
COUNCIL TAX – SECOND HOMES

Report by Director of Resilient Communities

Scottish Borders Council

25 January 2024

1 PURPOSE AND SUMMARY

- 1.1 This report provides information on the discretion available to Local Authorities to charge up to 200% Council Tax on second homes from 1 April 2024 and recommends a change in policy with effect from 1 April 2024.**
- 1.2 Legislation was approved 14 December 2023 giving Local Authorities the power to double Council Tax on second homes with the aim to prioritise housing for living in and to bring the Second Homes Policy in line with Long Term Empty Council Tax Policy.
- 1.3 There are currently around 1055, second homes within Scottish Borders Council which are charged 100% Council Tax. Introducing this policy could generate an additional annual income in the region of £1.5 million.
- 1.4 Given the increased administrative burden, officers suggest that some of the additional income to be raised is retained by Customer Advice & Support Service to allow the recruitment of one additional staff member.

2 RECOMMENDATIONS

- 2.1 That the Committee considers the following recommendations and approves the policy change to take effect from 1 April 2024:-**
 - (a) Utilises the flexibility permitted to introduce a 200% Council Tax charge on second homes from 1 April 2024;**

- (b) Agrees that £30k of the additional income to be raised is used to fund an additional staff member to administer the new arrangements; and**
- (c) Notes the further discretionary provision and agrees not to extend the statutory 6 month relief timescale for properties undergoing repairs or renovations.**

3 BACKGROUND

- 3.1 A second home is a home which is furnished and lived in for at least 25 days in a 12 month period, but is not someone's sole or main residence.
- 3.2 In 2005 the Scottish Government passed regulations to enhance discretionary powers allowing Local Authorities to vary discounts awarded on second homes between 10% and 50%. This discretion was implemented by Scottish Borders Council from 1 April 2005 resulting in a 90% Council Tax charge on second homes. The increase of 40% generated from this amendment is ring-fenced for affordable housing and a return is submitted to Scottish Government in March each year.
- 3.3 In 2013 the discretionary powers were enhanced to allow local authorities to charge up to a maximum of 200% on long term empty dwellings. The aim being to encourage owners of long term empty properties to bring these back into use.
- 3.4 A long term empty property is one which has been empty for 12 months or more.
- 3.5 As part of the Council Tax Reform measures, legislation was laid in November 2016 which gave Local Authorities the further discretionary power to impose no variation on Council Tax for second homes. These dwellings were previously charged 90%, therefore exercising the discretionary power generated an additional 10% of income which the Council can use as they see fit. Scottish Borders Council agreed to make use of this provision which was implemented from 1 April 2017 and the income generated from this formed part of the Councils general funding.
- 3.6 The 2013 regulations have now been further amended by The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment regulations 2023, which now gives Local Authorities, from 1 April 2024, discretion to introduce a maximum increase of 100% on second homes, i.e. double the standard charge.
- 3.7 This would bring the Council Tax charges levied on second homes in line with that for long term unoccupied dwellings which have been in place since 1 April 2017.
- 3.8 Ongoing protection through a mandatory 50% discount is to remain in place for second homes that meet the definition of purpose-built holiday homes or job-related dwellings as provided in the 2013 regulations.

3.9 Further protection is being introduced for property undergoing repairs or renovations which will allow a 50% discount to be retained where :

- (a) It is undergoing repairs or renovations that contribute to the improvement of the property; and
- (b) It was purchased by the person who is liable to pay the Council Tax in respect of it less than 6 months ago or such longer period as may be agreed by the Local Authority.

3.10 It should also be noted that the powers conferred may be exercised to make different modifications for different cases or difference classes of cases, including different areas.

3.11 If a customer wishes to dispute their Council Tax liability, there are existing appeal procedures in place for officers to follow.

4 CURRENT POSITION

4.1 Based on our records on 27 October 2023, there were 1055 second homes in the Scottish Borders; this excludes the protected categories mentioned at 3.8.

4.2 A breakdown of second homes by ward and Council Tax Band is provided in [Appendix 1](#).

4.3 To give an indication of the result this may have, table 1 below shows how applying 100% increase, based on 2023/24 levels, could impact the Council Tax payable for current second homes. This change does not affect water or sewerages charge rates.

4.4 The use of this discretion will allow the Council to meet local housing needs and support thriving communities. If this is achieved, more second homes will become a main residence, which we would expect to have a positive impact on the local economy.

4.5 It is also important to note that not all will be collected, and an allowance for non-payment and write offs must be factored in using Scottish Borders Councils existing bad debt provisions. Only 1% of the current second home accounts have required further recovery action taken but it is recognised that the increase to the charge may increase the risk of non-payment.

Table 1

Band	Number of second homes	Annual Increase (£)	Potential Income (£)
A	219	904.07	197,991
B	200	1,054.75	210,950
C	226	1,205.43	272,427
D	131	1,356.11	177,650
E	112	1,781.78	199,559
F	68	2,203.68	149,850
G	71	2,655.72	188,556
H	28	3,322.47	93,029
Total	1055		1,490,014

5 PROPOSED CHARGES

- 5.1 Officers propose that the Council make use of the new powers and introduce a 100% increase (i.e. a 200% charge) for all second homes in the Scottish Borders, excluding those categories given specific protection through the regulations.
- 5.2 Officers propose that such charges are implemented commencing on 1 April 2024.
- 5.3 This would generate an annual sum of approximately £1.5 million, subject to the conditions referred to in 4.5 and 4.6. Any new income received through charging an additional 100% on second homes is not ring-fenced and can be used as general funding.
- 5.4 Officers propose that £30k of this additional income is used to fund additional staffing resources to address the increased work associated with administration and collection for this new policy.
- 5.5 A comprehensive communications plan has been drafted and those Council Tax payers impacted by the change will be contacted directly. Support and advice will be offered to those who wish to consider other uses of their properties.

6 DISCRETIONARY POWERS

- 6.1 As noted in 3.7, protection has been introduced for purchasers of dwellings that require repair or renovation works. This would prevent the imposition of any variation in the Council Tax charge from the statutory position.
- 6.2 The 2023 regulations also allow Councils to agree whether this should be extended for a further period. Officers propose that the statutory 6 months timescale be accepted as standard with no further period of discretion being considered.

- 6.3 Officers believe that such extended discretion on a case by case basis would cause an increased administrative burden on the service as evidenced in the current Long Term Empty Policy.

7 IMPLICATIONS

7.1 Financial

It is anticipated that additional funding of around £1.5m will be generated through the policy change detailed in this report, which will form part of the financial planning process for 2024/25. This level of income may reduce in future years if there is a reduction to the number of second homes in the area. This will be monitored via normal financial monitoring processes. The Director of Finance & Procurement has been consulted and has indicated agreement with these proposals.

7.2 Risk and Mitigations

There is a risk the change will result in non-payment of the additional balance due however this is mitigated by debt recovery arrangements in place and could be mitigated further by recruiting additional resource.

7.3 Integrated Impact Assessment

Stage 1 of the IIA was completed and as this policy is strategic, we considered how we can reduce inequalities of outcome caused by socioeconomic disadvantage. This highlighted that there could be a negative impact on Low and/or no Wealth as well as Material Deprivation and as a result stage 2 of the IIA was completed.

A procedure is already in place within CASS to deal with customers who are having difficulty meeting their monthly payments.

7.4 Sustainable Development Goals

The sustainable development goals checklist has been completed and highlighted that by introducing this policy, we are working towards the following UN Sustainable Goals :

- (i) End poverty in all its forms everywhere;
- (ii) End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

If second homes became occupied as a persons sole or main residence, this would contribute to both of these goals as permanent residents would encourage and support community enterprise and improve local income.

7.5 **Climate Change**

The climate change implications checklist has been completed and highlighted that the change to this policy could provide/enhance local amenities/services, as second homes could become the sole or main residence of a person which would result in the residents using local amenities and services throughout the year instead of part of the year.

7.6 **Rural Proofing**

There is no impact on rural proofing.

7.7 **Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

7.8 **Changes to Scheme of Administration or Scheme of Delegation**

There is no change to the scheme of administration or delegation.

8 **CONSULTATION**

- 8.1 Director (Finance & Corporate Governance), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), Empty Homes Officer and Corporate Communications and any comments received have been incorporated into the final report.

Approved by

Name

Title

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Background Papers:

[Item No. 12 - Council Tax Removal of discount for Second Homes.pdf \(modern.gov.co.uk\)](#)

Previous Minute Reference: N/A

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Clare Pettie can also give information on other language translations as well as providing additional copies.

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