

## **Item: 7**

**Policy and Resources Committee: 20 February 2024.**

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

**Report by Corporate Director for Enterprise and Sustainable Regeneration.**

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

To consider an amendment to policy on Council Tax charging applied to second homes to align with the policy for long-term empty properties.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

Current policy on empty properties and second homes, as set out in Appendix 1 to this report.

#### **2.2.**

That, in December 2023, the Scottish Government introduced new legislation, The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023, giving local authorities new powers with the ability to charge up to double the full rate of Council Tax on second homes, from 1 April 2024.

#### **2.3.**

That analysis from the Council Tax system shows there are eight properties based in the Isles which qualify for 50% discount on second homes for daily commute over a body of water.

**It is recommended:**

#### **2.4.**

That the following amendments be made to the policy on Council Tax charging applied to second home properties, to take effect from 1 April 2024:

- That an additional surcharge of 100% be applied to all second homes.
- That the second home discount exception of 50%, referred to at section 3.2 of this report, should cease to apply.

## **2.5.**

That a sum of £200,000 be set aside, from the additional receipts from the introduction of the second homes 100% surcharge, to finance the ongoing operation of the Island and Rural Housing Fund.

## **3. Background**

### **3.1.**

On 21 February 2023, when considering Council Tax charging on empty properties, the Policy and Resources Committee recommended removal of the 10% discount for second homes, with the exception of a 50% discount where a person's sole or main residence in Orkney was separated from their place of work by a body of water, the transport provision over which did not permit daily commuting between their sole or main residence and their place of work, and they occupied a second home in Orkney to enable them to maintain that employment, to take effect from 1 April 2023.

### **3.2.**

The information leaflet 'Council Tax charges on empty properties and second homes' produced for members of the public, which outlines the Council's current policy and exceptions to the charge, is attached as Appendix 1 to this report. Paragraph 3.1 of the leaflet outlines the remaining exception to second home council tax currently in place:

- There are a small number of second homes that are entitled to receive a discount of 50%. From 1 April 2019, this includes a second home 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.

### **3.3.**

A second home is classed as any home that is not used as someone's primary residence but that is occupied for at least 25 days in a year.

### **3.4.**

Latest figures show that at the end of September 2022, there were 24,287 second homes in Scotland.

## **4. Second Homes Surcharge**

### **4.1.**

In December 2023, the Scottish Government introduced new legislation, The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023, giving local authorities new powers with the ability to charge up to double the full rate of Council Tax on second homes, which brings second homes into line with Council Tax policy on long-term empty homes.

## 4.2.

The legislation allows local authorities to implement a double Council Tax charge for second homes from 1 April 2024. The change is part of a Scottish Government commitment to aim to ensure that the Council Tax system works as an incentive to prioritise homes for living in. These powers are designed to encourage second homeowners in Scotland to either sell or rent their properties.

## 4.3.

New owners of properties that have previously been empty for more than 12 months would be granted a six-month grace period, during which they will be protected from paying double the full Council Tax rate, with the potential Council discretion to delay the surcharge under certain circumstances (in terms of local policy, as outlined in Appendix 1).

## 4.4.

The number of second homes officially registered in Orkney for 2023/24 totals 473, subject to a review of self-catering units in Non-Domestic Rates (NDR) which may alter property status and further increase these numbers during the billing for the 2024/25 year.

## 4.5.

Charging double Council Tax on these 473 second homes could generate approximately £550,819 in additional revenue, with an estimated collection rate of 95% resulting in £523,278 for the 2024/25 fiscal year as shown in the following table.

<b>Council Tax Band</b>	<b>Number of properties as at 25 January 2024</b>	<b>Rate of Council Tax 2023/24</b>	<b>Total Additional Charge</b>	<b>Possible in year collection at 95% collection.</b>
A	161	£912.81	£146,962.41	£139,614.29
B	103	£1,064.94	£109,688.82	£104,204.38
C	100	£1,217.08	£121,708.00	£115,622.60
D	61	£1,369.21	£83,521.81	£79,345.72
E	43	£1,798.99	£77,356.57	£73,488.74
F	4	£2,224.97	£8,899.88	£8,454.89
G	1	£2,681.37	£2,681.37	£2,547.30
H	0	£3,354.56	£0.00	£0.00
	<b>473</b>		<b>£550,818.86</b>	<b>£523,277.92</b>

## 4.6.

Analysis from the Council Tax system shows that there are eight properties based in the Isles which qualify for the discount identified at section 3.2 above.

#### **4.7.**

Removal of this dispensation would ensure universal fairness across all second homeowners across Orkney by applying this change in legislation introduced by the Scottish Government. Second homes were historically subject to a default 50% discount on Council Tax. However, most local authorities have varied Council Tax charges under the powers extended in the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013, and the majority already charge second home-owners full Council Tax, the maximum previously allowed.

#### **4.8.**

Retention of this discount would reduce the additional income raised by approximately £13,464.

### **5. Uses of Additional Revenue**

#### **5.1.**

The additional revenue generated from this legislative change forms part of general Council Tax receipts and will be used to fund General Fund services.

#### **5.2.**

Another possible use of part of these receipts would be to support continued funding for the Council's Island and Rural Housing Fund. This Fund is used to bridge any shortfall in financing, allowing isles housing projects, which would otherwise not be financially viable, to proceed, following successful applications by development trusts to the Scottish Government's Rural and Islands Housing Fund and/or the Scottish Land Fund.

#### **5.3.**

Since its inception, the Island and Rural Housing Fund has supported the building of three properties, with a further three imminent applications, across five islands. The project cost of the six projects to be funded from this Fund is in the region of £330,000 – out of the £400,000 earmarked in December 2021 for the purpose.

#### **5.4.**

The work of Development Trusts in taking forward housing projects has come to the fore over the past couple of years with projects in Papa Westray, Eday and Shapinsay in particular demonstrating the ability of communities to take forward their own priority projects and lever significant additional funding into Orkney if they are able to get a modest level of additional support from the Council. Without a source of funding to provide the final piece of the funding package, the Development Trusts will not be able to continue this good work.

## **5.5.**

The allocation of any funding outwith closing the General Fund funding gap is however a trade off, and the only reason that a recommendation to support the Development Trusts through an allocation of second homes Council Tax can be justified is that there is a multiplier effect on the leverage of funding into the more remote areas of Orkney.

## **6. Equalities Impact**

An Equality Impact Assessment has been undertaken and is attached as Appendix 2 to this report.

## **7. Island Communities Impact**

An Island Communities Impact Assessment has been undertaken and is attached as Appendix 3 to this report.

## **8. Corporate Governance**

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **9. Financial Implications**

### **9.1.**

Financial implications are included in the body of the report. Any allocation of this new funding resource will reduce the amount available for the delivery of General Fund services.

### **9.2.**

A fee in respect of system upgrade requirements in respect of the change is likely to be incurred. The system provider, NEC, has been asked to provide a quote for the works required. It is hoped that the cost could be shared by other NEC users in Scotland who will likely need to have the same functionality applied to their systems.

### **9.3.**

This additional cost plus the cost of implementing the changes, responding to increased customer enquiries and chasing debt, are anticipated to be met from existing approved budgets. However, it should be recognised that the small Revenues team responsible for Council Tax collection is fully utilised and administering this change will create an additional burden.

### **9.4.**

It is also likely that the recovery rate for Council Tax collection will fall slightly as a result of this policy change. Budgeted recovery rates are set at 99%.

## **9.5.**

Identifying properties which qualify as second homes can be challenging, additionally so in identifying those properties which qualify for the 50% discount referred to in section 3.1 above. Ensuring compliance on non-compliant properties can be cumbersome and could create volatile enforcement situations.

## **10. Legal Aspects**

### **10.1.**

The recommendation in section 2.4 of this report is contradictory of a previous Decision by the Council on 7 March 2023 to remove a 10% discount for second homes, with certain exceptions.

### **10.2.**

In terms of Standing Order 23.1, a recommendation shall not be competent if it is contradictory of a previous Decision of the Council made within the last twelve months. However, in terms of Standing Order 23.2, it will be competent for the Council to review a decision before the end of the 12 month period provided that the Chief Executive is satisfied that a material change of circumstances has occurred.

### **10.3.**

It is submitted that the introduction of the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 in December 2023, giving local authorities new powers to charge up to double the full rate of Council Tax on second homes with effect from 1 April 2024, amounts to a material change of circumstances that has occurred since the Council's Decision of 7 March 2023. Therefore, Standing Order 23.2 is engaged and it is therefore competent to consider the recommendation in section 2.4 of this report without any requirement to suspend Standing Orders.

## **11. Contact Officers**

Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration, extension 2103, Email [gareth.waterson@orkney.gov.uk](mailto:gareth.waterson@orkney.gov.uk).

Erik Knight, Head of Finance, extension 2127, Email [erik.knight@orkney.gov.uk](mailto:erik.knight@orkney.gov.uk).

Carole Graves, Service Manager (Revenues and Benefits), extension 3312, Email [carole.graves@orkney.gov.uk](mailto:carole.graves@orkney.gov.uk)

## **12. Appendices**

Appendix 1: Council Tax charges on empty properties and second homes.

Appendix 2: Equality Impact Assessment.

Appendix 3: Island Communities Impact Assessment.

# Council Tax charges on empty properties and second homes



## 1. Introduction

This leaflet sets out the Council's policy on the level of Council Tax charges applied to empty properties and second homes.

## 2. What is an empty property?

For Council Tax purposes the definition of an empty property is "a property that is no one's sole or main residence and is not a second home". This includes both furnished or unfurnished properties.

### 2.1. Can I get a discount on an empty property?

You can apply for a Council Tax discount of 10%, which will last for up to 12 months from the date the property was last occupied. The discount will not apply to any water or waste water charges. If your property is a new build property, and has never been occupied, you can still apply for a discount of 10%.

### 2.2 Surcharge of 100% after 12 months since last occupation

From 1 October 2019, once a period of 12 months has passed since the property was last occupied, a Council Tax surcharge of 100% will become payable. For example, if the full Council Tax on the property is £1,000 per annum you will be liable to pay £2,000 per annum. The surcharge will not apply to any water or waste water.

#### 2.2.1 Why is a surcharge of 100% being applied after 12 months?

The Scottish Government has given local authorities the power to apply a surcharge to encourage owners to bring empty properties back into use and to increase the supply of housing.

#### 2.2.2 Instances where the 100% surcharge will be delayed

There are instances where the surcharge will be delayed and the standard empty property discount of 10% will remain in place, for a limited period, as follows:

- An empty property that is being genuinely marketed for sale or let at a realistic market price will be exempt from any additional surcharge of up to 100% until the property has been on the market for one year. This will also apply to a new build property that has never been occupied.
- There is also a list of additional discretionary circumstances where the surcharge may be delayed. Please refer to Appendix 1 of this document for more details.

### 2.3 Can I get exemption on an empty property?

Some empty properties may qualify for an exemption and do not have to pay Council Tax for a period of time. A summary of such exemptions is shown at Appendix 2 to this document and more details, including how to apply, can be found on the

Council's website at <http://www.orkney.gov.uk/Service-Directory/C/Council-Tax---Exemptions.htm>

## **2.4 Getting advice to bring an empty property back into use**

Advice on all aspects of getting an empty home back into use can be found on the Council's website at <http://www.orkney.gov.uk/Service-Directory/H/empty-homes.htm>. A great starting point is the Orkney Empty Homes Advice Pack. If you want any further information or advice regarding empty homes, please contact the Development and Empty Homes Officer, on 01856873535 extension 2193, or by e-mail [rachael.batty@orkney.gov.uk](mailto:rachael.batty@orkney.gov.uk)

## **3. What is a second home?**

For Council Tax purposes the definition of a second home is a property that is “no ones’ sole or main residence but is furnished and evidence is produced to establish that it is lived in for at least 25 days during any 12 month period”.

### **3.1. Can I get a discount on a second home?**

There are a small number of second homes that are entitled to receive a discount of 50%. From 1 April 2019, this includes a second home 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. More information, and details of how to apply, can be found on the Council's website at <http://www.orkney.gov.uk/Service-Directory/C/Council-Tax---Reduction.htm>

From 1 April 2023, there are no other discounts available for second homes. The onus is on property owners to prove that the property is a genuine second home and is lived in for at least 25 days in any 12 month period.

### **3.2. Are second homes subject to a surcharge of 100%?**

As long as a property is considered to be a second home, as noted in the preceding paragraph, no additional surcharge of 100% will apply. However, if the property is not lived for at least 25 days in any 12 month period, the property will instead be treated as an empty property and the surcharge of 100% will apply.

## **4. Finding out more**

- Contact the Council Tax Section, Orkney Islands Council, Council Offices, Kirkwall, Orkney, KW15 1NY.
- Telephone: 01856873535 Extension 2133
- Email: [revenues@orkney.gov.uk](mailto:revenues@orkney.gov.uk)

Document date – February 2023



## **Appendix 1 – Council discretion to delay 100% surcharge on an empty property**

From 1 October 2019 the Council has the discretion to not charge the Council Tax increase of up to 100% where the property has been empty for more than 1 year. The Council's policy may apply in the following circumstances and is time limited.

- Where the owner is finishing renovations prior to moving in/selling/letting and can demonstrate that these works are progressing – discount of 10% to remain in place for period not exceeding one year from the date renovations began, although the time limit can be extended by up to one year when there are delays in the process, for example obtaining Planning Permission or Building Warrants.
- A long-term second home where the owner is unable to meet the 25 day occupancy criteria in the previous 12 months due to personal circumstances, but where a history of 25 day occupancy can be shown in previous years.
- An empty property that has been unoccupied for more than 1 year and has been purchased or inherited by a new owner and requires major repair work (this does not apply to routine decoration) to bring the property back into use – delay of up to 1 year before applying surcharge of up to 100%, but also allow extension of a further year if there have been delays in the process, for example in obtaining Planning Permission or Building Warrants.
- An empty property, the estate of which remains in the name of an Executor, but the Council Tax exemption period has ended - allow 10% discount for up to 1 year before applying surcharge of up to 100%.
- An empty property which was previously the sole or main residence of a person who died in a hospital, care home, nursing home or other care setting. The introduction of the additional surcharge may be delayed by up to one year from the date of death.
- Having due regard to Orkney's isles communities and the demand for housing, empty properties situated in the North and South Isles (excluding Burray and South Ronaldsay), that are being genuinely marketed for sale or let at a realistic market price may be exempt from any surcharge of up to 100% in the amount payable until they have been unoccupied for three years, rather than the standard two years.
- Any other circumstances where the owner has agreed with the Council's Empty Homes Development Officer to take positive steps to re-occupy their property and it is in the view of the Empty Homes Development Officer that a time-limited council tax increase "holiday" would encourage the property to be brought back into use sooner – discount of 10% to remain in place for period not exceeding two years since.
- To allow, in exceptional circumstances, discretion by the Head of Finance to delay application of up to 100% surcharge by up to 12 months, or up to 36 months where the exceptional circumstances are a result of the Coronavirus pandemic.

## Appendix 2 – Council Tax Exemptions

There are some categories of empty properties that may qualify for an exemption and do not have to pay Council Tax, which in some instances may be time limited. A summary of such exemptions is noted below and more details, including how to apply, can be found on the Council's website.

- A new dwelling which is unoccupied and unfurnished - exemption will apply for no more than 6 months from the date of entry in the Valuation List.
- An unoccupied dwelling which is undergoing major repair - exemption will apply for no more than 12 months after the last day of occupation.
- An unoccupied dwelling last occupied by a charitable body - exemption will apply for no more than 6 months from date of last occupation.
- An unoccupied and unfurnished dwelling - exemption will apply for no more than 6 months from the date the dwelling was last occupied.
- An unoccupied dwelling, which was last occupied by a person who is now in prison - exemption is not time limited.
- An unoccupied dwelling, which was previously the sole or main residence of a person who is now living elsewhere to receive personal care – not time limited.
- An unoccupied dwelling, which was previously the sole or main residence of a person who is now living elsewhere to provide personal care for someone – exemption is not time limited.
- Deceased owners - applies to an unoccupied dwelling in respect of which the liability to pay council tax would fall to be met solely out of the estate of a deceased person. Exemption will apply for no more than 6 months from the date of the grant of confirmation.
- An unoccupied dwelling, the occupation of which is prohibited by law – exemption is not time limited.
- An unoccupied dwelling awaiting occupation by a minister – exemption is not time limited.
- An unoccupied dwelling, which within the last four months was last occupied by a full-time student(s) – exemption limited to four months.
- An unoccupied dwelling which is owned or tenanted by a full-time student(s) who now has their sole or main residence elsewhere – exemption time limited to period of student status.
- A repossessed unoccupied dwelling – exemption not time limited.
- An unoccupied and unfurnished agricultural dwelling, situated on agricultural land, and which when last occupied was used in connection with agricultural or pastoral purposes - exemption is not time limited.
- A dwelling held by a Housing Association as a 'trial flat' for the disabled or pensioners – exemption is not time limited
- An unoccupied dwelling which is difficult to let due to the proximity of your own sole or main residence – exemption is not time limited.

- Unoccupied dwelling of person made bankrupt and where property is vested with the permanent trustee – exemption is not time limited.



## 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.	Enterprise and Sustainable Regeneration – Finance.
Name of person carrying out the assessment and contact details.	Carole Graves, Service Manager Revenues & Benefits Telephone: 01856 886389 Extension 3312. Email: <a href="mailto:Carole.graves@orkney.gov.uk">Carole.graves@orkney.gov.uk</a>
Date of assessment.	19 January 2024
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?	Apply a 100% Council Tax surcharge on second homes and removal of 50% discount in cases where commuting between main and second home over a body of water.
Is the function / policy / plan strategically important?	The policy will contribute towards the Council's Empty Homes Strategy and the additional revenues raised will impact on the Council's annual budget setting process.
State who is, or may be affected by this function / policy / plan, and how.	Owner(s) of 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</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.</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 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 properties and does not impact on the property in which a Council Taxpayer occupies as their main residence. Property owners who are disadvantaged by the current policy would be further affected but this would be marginal given the small numbers, and there is no evidence of socio-economic disadvantage within this group at present.</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>
<p>5. Pregnancy and maternity.</p>	<p>No differential impact.</p>

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.

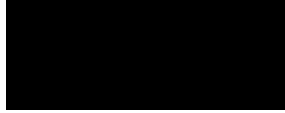
### 3. Impact Assessment

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?	Yes.
What action is to be taken?	Updating of policy documents on the OIC website, consideration of further delay requests, issue of written notices to property owners.
Who will undertake it?	Revenues team
When will it be done?	Updating of website immediately when amendment to policy agreed. Other actions demand led.
How will it be monitored? (e.g. through service plans).	Revenues Manager will continue to include statistics on Council tax collection.

Signature:



Date: 19.01.2024

Name: CAROLE GRAVES

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)

## Island Communities Impact Assessment

### Council Tax on Second Homes

Preliminary Considerations	Response
Please provide a brief description or summary of the policy, strategy or service under review for the purposes of this assessment.	To consider an amendment to policy on Council Tax charging applied to second homes to align with the policy for long-term empty properties with a surcharge of 100% to be applied to all second homes.
Step 1 – Develop a clear understanding of your objectives	Response
What are the objectives of the policy, strategy or service?	The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 aims to prioritise housing for living in by allowing local authorities to charge a Council Tax premium on second homes. The prevalence of second homes can have an impact on local housing supply and the price of housing making it difficult for permanent residents to afford to rent or buy and, second homes also impact on the wider local economy and on the sustainability of local services, such as schools.
Do you need to consult?	<p>The Scottish Government carried out a national consultation on the introduction of the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023. The consultation ran from 17 April to 11 July 2023. In total 981 responses were received, 73 from groups or organisations and 908 from individual members of the public.</p> <p>An analysis of the results of the national consultation is available <a href="#">here</a></p>



<p>How are islands identified for the purpose of the policy, strategy or service?</p>	<p>All islands within the Orkney archipelago are considered equally by the legislation and the recommended surcharge of 100% would be applied to second homes located on islands and the Orkney Mainland.</p>
<p>What are the intended impacts/outcomes and how do these potentially differ in the islands?</p>	<p>Nationally the Government's aim is to encourage more residential accommodation to be used as homes for living in and for these to be occupied for more of the time.</p> <p>The same issues largely apply in the islands as they do elsewhere in Orkney and on the Scottish Mainland. The potential difference that would occur would be for a small group of island residents that currently enjoy a 50% Council Tax discount where that 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.</p>
<p>Is the policy, strategy or service new?</p>	<p>Charging for Council Tax is not a new policy. The proposed 100% surcharge on second homes is a variation on existing policy. The current Council policy is to charge full Council Tax for second homes with the exception of a small number of second homes that are entitled to receive a discount of 50%. These are 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.</p>

Step 2 – Gather your data and identify your stakeholders	Response
What data is available about the current situation in the islands?	Council Tax records are available to identify all second homes in Orkney.
Do you need to consult?	The Scottish Government carried out a national consultation on the introduction of the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023.
How does any existing data differ between islands?	Council Tax data is different for each island with different numbers of chargeable properties and second homes. This does not imply any differential impact from the proposed policy.
Are there any existing design features or mitigations in place?	The current Council policy is to charge full Council Tax for second homes with the exception of a small number of second homes that are entitled to receive a discount of 50%. These are 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.
Step 3 – Consultation	Response
Who do you need to consult with?	The Scottish Government has already carried out a national consultation on the introduction of the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023.
How will you carry out your consultation and in what timescales?	The national consultation ran from 17 April to 11 July 2023.
What questions will you ask when considering how to address island realities?	The national consultation questions that were asked are available <a href="#">here</a>
What information has already been gathered through consultations and what concerns have been raised previously by island communities?	In total 981 responses were received, 73 from groups or organisations and 908 from individual members of the public.


	<p>An analysis of the results of the national consultation is available <a href="#">here</a></p> <p>The National Islands Plan Survey, undertaken in 2020 provides some broader data in terms of Orkney Mainland and Orkney Outer Isles in relation to areas such as housing, health, education, employment, transport and connectivity. The Spotlight report available here: <a href="#">Spotlight differences between Orkney mainland and Orkney outer isles report</a>.</p> <p>The report indicates differences in perception of job opportunities and transport, although views on perceived available, affordable housing for both mainland and outer isles residents don't vary that significantly.</p> <p>Data relating to the Scottish Index of Multiple Deprivation identifies our localities of greatest disadvantage as being certain areas of Kirkwall and the ferry-linked isles. It is however, acknowledged that there are many factors which make life in some parts of Orkney more challenging than others, and not all of which can be measured.</p>
<p>Is your consultation robust and meaningful and sufficient to comply with the Section 7 duty?</p>	<p>The national consultation questions that were asked are available <a href="#">here</a></p> <p>The Section 7 duty requires relevant authorities to have regard to island communities in carrying out its functions. The application of the power to raise Council Tax under the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 would see a 100% surcharge applied on all second homes in Orkney and the loss of a 50% discount currently enjoyed by 8 second homes where the second home is separated from the occupiers place of work by a body of water, the transport provision over which does not</p>


	<p>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.</p> <p>The maintenance of a discount for a small group of second homeowners/occupiers could be regarded as unfair on the majority of second homeowners/occupiers who will face a 100% surcharge.</p>
<b>Step 4 – Assessment</b>	<b>Response</b>
Does your assessment identify any unique impacts on island communities?	<p>The assessment identifies unique impacts for a small number of individuals rather than communities as there are a small number of second homes that are currently entitled to receive a discount of 50%. These are 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. The loss of a Council Tax discount and application of a surcharge may cause some people to change their employment and second home occupation.</p> <p>All second homes either located on islands or on the Orkney Mainland will face a 100% surcharge if the policy is approved.</p>
Does your assessment identify any potential barriers or wider impacts?	<p>No, the proposed policy can be applied in a relatively straightforward manner.</p> <p>Monitoring and assessment of eligibility for the current 50% discount is not completely straightforward as it requires a judgement on whether daily commuting is possible, and therefore places a burden on the Council Tax Team for which there is no national guidance.</p>

<p>How will you address these?</p>	<p>The approval of the policy will place all second home owners/occupiers on an equal footing of having a 100% surcharge applied to their Council Tax bill.</p> <p>The Orkney Locality Plan is currently under development and is anticipated to focus on the levelling up of digital and transport connectivity and include access to employment opportunities which may help to mitigate any impacts on outer-isles residents who wish to consider changing their employment.</p>
<p><b>You must now determine whether in your opinion your policy, strategy or service is likely to have an effect on an island community, which is significantly different from its effect on other communities (including other island communities).</b></p> <p>If your answer is <b>No</b> to the above question, a full ICIA will NOT be required and <b>you can process to Step 6.</b></p> <p>If the answer is <b>Yes</b>, an ICIA must be prepared and <b>you should proceed to Step 5.</b></p> <p>To form your opinion, the following questions should be considered:</p> <ul style="list-style-type: none"> <li>• Does the evidence show different circumstances or different expectations or needs, or different experiences or outcomes (such as different levels of satisfaction, or different rates of participation)?</li> <li>• Are these different effects likely?</li> <li>• Are these effects significantly different?</li> <li>• Could the effect amount to a disadvantage for an island community compared to the Scottish mainland or between island groups?</li> </ul>	
<p>Step 5 – Preparing your ICIA</p>	<p>Response</p>
<p>In Step 5, you should describe the likely significantly different effect of the policy, strategy or service:</p>	
<p>Assess the extent to which you consider that the policy, strategy or service can be developed or delivered in such a manner as to improve or mitigate, for island communities, the outcomes resulting from it.</p>	

Consider alternative delivery mechanisms and whether further consultation is required.	
Describe how these alternative delivery mechanisms will improve or mitigate outcomes for island communities.	
Identify resources required to improve or mitigate outcomes for island communities.	
<b>Stage 6 – Making adjustments to your work</b>	<b>Response</b>
Should delivery mechanisms/mitigations vary in different communities?	No, the policy should be applied consistently across the Orkney archipelago.
Do you need to consult with island communities in respect of mechanisms or mitigations?	No, a national consultation has been carried out by Scottish Government.
Have island circumstances been factored into the evaluation process?	Yes, island circumstances have been considered in this ICIA.
Have any island-specific indicators/targets been identified that require monitoring?	No
How will outcomes be measured on the islands?	Through Council Tax records. There are currently a small number (8) of second homes in receipt of a 50% discount. There are 473 second homes recorded in Orkney. The policy intent is that some of these second homes will transfer to places of permanent residence thereby increasing the housing supply for permanent occupation.
How has the policy, strategy or service affected island communities?	Island Communities have been impacted in a similar fashion to mainland communities. Second Home ownership occurs across mainland and island communities and has similar impacts in both.
How will lessons learned in this ICIA inform future policy making and service delivery?	Through the process of completing the ICIA the impact of the policy change on island communities has been examined. The lesson being that the ICIA should help identify such differential impacts and shape the application of the policy.

Step 7 – Publishing your ICIA	Response
Have you presented your ICIA in an Easy Read format?	Yes
Does it need to be presented in Gaelic or any other language?	No
Where will you publish your ICIA and will relevant stakeholders be able to easily access it?	The ICIA will be published on the Council website as an appendix to the 20 February 2024 Policy and Resources Committee report to consider the introduction of a 100% Council Tax surcharge on second homes.
Who will sign off your final ICIA and why?	The final ICIA sign off will be completed by the Corporate Director of Enterprise and Sustainable Regeneration as the Council Director with overall responsibility for the collection of Council Tax on behalf of the Council.

ICIA completed by:	Erik Knight
Position:	Head of Finance
Signature:	
Date complete:	13 February 2024

ICIA approved by:	Gareth Waterson
Position:	Corporate Director of Enterprise and Sustainable Regeneration
Signature:	
Date complete:	13 February 2024