

**ANGUS COUNCIL**

**SPECIAL ANGUS COUNCIL– 29 FEBRUARY 2024**

**REVIEW OF COUNCIL TAX 2<sup>ND</sup> HOMES POLICY**

**REPORT BY IAN LORIMER, DIRECTOR OF FINANCE**

**ABSTRACT**

This report reviews the Council's current Council Tax policy on 2<sup>nd</sup> homes and recommends levying an additional 100% charge from 1 April 2024.

**1. RECOMMENDATION(S)**

It is recommended that the Council:

- (i) Note the review of the policy on 2<sup>nd</sup> homes which has been undertaken,
- (ii) Approve a revision to the existing policy and apply a 100% additional charge on top of the normal Council Tax for properties classed as 2<sup>nd</sup> homes for Council Tax purposes from 1 April 2024;
- (iii) Note that this will mean 2<sup>nd</sup> homes paying twice the standard rate of Council Tax for the Band they are in; and
- (iv) Note that the additional income raised from this policy change will be split as 75% General Fund and 25% Affordable Housing in line with existing Council policy.

**2. ALIGNMENT TO THE COUNCIL PLAN**

This report aligns with the Council Plan by contributing to

- Caring for our Place
  - Ensure delivery of affordable housing

**3. BACKGROUND**

A “second home”, as defined by Regulation 2 of the Council Tax (Variation for Unoccupied Dwellings)(Scotland) Regulations 2013 for Council Tax purposes, is a dwelling which is not one's sole or main residence, but which is furnished and in respect of which, during any period of 12 months, the person who is liable to pay the Council Tax that is chargeable can provide evidence to establish that it is lived in other than as a sole or main residence for at least 25 days during that period.

Report number 427/16, Review of Council Tax Long Term Empty Property & 2<sup>nd</sup> Homes Policy was approved by the Policy and Resources Committee on 29 November 2016. The report provided details of new Council Tax legislation allowing the Council to remove the 10% discount on 2<sup>nd</sup> homes.

The Committee agreed the following policy in respect of the Council Tax charge on 2<sup>nd</sup> homes.

- With effect from 1 April 2017 remove the discount on 2<sup>nd</sup> homes.

At present therefore properties classed as 2<sup>nd</sup> homes pay the full normal level of Council Tax for the Band the property is in.

The Scottish Government, in April 2023, issued a consultation entitled “Non-Domestic Rates/Council Tax on second and empty homes” to which the Council’s response was the subject of report [190/23](#) to a meeting of Angus Council on 22 June 2023. An extract from the Council’s agreed response to the consultation in relation to 2<sup>nd</sup> homes is below for ease of reference

*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? Answer: Yes*

Commentary

*This would bring in further revenue raising avenues for the Council and it may help bring properties on to the rental market or ensure greater use although in our area it will not be significant numbers. An additional charge will also bring 2<sup>nd</sup> homes into line with unoccupied properties.*

*Question 4*

*If you have answered yes to question 3, what do you think the maximum premium councils could charge should be? Answer: 100%*

Commentary

*Any premium beyond 100% would seem difficult to justify and may just bring the Council into un-necessary time consuming conflict with the owners of these properties. While the ability to charge a premium would be a welcome option not currently available we have concerns about the extent to which this can address some of the issues facing Scotland in relation to housing supply.*

The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 No 389 were made 19 December 2023 and amend the Council Tax (Variation for Unoccupied Dwellings)(Scotland) Regulations 2013 from 1 April 2024 thereby granting Local authorities the power to increase the amount of Council Tax payable on second homes by up to 100%.

## **4. CURRENT POSITION**

### **4.1 Second Homes**

The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 amended the Council Tax (Variation for Unoccupied Dwellings)(Scotland) Regulations 2013 from 1 April 2017 allowing the Council not to award a discount in respect of 2<sup>nd</sup> homes.

The removal of the 10% discount has raised on average since 2017 £49,000 annually in additional income the use of which is split between 75% General Fund and 25% for affordable housing which was agreed by the Special Budget Meeting of Angus Council 21 February 2019, Report 57/19, Provisional Revenues & Capital Budgets 2019/20 Background Report.

Currently there are 386 second homes being charged £510,000 Council Tax annually and the average collection rate for these properties from 2017/18 to the end of financial year 2022/23 is 99.2%. This is in comparison to the overall collection rate for all properties at the end of 2022/23 of 97.5%.

### **4.2 Policy Options**

a) No change – continue with no additional charge to those owners of 2<sup>nd</sup> homes.

b) From 1 April 2024 apply a 100% additional charge to 2<sup>nd</sup> homes with the owners being liable.

c) From 1 April 2024 apply an additional charge of less than 100% to 2<sup>nd</sup> homes with the owner being liable\*

\* - if members are minded not to approve the recommendation to apply a 100% additional charge and apply a different percentage this should be intimated to the Director of Finance as soon as possible so that system testing can be done in advance of the budget setting meeting. It will not be possible to carry out system testing and issue Council Tax bills on time if a different percentage option is only raised at the budget setting meeting.

## 5. PROPOSALS & POTENTIAL IMPLICATIONS

It is recommended the Council use the legislative discretion recently made available and from 1 April 2024 apply an additional 100% charge to 2<sup>nd</sup> homes. It is also recommended that the additional income raised from this policy change (circa £510,000 p.a.) continues to be split 75% General Fund and 25% for affordable housing.

The implications of levying an additional charge on 2<sup>nd</sup> homes are noted below:

Owners may decide to sell or rent their 2<sup>nd</sup> home if they cannot afford or do not wish to pay the additional charge and as result this could increase the housing supply.

The additional charge will bring the charge on 2<sup>nd</sup> homes onto line with unoccupied properties.

Owners as a result of this change may come forward with information which changes the designation of the property in question.

## 6. FINANCIAL IMPLICATIONS

6.1 The maximum potential amount, at 2023/24 rates, which can be raised by applying the additional charge on 2<sup>nd</sup> homes is £510,000. There is no restriction on how this income can be used but it is recommended it continues to be split 75% General Fund and 25% for affordable housing in line with existing policy.

6.2 There will be costs associated with informing Council Tax payers of the policy change on 2<sup>nd</sup> homes but these would not be significant and will be absorbed within existing budgets. Administration and collection of sums due would be handled by existing staff within the Revenues & Benefits service.

6.3 The financial year end collection performance at the existing Council Tax rates on 2<sup>nd</sup> Homes does not suggest there will be significant difficulties in collecting although some initial resistance is expected as property owners are already paying a Council Tax charge on their main home and may be reluctant to pay the increased Council Tax on 2 homes, whilst others may be struggling financially. Both these factors are not likely to increase significantly with the levying of a 100% additional charge.

## 7. EQUALITY IMPACT ASSESSMENT

An Equality Impact Assessment has been carried out and is attached.

**NOTE:** The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023

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## Equality Impact/Fairer Scotland Duty Assessment Form

(To be completed with reference to Guidance Notes)

### Step 1

Name of Proposal: **Review of Council Tax 2<sup>nd</sup> Homes Policy**

### Step 2

Is this only a **screening** Equality Impact Assessment

**No**

**(A)** If Yes, please choose from the following options **all** reasons why a full EIA/FSD is not required:

(i) It does not impact on people

Yes/No

(ii) It is a percentage increase in fees which has no differential impact on protected characteristics

Yes/No

(iii) It is for information only

Yes/No

(iv) It is reflective e.g. of budget spend over a financial year

Yes/No

(v) It is technical

Yes/No

If you have answered yes to any of points above, please go to **Step 16**, and sign off the Assessment.

**(B)** If you have answered No to the above, please indicate the following:

Is this a full Equality Impact Assessment

**Yes**

Is this a Fairer Scotland Duty Assessment

**No**

If you have answered Yes to either or both of the above, continue with Step 3.

If your proposal is a **strategy** please ensure you complete Step 13 which is the Fairer Scotland Duty Assessment.

### Step 3

(i) Lead Directorate/Service: **Finance**

(ii) Are there any **relevant** statutory requirements affecting this proposal? If so, please describe.

***The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023***

(iii) What is the aim of the proposal? Please give full details.

**Approve a revision to the existing policy and apply a 100% additional charge on top of the normal Council Tax for properties classed as 2nd homes for Council Tax purposes from 1 April 2024**

(iv) Is it a new proposal? **No** Please indicate OR

Is it a review of e.g. an existing budget saving, report, strategy, policy, service review, procedure or function? **Yes** Please indicate – ***review of an existing policy***

**Step 4: Which people does your proposal involve or have consequences for?**

Please indicate all which apply:

Employees	<b>No</b>
Job Applicants	<b>No</b>
Service users	<b>Yes</b>
Members of the public	<b>Yes</b>

**Step 5: List the evidence/data/research that has been used in this assessment (links to data sources, information etc which you may find useful are in the Guidance). This could include:**

**Internal data** (e.g. customer satisfaction surveys; equality monitoring data; customer complaints).

***Council Tax database has been analysed to confirm the number of properties currently regarded as 2<sup>nd</sup> homes, the charge levied, amount collected, possible charge levied if policy approved.***

**Internal consultation** (e.g. with staff, trade unions and any other services affected).

***Not applicable***

**External data** (e.g. Census, equality reports, equality evidence finder, performance reports, research, available statistics)

***Not applicable***

**External consultation** (e.g. partner organisations, national organisations, community groups, other councils).

***None formally by the Council but has been discussed at Institute of Rating & Revenues Forums and indications are majority of Councils will levy an additional charge for 2<sup>nd</sup> homes.***

***Scot Govt issued a public consultation in 2023 prior to developing the legislation which the Council responded to & reported to committee.***

**Other** (general information as appropriate).

***Not applicable***

### **Step 6: Evidence Gaps.**

Are there any gaps in the equality information you currently hold? **No**

If yes, please state what they are, and what measures you will take to obtain the evidence you need.

**Step 7: Are there potential differential impacts on protected characteristic groups?** Please complete for each group, including details of the potential impact on those affected. Please remember to take into account any particular impact resulting from **Covid-19**.

**Please state if there is a potentially positive, negative, neutral or unknown impact for each group. Please state the reason(s) why.**

Age

**Impact – neutral. No age data is required to be held, to do so would breach data protection.**

Disability

**Impact – neutral. No disability data is required to be held, to do so would breach data protection.**

Gender reassignment

**Impact – neutral. No gender data is required to be held, to do so would breach data protection.**

Marriage and Civil Partnership

**Impact – neutral. No such data is required to be held, to do so would breach data protection.**

Pregnancy/Maternity

**Impact – neutral. No such data is required to be held, to do so would breach data protection.**

Race - (includes Gypsy Travellers)

**Impact – neutral. No such data is required to be held, to do so would breach data protection.**

Religion or Belief

**Impact – neutral. No such data is required to be held, to do so would breach data protection.**

Sex

**Impact – neutral. No such data is required to be held, to do so would breach data protection.**

Sexual orientation

**Impact - neutral**

**\*Please note:** there is a new requirement to carry out a children's rights assessment under the United Nations Convention on the Rights of the Child for young people aged up to 18.

#### **Step 8: Consultation with any of the groups potentially affected**

If you have consulted with any group potentially affected, please give details of how this was done and what the results were.

***Not applicable***

If you have not consulted with any group potentially affected, how have you ensured that you can make an informed decision about mitigating action of any negative impact (Step 9)?

***Although the policy will impact on a small number of taxpayers across Angus the only common thread will be that they have responsibility for Council Tax on a property which is a 2<sup>nd</sup> home. There is no reason therefore to expect that the policy change will specifically impact positively or negatively to anyone with protected characteristics.***

**Step 9: What mitigating steps will be taken to remove or reduce potentially negative impacts?**

***All current owners of 2<sup>nd</sup> homes will be written to in advance advising them of the change***

**Step 10: If a potentially negative impact has been identified, please state below the justification.**

***Not applicable***

**Step 11: In what way does this proposal contribute to any or all of the public sector equality duty to:** eliminate unlawful discrimination; advance equality of opportunity; and foster good relations between people of different protected characteristics?

***Not applicable***

**Step 12: Is there any action which could be taken to advance equalities in relation to this proposal?**

***Not applicable***

### **Step 13: FAIRER SCOTLAND DUTY**

This step is only applicable to **strategies** which are key, high level decisions. If your proposal is **not** a strategy, please leave this Step blank, and go to Step 14.

Links to data sources, information etc which you may find useful are in the Guidance.

**Step 13(A) What evidence do you have about any socio-economic disadvantage/inequalities of outcome in relation to this strategic issue?**

**Step 13(B) Please state if there are any gaps in socio-economic evidence for this strategy and how you will take measures to gather the evidence you need.**

**Step 13(C) Are there any potential impacts this strategy may have specifically on the undernoted groupings?** Please remember to take into account any particular impact resulting from **Covid-19**.

**Please state if there is a potentially positive, negative, neutral or unknown impact for each grouping.**

**Low and/or No Wealth** (e.g. those with 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).

#### **Impact**

**Material Deprivation** (i.e. those unable to access basic goods and services e.g. repair/replace broken electrical goods, warm home, leisure and hobbies).

#### **Impact**

**Area Deprivation** (i.e. where people live (e.g. rural areas), or where they work (e.g. accessibility of transport)).



## **Impact**

**Socio-economic Background** i.e. social class including parents' education, people's employment and income.

## **Impact**

**Other** – please indicate

**Step 13(D) Please state below if there are measures which could be taken to reduce socio-economic disadvantage/inequalities of outcome.**

**Step 14: What arrangements will be put in place to monitor and review the Equality Impact/Fairer Scotland Duty Assessment?**

***Revenues & Benefits service will monitor impact of policy***

**Step 15: Where will this Equality Impact/Fairer Scotland Duty Assessment be published?**

***Online with the associated committee report***

**Step 16: Sign off and Authorisation.** Please state name, post, and date for each:

Prepared by: ***Graham Ritchie 25 January 2024***

Reviewed by: Doreen Philips 7 February 2024

Approved by: Ian Lorimer, 8 February 2024

NB. There are several worked examples of separate EIA and FSD Assessments in the Guidance which may be of use to you.