

South Ayrshire Council

**Report by Head of Finance, ICT and Procurement
to Cabinet
of 16 January 2024**

Subject: Council Tax Premium on Second Homes

1. Purpose

- 1.1 The purpose of this report is to seek Members' approval to apply discretionary powers to increase Council Tax for Second Homes as detailed in this report on the proviso that draft regulations currently laid before the Scottish Parliament agreeing this increase are approved.

2. Recommendation

2.1 It is recommended that the Cabinet:

2.1.1 agrees to increase Council Tax charges for all Second Homes with effect from 1 April 2024 by 100% (double the standard charge), subject to regulations being approved by the Scottish Parliament, with discretion not to apply the increase in the following circumstances:

- (i) a property is actively being marketed for sale or rent or is undergoing repairs/ renovations to bring it up to habitable standards to allow it to be marketed for sale or rent, including where planning applications have been lodged, for a maximum period of up to 12 months;**
- (ii) customers are actively engaging with the Council's Empty Homes Officer to bring the property back into use as someone sole or main place of residence, for a maximum period of up to 12 months; or**
- (iii) exceptional circumstances exist that are out with the control of the customer and which prevent the property from being otherwise occupied as a main residence or advertised for sale or rent (subject to annual review); and**

2.1.2 agrees that 50% of additional income generated from charging double Council Tax should be allocated to the delivery of social housing or to fund other incentives such as the Empty Homes initiative or the Social Letting Service.

3. Background

- 3.1 On 20 June 2023, Members approved a response to a joint Scottish Government/ Cosla Consultation exercise on increasing Council Tax charges for Second Homes. The consultation exercise has now concluded resulting in draft regulations being laid before the Scottish Parliament that, if approved, will result in Councils having discretionary powers to double the standard Council Tax charges for Second Homes. For Council Tax purposes a Second Home is a dwelling that is no-one's sole or main residence but is lived in for at least 25 days during the 12 month period of the council tax charge.
- 3.2 There were 981 responses to the consultation, 73 from groups or organisations and 908 from individuals. A small majority of the total respondents (55%) thought Council's should be able to charge a premium rate for Second Homes, with support for this position rising to 89% among the 73 organisations responding.
- 3.3 The vision and principles contained in the Scottish Governments Housing to 2040 Strategy include 'prioritising homes for living in and not for accumulating wealth'. Over the past decade the growth of online platforms has fuelled the trend for residential homes, particularly in tourist hotspots, to be changed from primary homes to be used for short-term lets or second homes. This can cause problems for neighbours and make it harder for local people, particularly young people or those with fewer resources, to find homes to live in
- 3.4 In response to the consultation, South Ayrshire Council Members agreed that Councils should be able to charge a premium of 100% on top of the regular Council Tax rates for Second Homes and requested that officers submit new policy proposals to Cabinet once the legislative changes had been implemented by the Scottish Government.
- 3.5 A postal review of Second homes was undertaken in September 2023. As at the end of October there are currently 491 properties classed as second homes in South Ayrshire.

4. Proposals

- 4.1 It is recommended that the Cabinet agrees to apply double Council tax charges for all second home properties with effect from 1 April 2024 (subject to regulations being approved by the Scottish Parliament) other than those discretions noted below:
- (i) a property is actively being marketed for sale or rent or is undergoing repairs/ renovations to bring it up to habitable standards to allow it to be marketed for sale or rent, including where planning applications have been lodged, for a maximum period of up to 12 months;
 - (ii) customers are actively engaging with the Council's Empty Homes Officer to bring the property back into use as someone sole or main place of residence, for a maximum period of up to 12 months; or
 - (iii) exceptional circumstances exist that are out with the control of the customer and which prevent the property from being otherwise occupied as a main residence or advertised for sale or rent (subject to annual review).

- 4.2 The introduction of a 'levy' for Second Homes would generate additional income for the council, whilst potentially encouraging people to reconsider their ownership of a second home. However it should be noted that the areas where most second homes are in South Ayrshire would not particularly have a beneficial impact on the delivery of Social Housing if they were to become available as the demand is lower than in other areas. A 'heat map' is attached at [Appendix 1](#) which details the location of second homes within South Ayrshire. Therefore whilst increasing the tax to "encourage" owners to make better use of their properties may not make a difference to the pressure of social housing waiting lists. The additional income generated income from this could in part be directed towards the delivery of social housing or to fund other incentives such as the Empty Homes initiative or the Social Letting Service.
- 4.3 The introduction of a 'levy' for Second Homes would also bring this in line with Long Term Empty (LTE) properties, where double Council Tax is currently charged after 12 months, and reduce the incidence of 'levy' avoidance which currently exists.
- 4.4 Should the proposals be approved a letter will be issued to Second Home owners advising them of the increased charges and the discretion available in advance of 2024/25 Council Tax bills being issued in March 2024.

5. Legal and Procurement Implications

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

6. Financial Implications

- 6.1 The primary reason for the introduction of a levy is to encourage Second Home owners to make their property available for use as 'lived in' homes. However if 75% of existing second home properties remain as second homes, and a levy of 100% is introduced the Council could generate additional revenue in the region of £0.417m per annum. (Based on a Band D average and current collection rates for properties currently being charged the LTE levy). It is proposed that 50% of any additional income generated by charging double Council Tax for Second Homes will be directed towards the delivery of social housing or to fund other incentives such as the Empty Homes initiative or the Social Letting Service.

7. Human Resources Implications

- 7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

- 8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

- 8.2.1 The risks associated with rejecting the recommendations are:

- the potential loss of suitable housing options within an already pressurised housing market; and

- the loss of potential income to the Council.

9. Equalities

- 9.1 An Equalities Impact Assessment (EQIA), (including the Fairer Scotland Duty in respect of any Strategic decision), has been carried out on the proposals contained in this report, which identifies potential positive and negative equality impacts and any required mitigating actions. The EQIA is attached as [Appendix 2](#).

10. Sustainable Development Implications

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

- 12.1 The matters referred to in this report contribute to Priority Two of the Council Plan: Live, Work, Learn.

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

14. Next Steps for Decision Tracking Purposes

- 14.1 If the recommendations above are approved by Members, the Head of Finance, ICT and Procurement will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

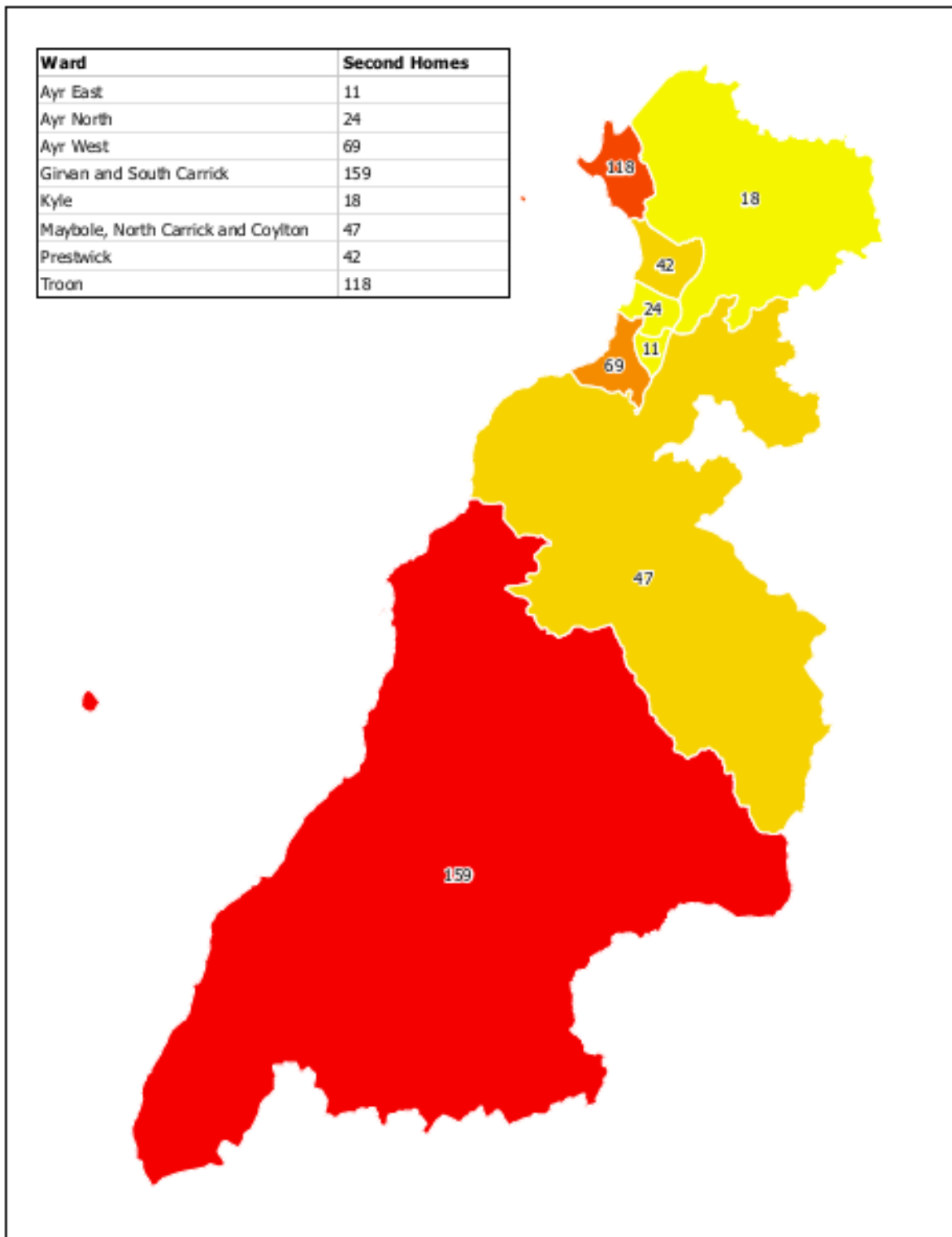
Implementation	Due date	Managed by
Implement policy to apply 100% Council Tax increase for second homes	1 April 2024	Service Lead - Revenues and Benefits

Background Papers [Report to Cabinet of 20 June 2023 – Consultation: Council Tax for Second and Empty Homes, and Non-Domestic Rates Thresholds for Self-Catering Units](#)

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Date: 4 January 2024

Location of Second Homes within South Ayrshire (‘Heat Map’)



Council Tax Second Homes by Ward

Scale 1:238,738



South Ayrshire Council
Equality Impact Assessment including Fairer Scotland Duty

Section One: Policy Details*

Name of Policy	Council Tax Premium on Second Homes
Lead Officer (Name/Position)	Nicola Gemmell, Service Lead, Revenues & Benefits
Support Team (Names/Positions) including Critical Friend	Lorna McClue, Revenues Officer Kevin Anderson, Service Lead, Performance, Policy & Community Planning

*The term Policy is used throughout the assessment to embrace the full range of policies, procedures, strategies, projects, applications for funding or financial decisions.

What are the main aims of the policy?	To introduce a premium charge (double the standard charge) for Council Tax Second Homes. A Second Home is a dwelling that is no-one's sole or main residence but is furnished & lived in for at least 25 days during the 12 month period of the council tax charge. The policy will contribute to Priority Two of the Council Plan: Live, Work, Learn
What are the intended outcomes of the policy?	The introduction of a 'levy' for Second Homes would generate additional income for the council, whilst potentially encouraging people to reconsider their ownership of a second home. However it should be noted that the areas where most second homes are in South Ayrshire would not particularly have a beneficial impact on the delivery of Social Housing if they were to become available as the demand is lower than in other areas. Therefore whilst increasing the tax to "encourage" owners to make better use of their properties may not make a difference to the pressure of social housing waiting lists. However the additional income generated from this policy will in part be directed towards the delivery of social housing or to fund other incentives such as the Empty Homes initiative or the Social Letting Service

Section Two: What are the Likely Impacts of the Policy?

Will the policy impact upon the whole population of South Ayrshire and/or	There will be a limited impact on the population of South Ayrshire as a whole as Second Homes owners make up
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particular groups within the population? (please specify)	around 0.9% of the total domestic properties within South Ayrshire. The Council is not required to collate information on any specific groups in relation to Council Tax liability therefore we do not hold any information on any protected characteristics.
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Considering the following Protected Characteristics and themes, what likely impacts or issues does the policy have for the group or community?

List any likely positive and/or negative impacts.

Protected Characteristics	Positive and/or Negative Impacts
Age: Issues relating to different age groups e.g. older people or children and young people	Neither positive or negative due to limited volume of second homes. Information on this characteristic is not held by the Council Tax team and although there is a higher than average number of older people living in South Ayrshire the overall number of second home owners is less than 1.0% of the total number of Council Tax domestic properties. It would therefore be disproportionate to gather information specifically around this characteristic particularly as the policy will apply equally to all second home owners.
Disability: Issues relating to disabled people	Neither positive or negative due to limited volume of second homes. Information on this characteristic is not held by the Council Tax team. The overall number of second home owners is less than 1.0% of the total number of Council Tax domestic properties it would therefore be disproportionate to gather information specifically around this characteristic particularly as the policy will apply equally to all second home owners.
Gender Reassignment – Trans/Transgender: Issues relating to people who have proposed, started or completed a process to change his or her sex	Neither positive or negative due to limited volume of second homes. Information on this characteristic is not held by the Council Tax team. The overall number of second home owners is less than 1.0% of the total number of Council Tax domestic properties it would therefore be disproportionate to gather information specifically around this characteristic particularly as the policy will apply equally to all second home owners.
Marriage and Civil Partnership: Issues relating to people who are married or are in a civil partnership	Neither positive or negative due to limited volume of second homes. Information on this characteristic is not held by the Council Tax team. The overall number of second home owners is less than 1.0% of the total number of Council Tax domestic properties it would therefore be disproportionate to gather information specifically around this characteristic particularly as the policy will apply equally to all second home owners.
Pregnancy and Maternity: Issues relating to woman who are pregnant and/or on maternity leave	Neither positive or negative due to limited volume of second homes. Information on this characteristic is not held by the Council Tax team. The overall number of second home owners is less than 1.0% of the total number of Council Tax domestic properties it would therefore be disproportionate to gather information specifically around this characteristic particularly as the policy will apply equally to all second home owners

Race: Issues relating to people from different racial groups,(BME) ethnic minorities, including Gypsy/Travellers	Neither positive or negative due to limited volume of second homes. Information on this characteristic is not held by the Council Tax team. The overall number of second home owners is less than 1.0% of the total number of Council Tax domestic properties it would therefore be disproportionate to gather information specifically around this characteristic particularly as the policy will apply equally to all second home owners
Religion or Belief: Issues relating to a person's religion or belief (including non-belief)	Neither positive or negative due to limited volume of second homes. Information on this characteristic is not held by the Council Tax team. The overall number of second home owners is less than 1.0% of the total number of Council Tax domestic properties it would therefore be disproportionate to gather information specifically around this characteristic particularly as the policy will apply equally to all second home owners
Sex: Issues specific to women and men/or girls and boys	Neither positive or negative due to limited volume of second homes. Information on this characteristic is not held by the Council Tax team. The overall number of second home owners is less than 1.0% of the total number of Council Tax domestic properties it would therefore be disproportionate to gather information specifically around this characteristic particularly as the policy will apply equally to all second home owners
Sexual Orientation: Issues relating to a person's sexual orientation i.e. LGBT+, heterosexual/straight	Neither positive or negative due to limited volume of second homes . Information on this characteristic is not held by the Council Tax team. The overall number of second home owners is less than 1.0% of the total number of Council Tax domestic properties it would therefore be disproportionate to gather information specifically around this characteristic particularly as the policy will apply equally to all second home owners

Equality and Diversity Themes Relevant to South Ayrshire Council	Positive and/or Negative Impacts
Health Issues and impacts affecting people's health	Any additional income directed towards the delivery of social housing or to fund other incentives such as the Empty Homes initiative or the Social Letting Service are likely to have a positive impact on people's physical wellbeing.
Human Rights: Issues and impacts affecting people's human rights such as being treated with dignity and respect, the right to education, the right to respect for private and family life, and the right to free elections.	The Second Homes policy is unlikely to have a major impact on people's human rights

Socio-Economic Disadvantage	Positive and/or Negative Impacts
Low Income/Income Poverty: Issues: cannot afford to maintain regular payments such as bills, food and clothing.	Negative impacts may include the impact of second homes on the availability of housing stock. This can also, in turn, increase house prices and rents in the private rented sector.
Low and/or no wealth: Issues: enough money to meet basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	Neither.

<p>Material Deprivation: Issues: being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies</p>	<p>Any flexibility to raise additional revenue that could be directed towards social housing initiatives will have a positive outcome.</p>
<p>Area Deprivation: Issues: where you live (rural areas), where you work (accessibility of transport)</p>	<p>Neither. The areas where most second homes are in South Ayrshire would not particularly have a beneficial impact on the delivery of Social Housing if they were to become available as the demand is lower than in other areas. Therefore whilst increasing the tax to “encourage” owners to make better use of their properties may not make a difference to the pressure of social housing waiting lists. However the additional income generated from this policy will in part be directed towards the delivery of social housing or to fund other incentives such as the Empty Homes initiative or the Social Letting Service</p>

Section Three: Evidence Used in Developing the Policy

<p>Involvement and Consultation In assessing the impact(s) set out above what evidence has been collected from involvement, engagement or consultation? Who did you involve, when and how?</p>	<p>The Council did not conduct a consultation exercise, however the Scottish Government conducted consultation which ran between 17/04/2023 – 11/07/2023. In total 981 responses were received, of which 73 were from groups or organisations and 908 from individual members of the public. 55% of those responding thought that Councils should be able to charge double Council Tax on second homes, support for this among organisations responding was 89%. Organisations included Local Authorities, Campaign groups, Community Groups, Professional bodies and the Tourism sector.</p>
<p>Data and Research In assessing the impact set out above what evidence has been collected from research or other data. Please specify what research was carried out or data collected, when and how this was done.</p>	<p>Limited household data on Second Home owners is available. Council Tax records require only the owner’s/occupiers name to create a liability and issue a bill. Analysis of data from the Wealth and Assets Survey 2018-2020 shows that second-home owners both in Scotland and in GB overall were on average wealthier, and also had higher incomes compared to home-owners without second homes and households without any property wealth Households who own second homes - gov.scot (www.gov.scot)</p> <p>Data produced by the National Records of Scotland shows the distribution of second homes by SIMD . The data shows that second homes are more common in less deprived areas, particularly in the middle of the distribution. As at September 2021, there were over 5,000 second homes in the 6th SIMD, which equates to 1.6% of all dwellings in that decile. 57% of all second homes in Scotland are located in the 5th, 6th and 7th deciles. On the other hand, only 17% of all second homes in Scotland are in the first 4 (most deprived) deciles</p>

	Households and Dwellings in Scotland, 2021 National Records of Scotland (nrscotland.gov.uk)
Partners data and research In assessing the impact(s) set out in Section 2 what evidence has been provided by partners? Please specify partners	N/A
Gaps and Uncertainties Have you identified any gaps or uncertainties in your understanding of the issues or impacts that need to be explored further?	No

Section Four: Detailed Action Plan to address identified gaps in:

- a) evidence and**
- b) to mitigate negative impacts**

No.	Action	Responsible Officer(s)	Timescale
1	N/A		
2			
3			
4			

Note: Please add more rows as required.

Section Five - Performance monitoring and reporting

Considering the policy as a whole, including its equality and diversity implications:

When is the policy intended to come into effect?	1 April 2024
When will the policy be reviewed?	1 April 2027 The policy will be reviewed as required based on expected outcomes/benefits
Which Panel will have oversight of the policy?	

Summary Equality Impact Assessment Implications & Mitigating Actions

Name of Policy: ..Council Tax Premium on Second Homes.....

This policy will assist or inhibit the Council's ability to eliminate discrimination; advance equality of opportunity; and foster good relations as follows:

Eliminate discrimination N/A
Advance equality of opportunity N/A
Foster good relations N/A
Consider Socio-Economic Disadvantage (Fairer Scotland Duty)

Summary of Key Action to Mitigate Negative Impacts	
Actions	Timescale
N/A	
N/A	

Signed: ..Nicola Gemmell.....Service Lead
Date: ...20 Dec 2023.....