

## **Item: 4**

**Policy and Resources Committee: 12 February 2019.**

**Council Tax – Charging on Second Homes.**

**Report by Head of Finance.**

### **1. Purpose of Report**

To reconsider Council policy on the level of Council Tax discount on second homes.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That the Council has discretion to vary the level of Council Tax on second homes from 50% to 0%.

#### **2.2.**

That the Council's current policy is to reduce the discount on second homes to 10%, which raises revenue of £141,000 per annum, calculated at 2017 to 2018 levels, that is ring-fenced for affordable housing.

#### **2.3.**

That removal of the 10% discount on second homes, once the property has been unoccupied for a period exceeding 12 months, would raise revenues of up to £25,000 per annum, calculated at 2017 to 2018 levels, that are not ring-fenced.

#### **2.4.**

That applying a discount variation on Second Homes to 50% where a person's sole or main residence in Orkney is separated from their place of work by a body of water, the transport provision over which does not permit daily commuting between their sole or main residence and their place of work, would result in an estimated reduction in the revenues ring-fenced for affordable housing of £6,000 per annum, calculated at 2017 to 2018 levels.

**It is recommended:**

## **2.5.**

That, from 1 April 2019, a second home discount of 50% should apply where a person's sole or main residence in Orkney is separated from their place of work by a body of water, the transport provision over which does not permit daily commuting between their sole or main residence and their place of work, and they occupy a second home in Orkney to enable them to maintain that employment.

## **2.6.**

That, from 1 October 2019, the maximum period that a second home discount of 10% can be awarded should be set at 12 months, following which the discount will end.

## **3. Introduction**

At the General Meeting held on 11 December 2018, when considering recommendations from the Policy and Resources Committee regarding charging on empty properties and second homes, the Council resolved that Council Tax discounts relating to second homes be referred back to the Policy and Resources Committee for further consideration, at its special meeting to be held on 12 February 2019.

## **4. Second Homes**

### **4.1.**

For Council Tax purposes the legislative definition of a second home is a property that is no one's sole or main residence but is furnished and evidence can be produced to establish that it is lived in for at least 25 days during any 12 month period. There are currently 402 properties in Orkney that fall within that definition.

### **4.2.**

The default legislative position is that unoccupied properties (which includes second homes) are entitled to a discount of 50%. Subsequent secondary legislation permits the level of discount to be reduced or removed at the discretion of the Council.

#### **4.2.1.**

From 1 April 2005, local authorities have discretion to vary the level of discount on second homes to between 50% and 10%. Current Council policy reduces the level of discount to 10%. Additional revenue raised, of £141,000 per annum (at 2017 to 2018 levels), is ring-fenced for affordable housing.

## **5. Second Homes – removal of 10% discount**

### **5.1.**

From 1 April 2017, local authorities have the discretion to grant no discount on second homes.

### **5.2.**

To retain parity with the Council Tax discount awarded on empty properties it is considered that second homes should retain the 10% discount for up to 12 months and that the discount should be removed thereafter. Additional revenue raised by varying the discount from 10% to 0% can be used as the Council sees fit on housing or other priorities.

#### **5.2.1.**

Removal of the 10% discount on second homes could be implemented from 1 April 2019. However, there are additional workload measures that will require to be put in place to ensure that the process can be properly managed and implemented, which may suggest that, in line with some other local authorities, a realistic date for introducing any revised policy would be 1 October 2019. This would also be in line with the Council's policy changes in respect of increased charges to empty properties.

#### **5.2.2.**

Removal of the 10% discount on second homes, once the property has been unoccupied for a period exceeding 12 months, would raise revenues of up to £25,000 per annum (at 2017 to 2018 levels) that are not ring-fenced.

## **6. Second Homes – variation of discount to 50%**

### **6.1.**

Local authorities have the discretion to vary the Council Tax charged for different cases. This could include charging different rates (including on a case by case basis) according to, for example, the area a dwelling is in, the length of time that a dwelling has been unoccupied or other circumstances as a local authority considers appropriate.

### **6.2.**

A variation of the Council Tax discount on second homes to 50% has been suggested in relation to a specific area of Council Tax second homes discount policy, having due regard to Orkney's isles communities, particularly the long-term aim of achieving sustainable working populations on every one of the islands.

### **6.2.1.**

The discount variation to 50% would cover Island residents requiring a second home in order to work on the Orkney Mainland, Island residents requiring a second home in order to work on another Island and Orkney Mainland residents requiring a second home in order to work on an island.

### **6.2.2.**

The discount variation would apply where a person's sole or main residence in Orkney is separated from their place of work by a body of water, the transport provision over which does not permit daily commuting between their sole or main residence and their place of work. The discount of 50% would apply on the second home that is then used to enable that person to commute daily to their place of work. The onus would be on the person claiming the 50% discount to prove that the property is being used for the purposes stated above, which may include travel receipts.

### **6.2.3.**

If the second home was no longer required for the purposes stated in the preceding paragraph, the discount of 50% would end.

## **6.3.**

At present, Council Tax records do not record if a second home is being used for the purposes stated in paragraph 6.2 above. However, there are currently around 30 Second Homes in Orkney where the responsible person's sole or main residence is separated from their Second Home by a body of water, the transport provision over which does not permit daily commuting. It cannot be ascertained how many of those properties are used for the purposes stated in section 6.2 but it is considered that the figure is unlikely to exceed 15. Awarding an increased discount of 50% on those properties is estimated to reduce revenues by £6,000 per annum.

## **7. Equalities Impact**

An Equality Impact Assessment has been undertaken and is attached as Appendix 1 to this report.

## **8. Links to Council Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority theme of Thriving Communities.

## **9. Links to Local Outcomes Improvement Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Strong Communities.

## **10. Financial Implications**

### **10.1.**

Removal of the current 10% discount on second homes, once the property has been unoccupied for a period exceeding 12 months, would be expected to raise revenues of up to £25,000 per annum (at 2017 to 2018 levels) that are not ring-fenced.

### **10.2.**

Applying a discount variation on Second Homes to 50% where a person's sole or main residence in Orkney is separated from their place of work by a body of water, the transport provision over which does not permit daily commuting between their sole or main residence and their place of work, would result in an estimated reduction in revenues of £6,000 per annum (at 2017 to 2018 levels).

#### **10.2.1.**

The estimated reduction in revenues of £6,000 per annum would reduce the overall ring-fenced revenues in respect of second homes, being directed to the provision of affordable housing through the Housing Revenue Account, from £141,000 per annum to £135,000 per annum (at 2017 to 2018 levels).

## **11. Legal Aspects**

### **11.1.**

Regulation 3 of the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 provides that unoccupied properties (which includes second homes) are entitled to a discount of 50%.

### **11.2.**

Regulation 3 of the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 gives local authorities the discretionary power to grant no discount on second homes.

### **11.3.**

Regulation 4 of the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 gives local authorities the power to make different modifications for different cases or different classes of case, including for different areas.

## **12. Contact Officers**

Gareth Waterson, Head of Finance, extension 2103, Email [gareth.waterson@orkney.gov.uk](mailto:gareth.waterson@orkney.gov.uk)

Leslie Rendall, Revenues Manager, extension 2104, Email [leslie.rendall@orkney.gov.uk](mailto:leslie.rendall@orkney.gov.uk)

## **13. Appendix**

Appendix 1: Equality Impact Assessment.



## Equality Impact Assessment

The purpose of an Equality Impact Assessment (EqIA) is to improve the work of Orkney Islands Council by making sure it promotes equality and does not discriminate. This assessment records the likely impact of any changes to a function, policy or plan by anticipating the consequences, and making sure that any negative impacts are eliminated or minimised and positive impacts are maximised.

<b>1. Identification of Function, Policy or Plan</b>	
Name of function / policy / plan to be assessed.	Council Tax – charging on second homes.
Service / service area responsible.	Chief Executive's – Finance.
Name of person carrying out the assessment and contact details.	Leslie Rendall, Revenues Manager. Telephone: 01856 873535 Extension 2104. Email: <a href="mailto:leslie.rendall@orkney.gov.uk">leslie.rendall@orkney.gov.uk</a>
Date of assessment.	10 January 2019.
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	The existing policy on Council Tax charges for second homes is being reviewed.

<b>2. Initial Screening</b>	
What are the intended outcomes of the function / policy / plan?	To generally reduce the level of Council Tax discount awarded on second homes and also increase the discount in a small number of properties having due regard to isles communities.
Is the function / policy / plan strategically important?	The policy will impact on the Council's annual budget setting process.
State who is, or may be affected by this function / policy / plan, and how.	Persons liable to pay Council Tax on second homes within Orkney.

<p>How have stakeholders been involved in the development of this function / policy / plan?</p>	<p>The revised policy has been developed in accordance with legislative powers brought in by the Scottish Government to permit Councils to increase Council Tax charges on second homes, with the aim of bringing such properties back into use.</p>
<p>Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise. E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).</p>	<p>No known specific equalities research in this area. There have been surveys to, and feedback from, property owners but this has been in the context of bringing properties back into use. The specific issue of increasing Council Tax charges is generally one which is applied equally across all sectors and property types.</p>
<p>Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise. E.g. For people living in poverty or for people of low income. See <a href="#">The Fairer Scotland Duty Interim Guidance for Public Bodies</a> for further information.</p>	<p>There is no known evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area. Any increased Council Tax charges applies only to second homes and does not impact on the property in which a Council Tax payer occupies as their main residence.</p>
<p>Could the function / policy have a differential impact on any of the following equality areas?</p>	<p>(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).</p>
<p>1. Race: this includes ethnic or national groups, colour and nationality.</p>	<p>No differential impact.</p>
<p>2. Sex: a man or a woman.</p>	<p>No differential impact.</p>
<p>3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.</p>	<p>No differential impact.</p>
<p>4. Gender Reassignment: the process of transitioning from one gender to another.</p>	<p>No differential impact.</p>



5. Pregnancy and maternity.	No differential impact.
6. Age: people of different ages.	No differential impact.
7. Religion or beliefs or none (atheists).	No differential impact.
8. Caring responsibilities.	No differential impact.
9. Care experienced.	No differential impact.
10. Marriage and Civil Partnerships.	No differential impact.
11. Disability: people with disabilities (whether registered or not).	No differential impact.
12. Socio-economic disadvantage.	No differential impact.
13. Isles-proofing.	The proposed policy is anticipated to have a significantly different effect on an isles community compared with other communities in Orkney by assisting the aim of achieving sustainable working populations on every one of our Islands.

### 3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	None.
How could you minimise or remove any potential negative impacts?	Not Applicable.
Do you have enough information to make a judgement? If no, what information do you require?	Yes.

### 4. Conclusions and Planned Action

Is further work required?	No.
What action is to be taken?	None.
Who will undertake it?	Not Applicable.
When will it be done?	Not Applicable.

How will it be monitored? (e.g. through service plans).	Not Applicable.
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Signature:

Date: 31 January 2019

Name: LESLIE RENDALL

Please sign and date this form, keep one copy and send a copy to HR and Performance. A Word version should also be emailed to HR and Performance at [hrsupport@orkney.gov.uk](mailto:hrsupport@orkney.gov.uk)