

Perth & Kinross Council

6 December 2023

COUNCIL TAX CHARGES FOR SECOND HOMES

**Contact Officer: Kevin Fraser, Team Leader (Local Taxes) and
Lynn Brady, Service Manager (Revenues & Benefits)**
(Report No. 23/349)

1. PURPOSE

- 1.1 This report provides information on the discretion available to Local Authorities to vary the amount of Council Tax levied on second homes from 01 April 2024.
- 1.2 It provides the current numbers and bandings of second homes to highlight the potential financial gains from implementing the available discretion.
- 1.3 It should be noted that this report assumes that the relevant legislation, currently in draft form, will be laid prior to the meeting of the Council on 06 December 2023. If not, it is proposed that a decision is made in principle, based on the draft legislation and on the assumption that there will be no material changes to it, and the policy introduced once the legislation is in place.

2. RECOMMENDATIONS

- 2.1 The Council is requested to:
 - Note the contents of the report;
 - Agree the level of charges to be applied to second homes from 1 April 2024.
 - Agree the use of existing protocols for the consideration of any discretion.

3. STRUCTURE

- 3.1 This report is structured over the following sections:
 - Section 4: Definitions
 - Section 5: Background
 - Section 6: Current Position
 - Section 7: Proposed charges
 - Section 8: Use of Discretionary Powers
 - Section 9: Conclusions and Summary of Recommendations

4. DEFINITIONS

4.1 For the purposes of this report the following definitions apply.

A “second home” is a dwelling which is no 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.

An “unoccupied dwelling” is dwelling which is no one’s sole or main residence, but which is not a second home.

5. BACKGROUND

5.1 Under the terms of The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013, Local Authorities were given discretion to reduce the level of the discount afforded to dwellings used as second homes.

5.2 The discretion made available in 2013 was to reduce the discount from the existing statutory amount of 50% to a minimum of 10%; Perth & Kinross Council agreed to award this minimum discount.

5.3 Further discretion was made available from 1 April 2017, under The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016, to award no discount and again Perth & Kinross Council agreed to make use of this provision.

5.4 The 2013 regulations have now been further amended by The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023, which now give Local Authorities, from 1 April 2024, discretion to introduce a maximum increase of 100%; i.e. double the standard charge.

5.5 This would bring the Council Tax charges levied on second homes in line with that for long term unoccupied dwellings.

5.6 Ongoing protection through a mandatory 50% discount is to remain in place for second homes that meet the definitions of purpose-built holiday homes or job-related dwellings, as provided in the 2013 regulations.

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

- It is undergoing repairs or renovations that contribute to the improvement of the property; and
- 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.

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

6. CURRENT POSITION

6.1 Figures taken as at 21 September show that there were 1,160 second homes in the Council area; this excludes the protected categories of purpose-built holiday homes and job-related dwellings.

6.2 A breakdown of these dwellings by Ward and by Council Tax Band is provided as **Appendix 1**.

6.3 To give an indication of the potential yield that this may bring, the Council Tax charges for Financial Year 2023/24 are shown below.

Band	Upper limit (£)	Fraction of Band 'D'	Council tax charge
A	27,000	240/360	£935.79
B	35,000	280/360	£1,091.75
C	45,000	320/360	£1,247.72
D	58,000	360/360	£1,403.69
E	80,000	473/360	£1,844.29
F	106,000	585/360	£2,280.99
G	212,000	705/360	£2,748.89
H	Over 212,000	882/360	£3,439.04

6.4 The following table shows how this would apply to our current caseload of second homes.

6.5 However, it is important to recognise that use of the discretion will hopefully result in many second homes being used as someone's sole or main residence and this will affect the overall potential yield.

6.6 It is also important to note that not all will be collected, and an allowance for non-payment and write-off must be factored in.

Band	Number of Second Homes	Annual Charge	Potential Income
A	65	£935.79	£60,826
B	159	£1,091.75	£173,588
C	182	£1,247.72	£227,085
D	232	£1,403.69	£325,656
E	213	£1,844.29	£392,833
F	126	£2,280.99	£287,404
G	112	£2,748.89	£307,875
H	71	£3,439.04	£244,171
Total	1160		£2,019,438

7. PROPOSED CHARGES

- 7.1 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 Local Authority area, excluding those categories given specific protection through the regulations.
- 7.2 Officers propose that such charges are implemented commencing on 1 April 2024
- 7.3 This would make the sum of approximately **£2 million**, subject to the conditions referred to in 6.5 and 6.6, available to the Council to deliver its priorities.
- 7.4 Officers propose that a portion 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.
- 7.5 As experienced with the previous introduction of increased charges for long term empty dwellings, there is an expected increased burden in terms of administration and collection. Officers believe that a modest amount, of approximately **£38,000**, from the potential new and recurring income of **£2 million** to administer the new scheme would allow the Council to make the most of this proposed policy.

8. USE OF DISCRETIONARY POWERS

- 8.1 As noted in 5.7, 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.
- 8.2 Officers propose that the 6-month timescale is accepted as a standard rule with further discretion on a case-by-case basis made available for up to 18 months from the date of purchase.
- 8.3 Officers propose that such extended discretion would follow the model currently in place for long term empty dwellings.
- 8.4 Such arrangements currently involve a joint recommendation from Local Taxes and Vacant Property Development staff being made to the Chief Operating Officer for approval.
- 8.5 In the new leadership structure, it is suggested that the appropriate level for approval of such recommendations should sit with the Strategic Lead – Customer & Digital Services.

8.6 This would be considered where:

- The nature of the dwelling is such that it could not reasonably be brought up to a habitable standard within the timescales allowed under existing legislation governing the award of discounts, exemptions, and surcharges.
- There are any other exceptional circumstances out with the direct control of the owner.

In all cases, engagement with the Council's Vacant Property Development Team would be a condition of any flexibility or discretion being considered.

9. CONCLUSIONS AND RECOMMENDATIONS

9.1 With effect from 1 April 2024, Local Authorities are being granted powers to further vary the level of Council Tax to be charged for second homes.

9.2 Second homes currently receive no discount.

9.3 The new powers allow an increase of up to 100%; i.e. a 200% charge, to be applied.

9.4 Officers recommend that Perth & Kinross Council make full use of these powers and introduce such an increase for all eligible dwellings used as second homes from 1 April 2024.

9.5 The availability of discretion, in applying such an increase, should be noted for purchasers of dwellings requiring repair or renovation works and, in this respect, officers recommend that the existing process to consider discretion for long term empty dwellings is used.

9.6 Officers further recommend that, given the increased administrative burden and anticipated collection difficulties, that some of the additional income to be raised is retained by Local Taxes to allow the recruitment of one additional staff member.

Author

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Approved

Name	Designation	Date
Karen Donaldson	Chief Operating Officer	14 November 2023
Stewart Mackenzie	Head of Finance	14 November 2023

APPENDIX**Appendix 1** – Breakdown of second homes by Ward and Council Tax Band

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	None
Consultation	
Internal	None
External	None
Communication	
Communications Plan	None

1. Strategic Implications

1.1 The Council's Corporate Plan 2022-2027 lays out seven outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- Tackling poverty.
- Tacking climate change and supporting sustainable places.
- Growing a sustainable and inclusive local economy.
- Enabling our children and young people to achieve their full potential.
- Protecting and caring for our most vulnerable people.
- Supporting and promoting physical and mental wellbeing.
- Placing communities at the heart of how we work.

1.2 This report relates to all these objectives.

2. Resource Implications

Financial

2.1 There are no direct financial implications arising from this report other than those reported within the report. The Head of Finance has been consulted and has indicated agreement with these proposals.

Workforce

- 2.2 There are no direct workforce implications arising from this report other than those reported within the report. The Corporate Human Resource Manager has been consulted and has indicated agreement with these proposals.

Asset Management (Land, Property, IT)

- 2.3 There are no asset management implications arising from this report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 This report has been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- (i) Assessed as **not relevant** for the purposes of EqIA

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

Sustainability

- 3.4 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change and, in exercising its functions must act:
- in the way best calculated to delivery of the Act's emissions reduction targets;
 - in the way best calculated to deliver any statutory adaptation programmes; and
 - in a way that it considers most sustainable.
- 3.5 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Legal and Governance

3.6 Not applicable.

Risk

3.7 Not applicable.

4. Consultation

Internal

4.1 The Executive Leadership Team, Corporate and Democratic Services Senior Management Teams, Section 95 Officer and Human Resources were consulted during the preparation of this report.

External

4.2 Not applicable.

5. Communication

5.1 External communication will take place following approval of this report.

2. BACKGROUND PAPERS

2.1 None.