried out

Answer:

Please list factors and give reasons for your answer.

The main factors to be taken into account include:

- Potential impact on availability of housing to meet local housing need
- Potential impact on level of net economic benefit to the local area
- Financial impact on empty homeowners
- Additional revenue to local authorities to create further investment in affordable housing and general revenue flow forecasts for local government funding to support local services

Question 12

If you do, or were to, own a home that has been empty for longer than 12 months, please tell us what you would do if your council decided to increase the maximum council tax charge above 100% premium?

More information:

Council tax premium:

- 100% premium is the same as double the normal rate of council tax. This is the current maximum councils can decide to charge. This question asks what you would do if councils are given powers to charge more than this e.g. up to 300% premium/ four times the normal rate and the council where your empty home is located decided to apply an increase.
- You may find it helpful to view what we mean by some of the options given e.g. short-term lets and private residential tenancies.

Short-term lets:

- In this consultation, short-term lets is a term used to refer to the whole or part of accommodation provided to one or more guests on a commercial basis that does not become the main residence of the guest/s. Self-catering accommodation is a type of short-term let and may be liable for council tax or non-domestic rates depending on the number of days they are available to let and actually let in the financial year.
- Self-catering accommodation must be available for let for 140 days or more and actually let for 70 days or more in the financial year, to be exempt from council tax and liable for non-domestic rates

Private residential tenancies:

- A [private residential tenancy](#) is when a registered landlord lets accommodation to an individual/s and it will be their sole or main residence. All tenancies created on or after 1 December 2017 are open-ended, which means a landlord will no longer be able to ask a tenant to leave simply because the fixed term has ended.

Answer:

- ☐ Leave the home empty and pay the higher council tax
- ☐ Sell the empty home
- ☐ Use the home as a private residential tenancy
- ☐ Use the home as a short-Term Let

☒ Other (specify)

Please give reasons for your answer.

Not applicable for Local Authority response.

Question 13

Do you think that the letting thresholds for self-catering accommodation for non-domestic rates should be changed?

More information:

The owners, tenants or occupiers of self-catering accommodation (who may be businesses, the public or the third sectors) may be liable for either council tax or non-domestic rates. This includes owners of second homes who use them for self-catering accommodation.

The current threshold for defining premises as self-catering holiday accommodation liable for non-domestic rates is it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year.

Answer:

☒ Yes

☐ No

☐ Don't know

Please give reasons for your answer.

Support the local authority having the powers to change the thresholds based on local needs. North Ayrshire benefits from some very popular tourist destination areas and as such we must ensure there is adequate provision of tourist accommodation. Any increase to these thresholds could impact on this availability if this resulted in the property instead being assessed as a second home if occupied for a minimum of 25 days per annum. In this regard, through the potential impact of a Council tax premium being applied, whilst this could lead to a benefit in the level of housing supply, it could be to the detriment of the level of supply of tourist accommodation. It is recognised that further modelling would require to be undertaken to better understand the potential impacts, with the general aim being to deliver a balanced portfolio of accommodation needs.

Question 14

If you have answered yes to question 13, what do you think the threshold for the number of days self-catering accommodation must actually be let for should be?

More information:

The current threshold is self-catering accommodation must actually be let for 70 days in the financial year.

Answer:

- ☐ 50 days
- ☐ 100 days
- ☐ 140 days
- ☐ 180 days
- ☒ Other (specify)

Please give reasons for your answer.

Any consideration around changing self-catering thresholds will require further modelling to understand potential impacts on the level of tourist accommodation and for this to be set within the context of local housing need and potential changes across second home ownership levels and consequential local economic impacts that could flow from this.

Question 15

If you have answered yes to question 13, what do you think the threshold for the number of days self-catering accommodation must be available to let should be?

More information:

The current threshold is self-catering accommodation must available to let for 140 days in the financial year.

Answer:

- ☐ 120 days
- ☐ 160 days
- ☐ 200 days
- ☐ 250 days
- ☒ Other (specify)

Please give reasons for your answer.

Any consideration around changing self-catering thresholds will require further modelling to understand potential impacts on the level of tourist accommodation set against local housing need and shifts across ownership models.

Question 16

Do you think councils should have discretion to change the self-catering accommodation 'days actually let' threshold, for their local area?

Answer:

- ☒ Yes
☐ No
☐ Don't know

Please give reasons for your answer.

Councils having such discretionary powers is supported. This would allow appropriate levels to be set following modelling and impact assessments undertaken across the local area. With the growth in tourist accommodation models like AirBnB it is important to ensure the appropriate licensing is in place and impacts fully understood. It is also recognised however that this would likely have resource implications which would have to be addressed as part of any devolved discretionary powers.

Question 17

If you answered yes to question 16 do you think that councils should have discretion to:

Answer:

- ☐ Increase the number of days actually let only
☐ Decrease the number of days actually let only
☐ Increase or decrease the number of days actually let

Please specify if you think councils should have discretion to do something else

Please give reasons for your answer

Full flexibility across all areas is supported to best address local circumstances in North Ayrshire. It is also recognised however that this would likely have resource implications which would have to be addressed as part of any devolved powers.

Question 18

Do you have any other comments on the non-domestic rates system in respect of self-catering accommodation?

Answer:

Please provide your views

No further comment.

Question 19

If you do, or were to, own a second home please tell us what you would do in the event that the applicable rate of council tax and non-domestic rate thresholds both increased?

More information:

The current threshold for defining premises as self-catering holiday accommodation liable for [non-domestic rates](#) is it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year.

A [private residential tenancy](#) is when a registered landlord lets accommodation to an individual/s and it will be their sole or main residence. All tenancies created on or after 1 December 2017 are open-ended, which means a landlord will no longer be able to ask a tenant to leave simply because the fixed term has ended.

Answer:

- ☐ The home is already used as a private residential tenancy
- ☐ I would continue to use it purely for personal use and pay the higher rate of council tax
- ☐ I would continue with split use between self-catering accommodation (below the thresholds to be liable for non-domestic rates) and personal use, and pay council tax
- ☐ My second home already has/would have split use between self-catering accommodation (below the non-domestic rates threshold) and personal use.

Rather than pay the higher rate of council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the non-domestic rates thresholds

- ☐ My second home already has/would have split use between self-catering accommodation (above the non-domestic rates threshold) and personal use. Rather than revert to paying council tax, I would increase the number of days the accommodation is available to let and actually let in order to meet the higher non-domestic rates thresholds
- ☐ My second home is purely for personal use. However, in order to stop paying council tax, I would make it available as self-catering accommodation and let it for the number of days I needed to in order to be liable for non-domestic rates
- ☐ I use my second home purely for personal use but I would change its use to a private residential tenancy
- ☐ I use my second home as self-catering accommodation (below the non-domestic rates threshold) but I would change its use to a private residential tenancy
- ☐ I would seek reclassification as an empty home and pay council tax
- ☐ I would sell the second home
- ☒ Other (specify)

Please give reasons for your answer.

Not applicable for Local Authority response.

Question 20

If you do, or were to, own a second home please tell us what you would do in the event that:

- a) council tax powers remained as they are for second homes (i.e. no provision for councils to charge a premium), but
- b) the 'thresholds' to be classed as self-catering holiday accommodation for Non-domestic rates purposes increased?

More information:

The current threshold for defining premises as self-catering holiday accommodation liable for [non-domestic rates](#) is it must be available to let for 140 days or more and actually let for 70 days or more in the same financial year.

A [private residential tenancy](#) is when a registered landlord lets accommodation to an individual/s and it will be their sole or main residence. All tenancies created on or after 1 December 2017 are open-ended, which means a landlord will no longer be able to ask a tenant to leave simply because the fixed term has ended.

Answer:

- ☐ The home is already used as a private residential tenancy
- ☐ I would continue to use it purely for personal use and pay council tax
- ☐ I would continue with split use between self-catering accommodation (below the thresholds to be liable for non-domestic rates) and personal use, and pay council tax
- ☐ My second home already has/would have split use between self-catering accommodation (above the non-domestic rates threshold) and personal use. I would increase the number of days the accommodation is available to let and actually let in order to meet the higher non-domestic rates thresholds
- ☐ I use my second home as self-catering accommodation (above the current non-domestic rates threshold). If I was not able to meet the new thresholds, I would change its use to a private residential tenancy
- ☐ I would seek reclassification as an empty home and pay council tax
- ☐ I would sell the second home
- ☒ Other (specify)

Please give reasons for your answer:

Not applicable for Local Authority response.

Question 21

Please tell us how you think changes to council tax and/or non-domestic rates thresholds for self-catering accommodation might affect businesses in your area.

Answer:

Please provide your views

It is recognised that changes to council tax charges through the application of a premium could influence changes in housing ownership models across the area and potentially help address the housing need in particular problem areas, through more permanent housing availability. Increased levels of housing supply could also potentially influence the levels of housing cost inflation. It is recognised however, that when considering affordable housing needs, this may not be matched by the required type of property supply to meet this need e.g. larger instances of detached properties, so further modelling of impacts would be required to better understand potential outcomes of any changes that the Council may wish to apply. From a local business perspective, any increased level of all year-round housing occupancy could potentially have a net positive economic impact in the local area and this could potentially benefit businesses in the local area. Again, further modelling and assessments of occupants and visitors would be required to consider the level of economic benefit attributable to various groups e.g. day trippers, overnight stays, permanent residents, seasonal visitors etc. Similarly, any consideration to changing thresholds for self-catering accommodation would require further modelling and assessment of impacts.

Question 22

Please tell us how you think changes to the maximum council tax rate for second and/or empty homes and non-domestic rates thresholds might affect your local area or Scotland as a whole (social, economic, environment, community, cultural, enterprise).

More information:

We have prepared a partial Business Regulatory Impact Assessment and undertaken screenings to initially consider other impacts. We would welcome your views and comments to help us expand on these assessments.

Answer:

Please provide your views

It is recognised that changes to council tax charges through the application of a premium could influence changes in housing ownership models across the area and potentially influence the housing need in particular problem areas, through more permanent housing availability. Increased levels of housing supply could also potentially influence the levels of housing cost inflation in problem local areas. It is recognised however, that when considering affordable housing needs, this may not be matched by the required type of property supply to meet this need e.g. larger instances of detached properties, so further modelling of impacts would be required to better understand potential outcomes of any changes that the Council may wish to apply. Any increased level of housing occupancy could have an overall positive net economic impact for the local area, helping communities grow and flourish all year round as well as potentially benefitting local businesses. However, it is recognised that further modelling and assessments of occupants and visitors would be required to consider the level of economic benefit attributable to various groups e.g. day trippers, overnight stays, permanent residents, seasonal visitors etc. It is also important to ensure that sufficient tourist accommodation provision remains so as to ensure this benefit to the area is maintained, especially at seasonal times.

Question 23

Please tell us how you think the changes identified might affect island communities.

The challenges can be particularly acute in our Island communities. It is recognised that changes to council tax charges through the application of a premium could result in changes to ownership models across the islands. This could potentially help address the housing need in Arran especially through more permanent housing availability and supply and this could also influence housing cost inflation. It is recognised however, that when considering affordable housing needs, this may not be matched by the required type of property supply to meet this need e.g. larger instances of detached properties, so further modelling of impacts would be required to better understand potential outcomes of any changes that the Council may wish to apply. The area of affordable housing need is a significant issue for Arran and in response to this North Ayrshire Council has established the Arran Housing Task Force which brings together a wide range of partners to address the issues which face island residents and businesses. The taskforce aims to assess the demand for affordable housing on Arran and identify issues that may be limiting economic sustainability and growth.

Any increased level of housing occupancy could also have an overall positive net economic impact for the local area, helping maintain public services, with staff able to afford to live in the area to support public and other key services. Island communities could potentially grow and flourish all year round, rather than at particular seasonal times, as well as benefitting businesses. However, it is also recognised that further modelling and assessments of occupants and visitors would be required to consider the overall level of economic benefit attributable to various groups e.g. day trippers, overnight stays, permanent residents, seasonal visitors etc. It is also important to ensure that sufficient tourist accommodation provision remains to ensure this benefit to the islands is also maintained.

More information:

We have prepared a partial Island Communities Impact Assessment and undertaken screenings to initially consider other impacts. We would welcome your views and comments to help us expand on these assessments.

Answer:

Please provide your views

Question 24

Do you think there are any equality, human rights, or wellbeing impacts in relation to the changes set out in the consultation?

Answer:

- ☒ Yes
- ☐ No
- ☐ Don't know

Please give reasons for your answer.

Those stakeholders negatively impacted are primarily second homeowners and owners of long term empty properties as this could result in an additional financial burden. It is also recognised that there would be a requirement for an equality impact assessment as part of a wider local consultation to be undertaken prior to any change in policy being considered or implemented.

Question 25

Is there anything else you would like to tell us in relation to this consultation?

Answer:

Please provide any further comments on the proposals set out in this consultation in the box below.

The main points have been covered, no further comments.

About you

Please tell us which of the following categories best describe you (select all that apply):

- Owner of a Second Home
- Owner of a Long-term Empty Home
- Short-Term Let/Self-Catering accommodation operator
- Council or Assessor
- Organisation e.g. third sector or industry body

- Member of the Public
- Other, please specify


Chief Officer at North Ayrshire Council.

Please tick whichever council areas apply to you (or select all of Scotland)?:

- Aberdeen City
- Aberdeenshire Council
- All of Scotland
- Angus Council
- Argyll and Bute Council
- City of Edinburgh Council
- Clackmannanshire Council
- Dumfries and Galloway
- Dundee City Council
- East Ayrshire Council
- East Dunbartonshire Council
- East Lothian Council
- East Renfrewshire Council
- Falkirk Council
- Fife Council
- Glasgow City Council
- Highland Council
- Inverclyde Council
- Midlothian Council
- Moray Council
- Na h-Eileanan Siar Council
- North Ayrshire Council
- North Lanarkshire Council
- Orkney Council
- Perth and Kinross Council
- Renfrewshire Council
- Scottish Borders Council
- Shetland Council
- South Ayrshire Council
- South Lanarkshire Council
- Stirling Council
- West Dunbartonshire Council
- West Lothian Council

North Ayrshire Council.

Appendix 2 - Service Briefing (highlighted in red text)

 <p>North Ayrshire Council Comhairle Siarraidh Àir a Tuath</p>	<h3>Call In Request Form</h3>
<p>We request in terms of paragraph 26.2 of the Standing Orders Relating to Meetings and Proceeding of the Council that the decision taken by the Cabinet be called in by the Audit and Scrutiny Committee.</p>	
<h4>Names of Councillors Requesting Call In</h4>	
<p>1. Timothy Billings</p>	
<p>2. Todd Ferguson</p>	
<p>3. Angela Steven</p>	
<h4>Details of the Decision Taken By The Cabinet (Please specify the Minute reference)</h4>	
<p>Item 4 - The Cabinet agreed to approve the proposed consultation response at Appendix 1 to the report, for submission to the Scottish Government by the consultation deadline of 11 July 2023.</p>	
<h4>Reasons for Call In (Please specify your reasons for requesting that the Audit and Scrutiny Committee call in the decision)</h4>	
<p>The reasons for the call in are that the response to the Scottish Government consultation will form the basis of North Ayrshire's policy if this becomes policy and therefore, the Council's responses should be a complete and considered as possible. The current response makes several assumptions about the potential benefits of charging additional council tax on second homes that are not supported by any evidence. North Ayrshire Council is currently undertaking wide-reaching research into the housing supply and housing demand on Arran, with the aim of ascertaining where the housing gaps are on Arran and what needs to be done to fill the gaps. There is no reference to this work in the response.</p> <p>General comment – The response to the Consultation is not intended to form the basis of any policy as such. This would ultimately be a matter for Council should the powers be given to Councils. The response does however regularly make the following point:-</p> <p>“From a local authority perspective, it is important that the local authority has the powers to charge a premium, however, the extent to which would be based on local circumstances and an evidenced based understanding of the impacts across a variety of stakeholder groups.”</p> <p>So, in summary, the main point of the response is for the local authority to have the powers but it is recognised that we would have to gather further evidence and impact assessments to help inform any policy that Council would want to adopt. The response also notes the particular housing challenges on Arran (Q3 and Q23) and specifically references the remit of the Arran Housing Task Force. Further, there is regular reference to the requirement to gather evidence which would support any decisions, should the Council be awarded further powers.</p> <p>Other specific items are: Question 2 – people with a second home for work purposes – the current response is ‘don’t know’</p>	

and only suggests that key workers and staff in vital services should be exempt from additional tax. We already know that our island economies are struggling and that there is a shortage of staff across all sectors of the economy, therefore, if somebody needs to get a second home to take up employment on Arran or Cumbrae they should not be penalised with additional council tax.

General Comment – The response in Q2 includes the following “local authorities could benefit from more discretion in applying a discount depending on whether the property is owned or rented by the occupant and the extent to which it is occupied throughout the year.”

It is not the intention within the response to set or outline any intended policy but rather that the Council could benefit from more discretion in this area.

Question 3 – The issues with the answer to this question are that it makes some assumptions and does not provide a complete answer to the question. In particular:

- There is an assumption that local authorities must have this power as it is ‘important’ so that they can influence the housing market to increase the availability of houses for local people. There is no evidence that just making more houses available will increase the availability of housing for the people that Arran needs to support local businesses or public services. Arran already has more houses for sale per head of the population compared with the rest of North Ayrshire, including properties at the cheaper end of the housing stock.
- The answer assumes that a second home is used intermittently, which some may be. However, a second home that is also rented out as a holiday let would come into this category. There needs to be recognition between the various types of second home usage because anecdotal evidence suggests that holiday makers will spend more money in local restaurants and shops than a permanent resident.
- There is an assumption that the same tax levels would be appropriate for all areas within the local authority whereas it is possible that different levels of tax on second homes could be needed depending on the local circumstances. In addition it may be appropriate to have different levels of additional council tax on different levels of council tax. For example, if the main purpose of the additional council tax is to increase the availability of affordable housing for sale there is no point in penalising people living in houses rated at G for council tax as these will never be ‘affordable’ homes.

General comment – The response supports the Council having the powers and to apply these powers to North Ayrshire’s local circumstances, recognising however that the extent to which these powers could be used would require to be supported by the appropriate evidence gathering. The Consultation response does recognise the different types of second homes i.e. whether they are second homes occupied for at least 25 days per year and therefore subject to a council tax charge or whether they are a holiday let, being a property available for let 140 days per year and actually let 70 days per year and therefore subject to non-domestic rates.

No assumption has been made in the response as to the level of council tax charge to be applied for second homes. It generally recognises that a 100% levy would bring the charges into alignment with the long-term empty homes levy. Further, the reference to local circumstances is intended to be in the broadest terms at this time. How the Council could then apply this would be a matter for the Council e.g. whether this includes particular considerations across the island and mainland communities or whether any potential levy would apply to particular council tax bands of properties.

Question 4 – this question is about the maximum level of taxation. The response from does recognise that levels of taxation will depend on modelling and impact assessment. However, it does not include recommendations that local authorities should have full flexibility on level of taxation so that different levels of taxation could be used in different areas of the local authority and that different levels of taxation could be appropriate for differently tax rated properties.

The response does not make it clear that levels of taxation for second homes and empty homes must be considered together as one would not want to encourage a home to be left empty because the level of taxation would be less.

General comment – No assumption has been made in the response as to the level of council tax charge to be applied for second homes. It generally recognises that a 100% levy would bring the charges into alignment with the long-term empty homes levy. Further, the reference to local circumstances is intended to be in the broadest terms at this time. How the Council could then apply this would be a matter for the Council e.g. whether this includes particular considerations across the island and mainland communities or whether any potential levy would apply to particular council tax bands of properties.

The Consultation form is structured in a way that it separately asks for responses related to second homes and long-term empty properties. Any consideration to applying a levy should again be supported by the appropriate evidence gathering.

Question 5 – all of the factors in this section are about the availability of housing. There are no factors relating to the assessment of the housing needs for an area, and if the change in housing availability caused by increases in council tax on second homes would benefit the housing needs of the area.

In addition the response does not include the possible harm caused by additional levels of council tax. For example, if the result of increased taxation was a glut of houses for sale causing a fall in prices forcing existing home owners into negative equity thereby stagnating the Arran housing market.

General comment – A range of factors have been listed in the response, not purely about the availability of housing. With regards to the points noted above, it is recognised that they should be picked up as part of evidence gathering and impact assessment, when considering any policy that may be applied.

Question 8 – this response already states that local authorities should have flexibility to impose additional council tax on empty properties depending on local circumstances. However, it does not state that levels of empty home taxation must be considered along side second home taxation, and that local authorities should have the flexibility to vary rates across the authority area and across properties with different council tax rates.

General comment – The Consultation form is structured in a way that it separately asks for responses related to second homes and long-term empty properties. Any consideration to applying a levy should again be supported by the appropriate evidence gathering. It is recognised they should be considered alongside each other.

Further, the reference to local circumstances is intended to be in the broadest terms at this time. How the Council could then apply this would be a matter for the Council e.g. whether this includes particular considerations across the island and mainland communities or whether any potential levy would apply to particular council tax bands of properties.

Question 21 – the response is confusing several issues many of which are not related to the question. The response does recognise that further assessment is required but there are gaps in the response and there are some implied assumptions that are not supported by evidence. In particular, there is nothing about assessment of housing need and housing supply, and what changes in the housing market that imposing increases in council tax could have.

The question asks for the opinion about what changes in taxation might have on local business. There are two ways in which business could be impacted – first is that there is a change in economic activity of the people occupying properties, the second is that there could be changes in the supply of properties for people to live in who work in local businesses. However, until there is a full assessment of the relationship between housing demand, housing supply, and economic activity of property residents it is not possible to make an assessment on the impact that any changes in council tax levels could help support.

General comment – The response recognises the need to undertake modelling of impacts. There is a reference in the response that the affordable housing need may not be matched or

met by the current housing supply. In terms of impact on businesses, the response notes that more increased level of all year-round housing occupancy could potentially have a net positive economic impact in the local area and this could potentially benefit businesses in the local area. Again, further modelling and assessments of occupants and visitors would be required to consider the level of economic benefit attributable to various groups e.g. day trippers, overnight stays, permanent residents, seasonal visitors etc

Desired Outcome (Please specify your desired outcome)

The desired outcome is that the wording of the response to the Scottish Government's consultation on council tax on second homes is amended to make the wording neutral when referencing the potential effects that higher levels of council tax, and there is reference to all the possible impacts that interference with the housing market could have. There should also be reference to the housing research that NAC is doing and that should be an integral part of the decision-making process before any decisions are made regarding increases in council tax for second homes.

General comment – It is recognised that the response to the Consultation has been interpreted in a particular way. From a practical perspective and to avoid any further subjectivity around language, wording etc. it would be beneficial for the call in to include specific responses to each of the questions.

Other specific changes are:

Question 2 – response changed to 'yes' and that it should apply to all people who move away from their main home to take up employment. Local authorities need to support people moving to islands to take up employment and should not penalise anybody moving to an island for work purposes with additional council tax. It should be noted that if the person moving to take up work rented a second home for job purposes they would not be penalised so why should somebody who purchases a home be penalised for taking up employment.

General comment – The response states that "local authorities could benefit from more discretion in applying a discount depending on whether the property is owned or rented by the occupant and the extent to which it is occupied throughout the year."

It is not the intention within the response to set or outline any intended policy but rather that the Council could benefit from more discretion in this area.

Question 3 –the response should:

- state that if local authorities have the power to increase the council tax for second homeowners there must be evidence that the housing need would be solved by forcing second homeowners to put their homes up for sale.
- recognise that there may be a difference in economic benefit from having a permanent or holiday resident which must be fully assessed so as not create unintended harm to the local economy.
- State that local authorities must have fully assessed the housing supply and demand factors for any area where additional second home tax is being considered, and have evidence that imposing additional tax will help have a positive influence on the housing market;
- State that local authorities should be able to have different levels of council tax supplements for different areas within the local authority.
- State that local authorities should be able to have different levels of additional council tax for different rated properties so that local authorities have the flexibility to promote positive changes in specific areas of the housing stock that are in short supply.

General comment – The response supports the Council having the powers and to apply these powers to North Ayrshire's local circumstances, recognising however that the extent to which these powers could be used would require to be supported by the appropriate evidence gathering. This includes economic impact assessment for the local area including modelling of economic

benefits attributable to various groups e.g. day trippers, overnight stays, permanent residents, seasonal visitors etc.

No assumption has been made in the response as to the level of council tax charge to be applied for second homes. The reference to local circumstances is intended to be in the broadest terms at this time. How the Council could then apply this would be a matter for the Council e.g. whether this includes particular considerations across the island and mainland communities or whether any potential levy would apply to particular council tax bands of properties.

Question 4 – the response should include recommendations that if local authorities are going to impose additional council tax then the rates of taxation should be based on full assessment of local circumstances, and the levels of tax could be different in different geographic area and could be different for properties with different tax ratings. The purpose of this is to give local authorities to use its powers flexibly so as to support the desired response within the housing market whilst not penalising or damaging other aspects of the area's economy or community.

The response should also make it clear that rates for empty and second homes must be linked and have the same flexibility so that there is no benefit in leaving a property empty.

General comment – The response notes that evidence gathering, and assessments are required. No assumption has been made in the response as to the level of council tax charge to be applied for second homes. The reference to local circumstances is intended to be in the broadest terms at this time. How the Council could then apply this would be a matter for the Council e.g. whether this includes particular considerations across the island and mainland communities or whether any potential levy would apply to particular council tax bands of properties.

Question 5 – the list of main factors must include an assessment of the housing needs for an area, so that before imposing council tax increases on second homes there is some assurance that the changes in local housing supply will actually have a positive impact on the assessed housing need. The response must include reference to possible negative effects of falling property prices causing economic hardship for existing homeowners, such as negative equity and stagnation of the housing market.

General comment – The response notes that evidence gathering, and assessments are required before any policy decision is taken. This would then be a matter for the Council to set the policy. Having the powers to do this is supported in the Consultation response.

Question 8 - the NAC answer should restate that councils should have total flexibility to impose additional council tax on empty homes depending on locally agreed criteria and circumstances, and that this will include varying tax levels in different geographic area and across different council tax bands.

General comment – The response notes that evidence gathering, and assessments are required before any policy decision is taken. This would then be a matter for the Council to set the policy. Having the powers to do this is supported in the Consultation response.

Question 21 –The question asks for the opinion about what changes in taxation might have on local business. There are two ways in which business could be impacted – first is that there is a change in economic activity of the people occupying properties, the second is that there could be changes in the supply of properties for people to live in who work in local businesses. However, until there is a full assessment of the relationship between housing demand, housing supply, and economic activity of property residents it is not possible to make an assessment on the impact that any changes in council tax levels could help support.

Therefore, the response to this question must start with the assumption that the local authority has assessed the local supply and demand for housing, and that the potential changes caused by imposing increases in council tax will have a positive impact on the local shortage of housing

types and will support increases in the overall economic activity in the area.
Before introducing tax changes local authorities must be confident that imposing council tax increases will have a realistic expectation of positive changes in the housing market and increases in overall economic activity.

General comment – The response recognises the need to undertake modelling of impacts and assessments across housing and economic activity.

This form must be received by the Chief Executive's Office not later than 12 noon on the fourth Clear Working Day following, and not counting, the day on which the Cabinet Minute was issued.

	Date	Time
Received by Chief Executive		
Received by Committee Services		
Acknowledged		