

# Finance and Resources Committee

10.00am, Thursday, 19 January 2017

## Council Tax – Review of Procedure for Second Homes

Item number	7.10
Report number	
Executive/routine	
Wards	

### Executive Summary

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The Scottish Government has introduced legislation with effect from 1 April 2017 to allow local authorities to grant no Council Tax discount in respect of second homes. This supports Council policy and is one of the Scottish Government's priorities to give everyone access to a good quality, affordable home.

Currently 2,321 customers with a second home in Edinburgh receive a 10% discount against their Council Tax charge.

This reports outlines that the Council should exercise its discretion not to grant a Council Tax discount for second homes in order to support housing markets, encourage better use of housing stock and generate additional income for key frontline services.

### Links

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Coalition Pledges	<a href="#">P8, P30</a>
Council Priorities	<a href="#">CP10, CP13</a>
Single Outcome Agreement	<a href="#">SO1</a>

## Council Tax – Review of Procedure for Second Homes

### 1. Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 Note the content of this report and the proposal not to grant a Council Tax discount for second homes in Edinburgh with effect from 1 April 2017; and
  - 1.1.2 Remit the report to Council for decision on 9 February 2017 as part of the budget-setting process.

### 2. Background

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- 2.1 In 2005 the Scottish Government introduced legislation that allowed local authorities to vary the level of Council Tax discount on long term empty properties and second homes from between 10% to 50%. As a result, with effect from 1 July 2005 the Council reduced the discount on second homes to 10%.
- 2.2 The Scottish Government then implemented the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 that allowed local authorities to further vary the discount and, in some cases, increase the level of Council Tax payable on unoccupied properties. The introduction of this legislation did not alter the level of Council Tax discount second homes would attract. It did, however, offer clarification on the definition of a second home in that it should be no one's sole or main residence, furnished and occupied for at least 25 days in any 12 month period.
- 2.3 In November 2016 the Scottish Government amended the 2013 regulations as referred to in paragraph 2.2 by implementing The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016. The changes allow local authorities the discretion to grant no discount in respect of second homes.

### 3. Main report

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- 3.1 The introduction of the 2016 regulations allows local authorities discretion to grant no discount in respect of second homes.

- 3.2 The current level of Council Tax discount for second homes in Edinburgh is 10% and this was applicable to 2,321 properties in the city at the end of November 2016 with a value of £324k per annum as noted in Appendix 1.
- 3.3 The Scottish Government have also introduced legislation to amend the Council Tax multipliers for properties in bands E to H which will result in an increase in charge levied across these four bands. As a result this would generate potential additional revenue of £27k, as noted in Appendix 1.
- 3.4 The Scottish Government has removed the freeze on Council Tax from 2017/18 and local authorities can implement an increase of up to 3%. If implemented by the Council, this would increase the additional potential revenue generated by a further £11k to total £362k, as noted in Appendix 1.
- 3.5 The figures quoted in paragraphs 3.3 and 3.4 assumes the number of second homes in Edinburgh remains static and all of the liability is collected but it is likely to be reduced by some level of write off or collection delay. Typically, the Council Tax collection is around 97% of the charge levied.

#### **4. Measures of success**

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- 4.1 A key measure of success would be a reduction in the number of second homes lying empty as they have been actively marketed for sale / let and subsequently sold or rented out. This is in line with Coalition Pledge 8, to make sure the city's people are well housed.
- 4.2 Another measure of success is to generate additional income to support key front line services. This is consistent with Coalition Pledge 30, to continue to maintain a sound financial position including long term financial planning.

#### **5. Financial impact**

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- 5.1 A decision to grant no discount to the 2,321 second homes in Edinburgh will generate additional revenue of between £351k and £362k.
- 5.2 The additional revenue to the Council is not ring fenced unlike some previous changes to empty property legislation and, therefore, could be reinvested in key services.
- 5.3 The implementation of the change is likely to incur some ICT and administrative costs, and these are estimated to be approximately £20k.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 There is a risk that customers with a second home request their property is treated as an empty dwelling in order to continue receiving a reduction. This is a short term

solution until the property is deemed long term empty at which point a 200% Council Tax charge becomes payable and the customer could then claim their property is a second home as a means of avoidance.

- 6.2 Staff will receive guidance on the risk highlighted in paragraph 6.1 in order to ensure the classification of properties and reductions applied to Council Tax, if applicable, is accurate.
- 6.3 Procedures would be regularly reviewed for ongoing compliance with relevant policies, such as the Corporate Debt Policy.

## **7. Equalities impact**

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- 7.1 The following paragraph is an extract from the Scottish Governments policy note on the 2016 regulations:

“An Equalities Impact Assessment was completed on the proposals for the 2013 Regulations. A draft of that assessment was consulted on at the time and copies were sent to bodies representing equalities groups. As a result of limited feedback received, the Scottish Government concluded then that, while equalities information is not available in relation to owners of second homes, these proposals were not expected to lead to negative impacts on any particular equalities groups. As there is no change to availability of equalities information in relation to owners of second homes we do not see any change to the earlier assessment.”

## **8. Sustainability impact**

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- 8.1 A reduction in second homes lying empty will have positive environmental and economic benefits by increasing the number of homes available for individuals and families.

## **9. Consultation and engagement**

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- 9.1 If Committee accept the recommendation in paragraph 1.1 it is our intention to communicate the changes to all customers who currently have a second home in Edinburgh at the earliest possible opportunity. This early intervention will allow customers with second homes a chance to consider their options and take appropriate action.

## **10. Background reading/external references**

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[The Council Tax \(Variation for Unoccupied Dwellings\) \(Scotland\) Regulations 2013.](#)

[The Council Tax \(Variation for Unoccupied Dwellings\) \(Scotland\) Amendment Regulations 2016.](#)

[Corporate Debt Policy](#) - Corporate Policy and Strategy Committee, Tuesday, 3 September 2013 and update.

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## 11. Links

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<b>Coalition Pledges</b>	P8 - make sure the city's people are well housed P30 - continue to maintain a sound financial position including long term financial planning
<b>Council Priorities</b>	CP10 - a range of quality housing options CP13 - transformation, workforce, and partner engagement, budget
<b>Single Outcome Agreement</b>	SO1 - Edinburgh's economy delivers increased investment, jobs and opportunities for all
<b>Appendices</b>	Appendix 1 - table detailing potential additional income generated by not granting a Council Tax discount for second homes

## Potential additional income generated by not granting a Council Tax discount for second homes

Band	Total	Annual Council Tax Charge (£)	Current Value of Second Home Discount (£)	Additional Revenue Including Band E-H Multipliers (£)	Additional Revenue Including 3% Increase (£)
A	51	779.33	3,974.58	3,974.58	4,093.82
B	215	909.22	19,548.23	19,548.23	20,134.68
C	333	1,039.11	34,602.36	34,602.36	35,640.43
D	406	1,169.00	47,461.40	47,461.40	48,885.24
E	566	1,428.78	80,868.95	86,934.12	89,542.14
F	418	1,688.56	70,581.81	79,404.53	81,786.67
G	268	1,948.33	52,215.24	61,352.91	63,193.50
H	64	2,338.00	14,963.20	18,329.92	18,879.82
<b>Total</b>	<b>2,321</b>		<b>324,215.78</b>	<b>351,608.06</b>	<b>362,156.30</b>