

Report

Report to:	Executive Committee
Date of Meeting:	20 March 2024
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Council Tax - Second Home Dwellings
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1. Purpose of Report

1.1. The purpose of the report is to: -

- ♦ outline the powers available to vary council tax on second home dwellings and to consider the implementation of a change to the current approach from 1 April 2024

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) consider the implementation of a 100% council tax surcharge on all second homes from 1 April 2024
- (2) if (1) is agreed, that the Executive Committee approve the use of the additional revenue generated to benefit the Council's Affordable Housing Supply Programme, as covered at section 5.

3. Background

- 3.1. A second home is defined as a dwelling which is furnished and lived in for at least 25 days during any 12-month period but is no one's sole or main residence. Second homeowners currently receive a 10% discount on their council tax for that property.
- 3.2. However, there has now been a change in the law through the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023. This change enhances the Council's discretionary powers under the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013. This means the council can now add up to a maximum 100% surcharge on second homes – councils are able to double the council tax on second homes. Currently, this discretionary power only exists for long term empty properties.
- 3.3. The enhanced powers to implement a maximum 100% council tax surcharge on second homes become effective from 1 April 2024. The surcharge does not apply to water and wastewater charges.
- 3.4. While they constitute a relatively small proportion of the housing stock in South Lanarkshire and are not considered to play a significant role in limiting supply in any locality, second homes do reduce the supply of available housing. The application of a surcharge may, therefore, help to bring more properties into the housing market, an approach consistent with the Local Housing Strategy 2022-2027.

- 3.5. A report presented to the Housing and Technical Resources Committee on 7 February 2024 detailed the significant increase in the levels of homelessness experienced in South Lanarkshire over the last two years. While South Lanarkshire remains a top performing local authority, there has been a considerable increase in the number of people applying to the council for assistance due to homelessness and a material backlog of homeless households awaiting permanent offers of housing. This coincides with the Scottish Government announcement that the Affordable Housing Supply Programme for 2024/25 will be cut by 26%, and the Chartered Institute of Housing declaring a 'Scottish Housing Emergency' at the national conference on 5 March 2024.
- 3.6. A report was provided to the meeting of the Executive Committee on 21 February 2024 for the consideration of a 100% surcharge, with no decision taken on the implementation of the surcharge for 2024/25. This report presents the same consideration with additional information provided on rural areas, possible economic impacts and ownership arrangements in section 5 and billing arrangements for affected properties in section 6.

4. Current Position

- 4.1. There are currently 174 domestic properties, out of a total property base of 158,939 in South Lanarkshire, categorised as second homes in the council tax system. These properties are privately owned and currently receive a 10% second homes discount to an annual value of £0.023m in total.
- 4.2. Annual council tax property charges levied on second homes currently amount to £0.208m and in-year collection levels are extremely high, expected to be more than 97% for 2023/24.
- 4.3. Second homes are spread throughout South Lanarkshire as summarised at Appendix 1. The numbers in each council tax band are outlined in the table below.

Table 1: Council tax band of current second homes

BAND	NUMBER
A	43
B	31
C	28
D	20
E	29
F	15
G	5
H	3
TOTAL	174

5. Proposal

- 5.1. With the objective of increasing the supply of properties into the housing market, it is requested the Committee considers utilisation of the discretionary powers contained within the 'The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023' to implement a 100% surcharge on second home properties effective from 1 April 2024. If agreed, this means that a 200% council tax charge would apply to second homes.

- 5.2. The annual property charges payable before and after the surcharge is applied is provided in Appendix 2. This also does not include water and sewerage charges that may be payable on the properties, as they are unaffected by the surcharge.
- 5.3. If agreed, operational procedures will be developed to ensure that the additional levy is accurately administered. No discretion will be available in individual circumstances to waive or amend the 100% surcharge.
- 5.4. There may be impacts of introducing the additional second homes charge in rural areas, with 39% of the second home properties in the mainly rural area of Clydesdale. For example, some owners may let out their property on a long-term basis or sell it. In these cases, this would result in additional housing stock becoming available. The potential availability of additional homes in mainly rural areas may be considered beneficial to local communities by making more properties accessible to local residents or to those looking to move to the area on a permanent basis, which in turn, could boost social and economic growth within these communities.
- 5.5. The properties currently listed as second homes are not considered to be someone's sole or main residence, therefore, it is reasonable to assume the properties remain empty for long periods in the year. In the event a property is occupied for 3 months in the year, for example, it is recognised during this period there is likely to be a benefit to the local economy. However, for the remaining 9 months of the year the property would lie empty, providing no benefit to the local economy.
- 5.6. Consistent with the objective of supporting the Local Housing Strategy, the additional income generated will be allocated to the Affordable Housing Supply Programme.
- 5.7. There is also a risk of owners of second homes adopting alternative structures in the management of their second homes. Given the potential for the number of second homes reducing because of this, a prudent approach has been taken in considering the financial implications of the surcharge. This would be reviewed for 2025/26 considering actual income collected in 2024/25. The potential impact of this risk on the number of second homes and potential for their inclusion in the valuation roll has been notified to the Assessor for Lanarkshire Valuation Joint Board.

6. Customer Information

- 6.1. If approved, the council tax charge for second homes will be re-calculated and a revised bill will be issued to owners for 2024/25 during the first two weeks in April 2024.

7. Employee Implications

- 7.1. Existing staff from Benefits and Revenues Services would administer the changes to the policy.

8. Financial Implications

- 8.1. If agreed, it is estimated that an additional £0.126m will be raised annually through implementing the surcharge. The additional income will be provided to the council's Affordable Housing Supply Programme which will support acquisitions and new affordable housing across South Lanarkshire in areas with greatest need and demand, linked to the council's Strategic Housing Investment Plan. However, the income would not bridge the anticipated gap in funding arising from the 26% reduction in Affordable Housing Supply Programme for 2024/25.
- 8.2. One off set up costs relating to upgrading the council tax system are estimated at £0.010m and would be met from existing budgets.

9. Climate Change, Sustainability and Environmental Implications

9.1. None.

10. Other Implications

10.1. There is a risk the introduction of a surcharge does not increase the supply of housing given the relatively low number of second homes in South Lanarkshire.

11 Equality Impact Assessment and Consultation Arrangements

11.1. An Equality Impact Assessment has been carried out and no negative impact on any specific equality group has been identified. No consultation has been carried out in relation to this policy.

Jackie Taylor

Executive Director (Finance and Corporate Resources)

11 March 2024

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ Housing and Technical Resources Committee of 7 February 2024 – Homelessness Pressures – Impacts and Proposals
- ◆ Executive Committee of 21 February 2024 – Council Tax Second Home Dwellings

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Second Homes by Council Ward

Ward	Number
Avondale and Stonehouse	16
Blantyre	2
Bothwell and Uddingston	15
Cambuslang East	3
Cambuslang West	6
Clydesdale East	38
Clydesdale North	16
Clydesdale South	7
Clydesdale West	6
East Kilbride Central North	8
East Kilbride Central South	7
East Kilbride East	7
East Kilbride South	2
East Kilbride West	7
Hamilton North and East	15
Hamilton South	3
Hamilton West and Earnock	4
Larkhall	2
Rutherglen Central and North	7
Rutherglen South	3
Total	174

Second Homes
Property charge payable per Band based on 2023/24 charges

Band	Annual property charge £	Annual property charge currently payable (incl.10% discount) £	Annual property charge payable after 100% surcharge £
A	867.21	780.49	1,734.42
B	1,011.74	910.57	2,023.48
C	1,156.28	1,040.65	2,312.56
D	1,300.81	1,170.73	2,601.62
E	1,709.12	1,538.21	3,418.24
F	2,113.82	1,902.44	4,227.64
G	2,547.42	2,292.68	5,094.84
H	3,186.98	2,868.28	6,373.96