

Partial Impact Assessments

Non-Domestic Rates/ Council Tax Second Homes and Long-term Empty Homes: Consultation

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Scottish Government

18 April 2023

1. Impact assessments

1.1 The following chapters set out:

- a screening exercise for a **Children’s Rights and Wellbeing Impact Assessment (CRWIA)**, which is used to consider whether a full assessment is required at this point. A CRWIA needs to identify, research, analyse and record the impact of a proposed law or policy on children's human rights and wellbeing
- the results summary of **Equalities Impact Assessment (EQIA)**, examining the impact on different people and groups, prevent discrimination and identify opportunities to promote equality
- a **Data Protection Impact Assessment (DPIA)** to consider arrangements for handling personal data and privacy for consultations
- a summary assessment against the **Fairer Scotland Duty**. The duty focuses on socioeconomic inequality issues such as low income, low wealth and area deprivation
- a partial **Island Communities Impact Assessment (ICIA)**, which is required by the Islands (Scotland) Act 2018 where a policy or strategy is “likely to have an effect on an island community which is significantly different from its effect on other communities”
- a summary of the pre-screening document for the **Strategic Environmental Assessment (SEA)**. The SEA helps to protect the environment by allowing planners and decision makers to consider the likely significant environmental effects of plans, programmes and strategies

1.2 A partial Business and Regulatory Impact Assessment (BRIA), examining the likely costs and benefits of the consultation proposals, is available separately.

Background

1.3 In March 2021 we published Scotland’s [first national population strategy](#). Its vision for a future Scotland focused on taking a [place-based whole-system approach](#) to drive local needs around the economy, infrastructure, public services and housing.

1.4 At the same time the Scottish Government published its [Housing to 2040 Strategy](#). Its bold vision and principles included prioritising homes for living in, and not accumulating wealth.

- 1.5 In addition to the national population strategy and Housing to 2040, our [Shared Policy Programme with the Scottish Green Party](#), commits us to providing councils with tools and powers to support them to make best use of existing housing stock. This includes enabling councils to manage the number of long-term empty homes, short-term lets and second homes.
- 1.6 The Scottish Government has already delivered measures which ensure:
- councils can change or remove the discount for council tax charged on second homes
 - councils can change the discount for council tax on empty properties, and they can also remove the discount or charge up to a 100% premium (double the full rate) on council tax for homes empty longer than 12 months
 - councils can use planning as a tool to manage numbers of short-term lets by designating all or part of their area as a [Short-term Let Control Area](#)
 - the total purchase price of an additional property (if over £40,000) is liable for an Additional Dwelling Supplement on [Land and Buildings Transaction Tax](#) at a rate of 6%
 - a requirement for self-catering holiday accommodation to be actually let for a period of at least 70 days and available to let for 140 days or more in each financial year, to be eligible for non-domestic rates rather than council tax

Policy objectives

- 1.7 The high-level policy purpose of Housing to 2040 is for everyone in Scotland to live in safe, secure and warm homes. We need to do more to prioritise housing for permanent accommodation, whether this is in the rented sector or home ownership. Taxation is one measure that can support local areas to reach the right balance for their local circumstances, as a means to influence ownership patterns and the detrimental impact they can have on the availability of homes to meet local needs. The consultation seeks views on proposals to provide councils with additional powers over local taxation that can be used according to local needs, alongside other mechanisms, to help make best use of existing housing.
- 1.8 The proposal is whether to provide additional powers to councils allowing them discretion to:
- charge up to 100% premium (double the full rate) on council tax for second homes;
 - charge more than 100% premium on council tax for second homes and long-term empty homes
- 1.9 As some second homes are used as short-term lets, we are also asking for views on whether the current non-domestic rates thresholds for self-catering accommodation should change, and/or if councils should have discretion to set them.

Contribution to national outcomes

- 1.10 The policy objectives set out in these impact assessments and the consultation paper published on 18 April 2023, support the following outcomes set out in Scotland's National Performance Framework:
- we live in communities that are inclusive, empowered, resilient and safe
 - we tackle poverty by sharing opportunities, wealth and power more equally
 - we are healthy and active
 - we have a globally competitive, entrepreneurial, inclusive and sustainable economy
 - we have thriving and innovative businesses, with quality jobs and fair work for everyone
 - we value, enjoy, protect and enhance our environment
 - we are creative and our vibrant and diverse cultures are enjoyed widely

Definitions

- 1.11 Second homes and empty homes (unoccupied dwellings) are currently defined in the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 as follows:
- a “second home” is a dwelling which is no one’s sole or main residence but which is furnished and lived in for at least 25 days during the chargeable 12 month period
 - an “unoccupied dwelling” is a dwelling, which is no one’s sole or main residence but which is not used as a second home.
- 1.12 In this consultation paper, short-term lets is a wide term used to refer to the whole or part of accommodation provided to one or more guests on a commercial basis that does not become the main residence of the guest/s¹. There are different types of short-term lets such as self-catering accommodation, B&Bs, guest houses, home letting and home sharing. What local taxation short-term lets are liable for will vary depending on the type of short-term let and applicable taxation rules.
- 1.13 For example, if a second home is used as self-catering accommodation it will be liable for non-domestic rates if the premises is:
- a) not the sole or main residence of any person; and
 - b) being made available for letting, on a commercial basis and with a view to the making of profit, for 140 days or more in the financial year, and have in practice been let in the financial year for a total of 70 days²
- 1.14 If the self-catering accommodation does not meet the above criteria and thresholds it is liable for council tax instead.

¹ As defined in the Civic Government (Scotland) Act (Licensing of Short-term Lets) Order 2022

² As defined in the Council Tax (Dwellings and Part Residential Subjects) (Scotland) Regulations 1992, as amended by the Council Tax (Dwellings and Part Residential Subjects) (Scotland) Amendment Regulations 2021

- 1.15 B&Bs and guest houses may be liable for non-domestic rates if their operation has capacity to cater for more than 6 people at any one time, regardless of how many days the premises or rooms are available or actually let.

2. Children’s Rights and Wellbeing Impact Assessment

2.1 This is the result of CRWIA Stage 1 screening.

Describe the policy and its overall aims.

2.2 The policy objectives and relevant national outcomes are set out in chapter 1.

What aspects of the policy will affect children and young people up to the age of 18?³

2.3 The policy could affect children and young people in these ways:
a) parents or guardians reliant on income streams from self-catering accommodation
b) in the local community

Self-catering accommodation

2.4 The letting of self-catering accommodation may provide an income stream (and employment) for parents or guardians. If they were to change the use of the accommodation to a private rental tenancy, the income would likely be lower, however, it would not be subject to seasonal variation and costs are likely to be lower, for example regular cleaning in between frequent changeovers of guests would not be required and the council tax would be payable by the tenant, not the owner.

In the local community

2.5 Where demand is outstripping supply for local housing and this is exacerbated by concentrations of second and long-term empty homes, and infrequently used short-term lets, these proposals could help councils ensure accommodation is used to best effect in terms of housing for residential use in these areas.

What likely impact – direct or indirect – will the policy/measure have on children and young people?

2.6 “Direct” impact refers to policies/measures where children and young people are directly affected by the proposed changes, e.g. in early years, education, child protection or looked after children (children in care). “Indirect” impact refers to policies/measures that are not directly aimed at children but will have an impact on them. Examples include: welfare reforms, parental leave, housing supply, or local transport schemes.

³ The Articles of the UNCRC and the child wellbeing indicators under the Children and Young People (Scotland) Act 2014 apply to all children and young people up to the age of 18, including non-citizen and undocumented children and young people.

- 2.7 There are no direct impacts as the policy is not targeted at children or young people. We consider that indirect impacts in the local community would be positive, as councils will be able to use taxation to incentivise second home owners to use their homes in other ways e.g. for private rental tenancies. This could help alleviate housing pressures in hot spot areas.
- 2.8 Overall, these proposals could be used where councils consider it will help them to make best use of existing housing and manage numbers of second homes, long-term empty homes and short-term lets. This is likely to have a positive impact on children and young people.

Which groups of children and young people will be affected?

- 2.9 Under the United Nations Convention on the Rights of the Child (UNCRC), “children” can refer to: individual children, groups of children, or children in general. Some groups of children will relate to the groups with protected characteristics under the Equality Act 2010: disability, race, religion or belief, sex, sexual orientation. “Groups” can also refer to children by age band or setting, or those who are eligible for special protection or assistance: e.g. pre-school children, children in hospital, children in rural areas, looked after children, young people who offend, victims of abuse or exploitation, child migrants, or children living in poverty.
- 2.10 The Sustainable Tourism sector represents a larger portion of employment in rural areas than for Scotland’s economy overall (also in Edinburgh)⁴. The ‘accommodation and food services’ sector also has a much larger share of employment in remote rural areas (15%) compared to accessible rural areas (9%) and the rest of Scotland (8%)⁵. It may be the case that children and young people in areas with higher proportions of self-catering accommodation are more likely to be affected by the proposals than in other areas.

Will this require a CRWIA?

- 2.11 We consider it is unlikely the consultation proposals will have a direct impact on children.
- 2.12 If there is any indirect impact on children, it is most likely to be neutral or positive.

CRWIA Declaration

- 2.13 A CRWIA is not required at this point but we will review consultation responses to consider if one may be required if the decision is to legislate.

⁴ [Scottish Government Tourism Statistics](#)

⁵ [Scottish Government Rural Statistics](#)

3. Equalities Impact Assessment (EQIA)

- 3.1 The consultation contains questions to gather information about possible impacts of the proposals. We will review responses alongside data identified to assess equality implications.

Policy objectives and background

- 3.2 The objectives and background are set out in chapter 1.

Public Sector Equality Duty

- 3.3 In assessing how the policy objectives might impact on people with protected characteristics, public bodies need to consider whether they will:
- advance equality of opportunity
 - discriminate unlawfully
 - foster good community relations

Who will be affected?

- 3.4 Equality legislation covers the protected characteristics of: age, disability, gender reassignment, gender including pregnancy and maternity, race, religion and belief, and sexual orientation. While the policy objectives relate to anyone paying council tax or non-domestic rates, the proposal is to provide councils with discretionary powers. How these powers might be used would be decided locally and it would be for councils to assess the impact on their local population and economy.
- 3.5 The impact on wider socio-economic considerations; including people living in low income households and people living in remote rural areas and island communities are assessed under the Fairer Scotland Duty and the Island Communities Impact Assessments.
- 3.6 We know [second home owners are on average wealthier](#) than households that do not own a second home or those without any property. However, in Scotland we have limited data available on the characteristics and circumstances of second home owners. In England, [more data](#) is available from the English Household Survey. This indicates that second home owners tend to be older; in 2018-19, 80% of those with a second home were aged 45 or over.
- 3.7 The beneficiaries of the consultation proposals would be local communities where there are housing needs. Children and young people living in these areas, or moving to these areas, may therefore benefit from improved access to, and choice of, residential housing. There were 28,882 households assessed as homeless during 2021/22. The ethnic composition of this group differs slightly with that for the Scottish population as a whole. The proportion of people reporting their ethnicity as white when assessed as homeless is around 85% compared with 95% within the general population Scotland

based on Scottish Household Survey Data from 2019 – in other words people with ethnicities other than white are over-represented in households assessed as homeless during this period.

- 3.8 In general, people with significant housing needs are more likely to be on lower incomes. However, given that there is significant variation in the concentration of second and empty homes across Scotland, the protected and other characteristics of communities who might benefit from the proposed policies are likely to vary from one area to another. Giving councils discretion will allow them to consider whether there are any relevant equality characteristics in the particular area where the policies will be applied.

Conclusion

- 3.9 We do not consider that there are any equalities issues affecting people with protected characteristics arising from these proposals at this point, but will continue to review this after the consultation when we have analysed responses.

4. Data Protection Impact Assessment

- 4.1 This assessment considers the data protection implications of undertaking the consultation.
- 4.2 The consultation asks 25 policy questions, with a mixture of closed and open questions. There is no text limit for the free text responses.
- 4.3 The Scottish Government will commission an external researcher to undertake independent analysis of the consultation responses. A report of this analysis will be published and used to inform the next stages of policy development.

Consultation Process

- 4.4 The consultation commenced on 18 April 2023 and runs for 12 weeks until 11 July 2023.
- 4.5 The consultation is being hosted on Citizen Space, the Scottish Government's digital platform for consultations. This enables people to submit their responses securely online. Citizen Space is managed by the Scottish Government's Digital Engagement Team. Consultations are also published on the Scottish Government website, enabling people to email or post a response too.
- 4.6 Measures are in place to ensure that data is collected, stored or transferred to and from the external researcher using secure technologies.
- 4.7 Where responses not received via Citizen Space, these will be transferred directly to the researcher using secure means.

Governance

- 4.8 The consultation is overseen by the Scottish Government policy lead, who is supported by: a Delegated Purchasing Officer to oversee the procurement of a researcher, an Assessment Panel to evaluate bids from researchers to analyse the consultation responses and a Contract Manager to manage the consultation analysis.
- 4.9 In addition, the Data Protection and Information Assets Team will provide expertise, as required, to ensure sufficient data protection measures are established and carried out.

Analysis

- 4.10 The Data Controller is the Scottish Government and the Data Processor is the researcher contracted to undertake the consultation analysis.

- 4.11 The researcher is responsible for analysing the consultation responses and preparing a consultation report by 28 August 2023, which will be published on the Scottish Government's website later in 2023.
- 4.12 When the researcher is given access to the dataset of responses, they will have access to the full respondent information provided by each respondent - e.g. name, contact details – as well as to their response.
- 4.13 The researcher must ensure their methods do not contravene Data Protection law. Data Protection law means any law, statute, subordinate legislation, regulation, order, mandatory guidance or code of practice, judgement of a relevant court of law, or directives/ requirements of any regulatory body, which relates to the protection of individuals with regard to the processing of personal data. This includes the Data Protection Act 2018, as well as the European Parliament General Data Protection Regulation (GDPR) (EU) 2016/679 and repealing Directive 95/46/EC.
- 4.14 All staff involved in processing data will be aware of procedures for data security and privacy, to comply with UK GDPR. All project staff will know how to recognise a personal data breach and how to report suspected breaches in line with UK GDPR requirements. All third parties are asked to sign appropriate agreements to ensure that they comply with data protection legislation and information security.

Publication of responses

- 4.15 The Scottish Government is responsible for ensuring that responses are published in accordance with respondents' expressed publication preferences.
- 4.16 Individual respondents' names will be published with their responses only if they have given explicit permission for this. Where an individual respondent selects 'publish response only', we will redact their name and any other potentially identifiable information from their response. Any direct quotations from responses included in the report will not be attributed to identifiable individuals, regardless of their expressed publication preference. There will be no quotations from responses where permission to publish has not been given.
- 4.17 Organisation respondents that select the option 'publish response only (without name)' will still have the organisation name published, but the name of the specific person submitting the response will not be published. Organisations that give permission for their response to be published could be mentioned by name in the final report, though it is also possible that, rather than being explicitly named, they might be referred to as 'an organisation from the private/public/third sector' etc.
- 4.18 The Scottish Government will provide quality assurance to ensure personal information is not identifiable. We will also review whether anything else

needs to be redacted from responses if it risks revealing a respondent's identity.

Risk Management

- 4.19 Risk management, data protection, and research ethics are key considerations in planning and procuring consultation analysis. This includes ensuring the disclosure of personal data or the possibility of an individual being identified in data outputs is avoided. Measures will be continually reviewed to ensure that personal data is handled in accordance with data protection legislation. An ethical checklist will be completed and signed off prior to data analysis to ensure it is conducted to high standards.

Data archiving and purging

- 4.20 At the end of the contract, the researcher will transfer clean datasets to the Data Controller (Scottish Government). The datasets will be held on a secure, password protected server in the Scottish Government, in a sub-folder which is restricted to a limited number of staff working on the consultation. It is expected that the data will only be held for as long as the data is required after the contract is completed. After 12 months, a review will take place to determine whether the data needs to be retained or destroyed. If it is decided that there is no rationale to justify continuing to hold the data, then it will be destroyed. If it is decided that there is justification to continue to hold the data then it can be held until a further review 12 months later.

5. Fairer Scotland Duty

5.1 This represents an initial Fairer Scotland Duty assessment.

Summary of aims and expected outcomes of strategy, proposal, programme or policy

5.2 The policy objectives are set out in chapter 1.

Summary of evidence

People on low incomes

5.3 Negative impacts include the impact of second and empty homes, and short-term lets on the availability of housing stock. This can also, in turn, increase house prices and rents in the private rented sector.

5.4 Pressures on housing supply due to second homes, empty homes and short-term lets can have an impact on the ability for people to relocate to take up job opportunities. This was flagged as a particular concern, during consultation on short-term lets licensing, for rural and island areas such as Skye and the Western Isles, where high numbers of short-term lets and second homes could make it difficult for people to relocate to take up job opportunities.

5.5 However, short-term lets may also have a positive impact for guests on low incomes, by offering a cheaper alternative to other forms of accommodation, such as hotels.

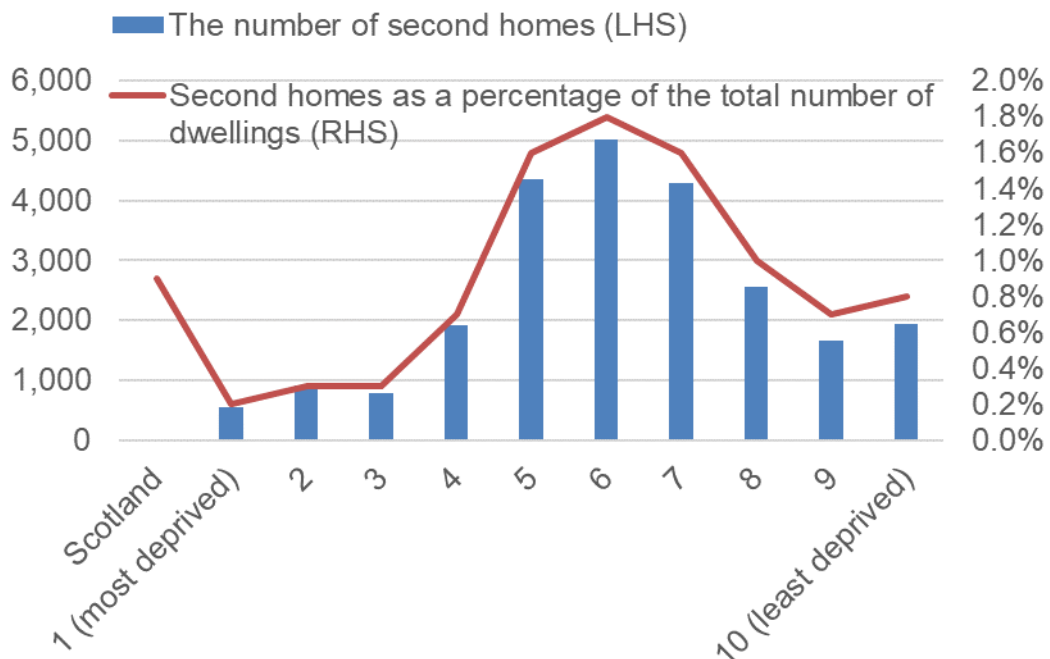
People living in deprived areas

5.6 Data produced by the National Records of Scotland⁶ shows the distribution of second homes by SIMD⁷. The data shows that second homes are more common in less deprived areas, particularly in the middle of the distribution. As at September 2021, there were over 5,000 second homes in the 6th SIMD, which equates to 1.6% of all dwellings in that decile. 57% of all second homes in Scotland are located in the 5th, 6th and 7th deciles. On the other hand, only 17% of all second homes in Scotland are in the first 4 (most deprived) deciles.

⁶ National Records of Scotland, [Households and Dwellings in Scotland, 2021](#).

⁷ SIMD is the Scottish Government's standard approach to identifying areas of multiple deprivation in Scotland and is determined by splitting Scotland into 6,976 small areas (i.e. data zones) and analysing various indicators to measure the different aspects of deprivation in each data zone, such as pupil attainment, travel time to a GP, crime and unemployment. The various indicators are then used to help determine an index that ranks each data zone in Scotland from 1 (the most deprived) to 6,976 (the least deprived). These data zones can then be categorised into deciles (10 groups with the same number of datazones in each group), with 1 again being the most deprived and 10 being the least deprived.

Figure 1. The number of second homes and the number of second homes as a percentage of the number of dwellings by SIMD as at September 2021.

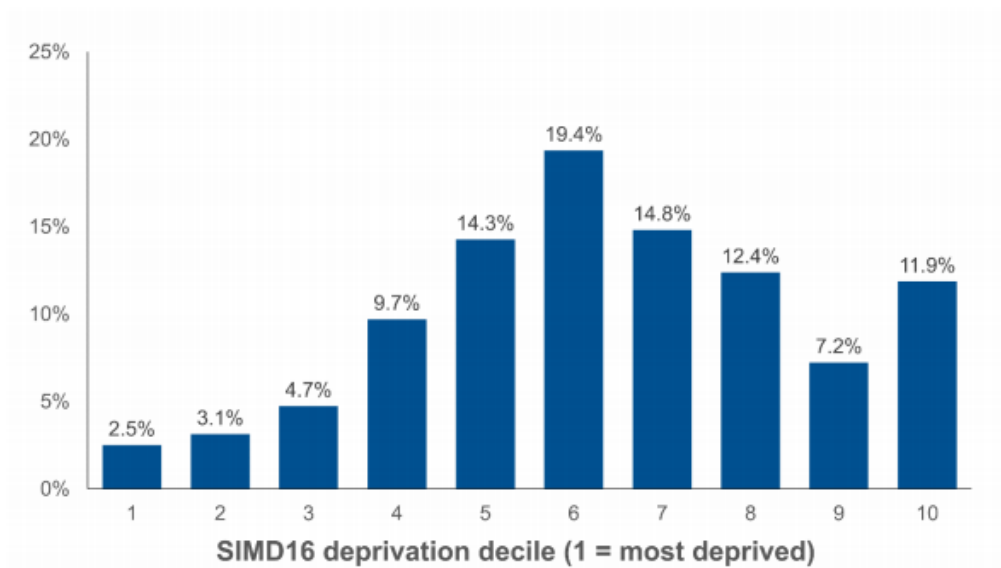


Source: National Records of Scotland, [Household and Dwelling Estimates by Scottish Index of Multiple Deprivation \(SIMD\)](#)

- 5.7 The [research undertaken on short-term lets](#) also found there are proportionally more Airbnb listings in the least deprived deciles than the three most deprived deciles in total:

Across Scotland as a whole, there were proportionally more Airbnb listings in less deprived areas, particularly those in the middle of the SIMD 2016 rankings. There were more Airbnb listings (11.9% of the Scottish total) in the least deprived decile than there were in the three most deprived deciles combined (10.3%). The single biggest clustering of Airbnb listings was found in decile 6 areas, which are typically neither very deprived nor particularly affluent (e.g. Fountainbridge in Edinburgh, Garnethill in Glasgow). These areas accounted for 19.4% of all Scottish Airbnb listings, as shown in Figure 2.

Figure 2. Scottish Airbnb listings (%) by SIMD decile (where decile 1 is the most deprived).



Source: Inside Airbnb, May 2019, Scottish Government for SIMD 2016.

- 5.8 Therefore, any local economic benefits/costs of second homes and more specifically short-term lets are less likely to be evenly distributed across levels of deprivation.
- 5.9 The one major outlier to this national picture is in Glasgow, where the greatest number of short-term lets are in the most deprived decile (14.5%).

Evidence gaps

- 5.10 Limited data is available on the number and type of short-term let listings. Airbnb has provided data to the Scottish Government, but we do not have data from other platforms. The introduction of short-term let licensing in Scotland in October 2022 is starting to provide councils and the Scottish Government with accurate data. We expect to have a better understanding of numbers of short-term lets by January 2024.

Summary of assessment findings

- 5.11 We will review whether to complete a full assessment after the consultation exercise is complete.

6. Island Communities Impact Assessment

Introduction

- 6.1 Section 7 of the [Islands \(Scotland\) Act 2018](#) (“the 2018 Act”) sets out a specific duty for relevant public bodies, including the Scottish Ministers, to “have regard to island communities” in carrying out their functions. A related duty under section 8 of the 2018 Act requires us to undertake an Island Communities Impact Assessment (ICIA) “in relation to a policy, strategy or service which, in the authority’s opinion, is likely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities) in the area in which the authority exercises its functions.”
- 6.2 This partial assessment considers the potential impact of the following proposals on island communities:
- to increase council tax on second and empty homes, and/or
 - to alter non-domestic rates thresholds for self-catering accommodation
- 6.3 Island communities are defined in the 2018 Act as:
- consisting of two or more individuals, all of whom permanently inhabit an island (whether or not the same island), and
 - based on common interest, identity or geography (including in relation to any uninhabited island whose natural environment and terrestrial, marine and associated ecosystems contribute to the natural or cultural heritage or economy of an inhabited island)

Objectives

- 6.4 The objectives for the proposals are set out in chapter 1.

Application of policy to island communities

- 6.5 The consultation seeks views on how taxation can help councils make best use of existing housing stock. This is not about a one size fits all solution. Nationally the 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. Local areas need to decide how to achieve the right balance in the use of housing to meet local needs and to support thriving communities.
- 6.6 It is recognised that geography can often be an important factor, with concentrations of second and empty homes in specific areas across Scotland especially in rural and island locations.
- 6.7 Over the past decade the growth of online platforms has fuelled the trend for residential homes, particularly in tourist hotspots, to be changed from primary homes to be used for short-term lets or second homes. This can cause problems for neighbours and make it harder for local people, particularly

young people or those with fewer resources, to find homes to live in. We also remain concerned about the number of empty homes in Scotland, which could potentially be brought back into use for people to live in.

- 6.8 Positive impacts for island communities would include increasing the occupancy of residential properties by incentivising second homeowners to minimise the time their property is left empty throughout the year. This could lead to further benefits, for example, providing housing for key workers and more generally increasing spend in a local community. This might also be achieved if self-catering accommodation is let or available to let for more nights or changing the use of the second/ empty home to a private residential tenancy.
- 6.9 It could also generate additional revenue for the local area. The majority of councils currently choose to charge second home owners the full rate of council tax – the maximum they are able to apply within the current legal framework (25 of 32 councils). The remaining seven councils apply a 10% discount for second homes; no councils choose to offer a 50% discount, which is the minimum amount they could charge.
- 6.10 Local councils would need to carefully consider when to use discretion to change council tax rates for second and empty homes. Negative impacts might include: loss of tourism economy, homes switching from personal use or self-catering accommodation to empty homes (at least in the short term).

Current situation on the islands

Engagement and Consultation

- 6.11 A public consultation on the proposals is being undertaken for 12 weeks from 18 April to 11 July 2023.
- 6.12 The matter of second and empty homes, and short-term lets has been raised during engagement with a wide range of stakeholders to develop our [Remote, Rural and Islands Housing Action Plan](#). This gathered views on the issues and potential solutions to the delivery of homes in remote, rural and island communities. Stakeholders involved include community groups, councils, registered social landlords, rural housing organisations as well as Highlands and Islands Enterprise, South of Scotland Enterprise, and national agencies.
- 6.13 We have also informally consulted with COSLA during the development of the proposals and will continue this engagement during the consultation.
- 6.14 In addition we intend to engage with relevant businesses/organisations via established forums/ groups, including but not limited to the following:
- The Industry Advisory Group facilitated by Visit Scotland and comprising representation from Association of Scottish Self Caterers, Scottish B&B Association, Scottish Tourism Alliance and Short Term Accommodation Association
 - Scottish Ratepayers Forum

- Scottish Ratepayers Surveyors Forum
- Industry Leadership Advisory Group
- Institute of Revenues Rating and Valuation Scotland
- Scottish Assessors Association

Current Council Tax policies in Island Communities

Island	Second Homes	Homes empty for longer than 12 months	Additional Information
Na h-Eileanan Siar	No discount	Up to 100% premium	Newly owned properties that are under major repair have a 50% discount applied for up to two years from start of liability, while under repair. Newly owned properties that are long term empty have 6 months at full charge while empty before the additional 100% charge applies.
Orkney	10% discount for 12 months	Up to 100% premium	Residents of the North Isles with a second home on the Orkney mainland may receive a 50% discount if they require the second home for the purposes of maintaining their employment.
Shetland	10% discount	10% discount	

Housing supply in island communities

- 6.15 Over the last Parliament we delivered 6,000 affordable homes in remote, rural and island communities, and we have a target of delivering 110,000 affordable homes in Scotland by 2032, with at least 10% of these in remote, rural and island communities. Building more homes is important but, to be able to ensure local housing needs are met, councils need to be able to make the best use of existing housing stock.
- 6.16 Data on the number of private rented households and social rented housing stock for three island councils are set out in the table below, which shows that

the share of private rented stock and social rented stock is lower in island local authorities than in Scotland as a whole.⁸

Table 1. Number and share of private rented households and social rented dwellings in island local authorities, 2019

	Private rented households		Social rented stock	
	Estimated Number	As percent of all dwellings	Number	As percent of all dwellings
Na h-Eileanan Siar	900	7%	2,200	15%
Orkney Islands	1,000	9%	1,700	15%
Shetland Islands	600	6%	2,400	21%
Scotland	340,000	14%	600,100	23%

Sources: Private rented household based on Scottish Household Survey 2019 estimates of the proportion of private rented households; Social rented stock from Scottish Government Annual Housing Statistics – Stock by Tenure tables for 2019

6.17 Although published external data is not always broken down to cover specific individual island communities, the Isle of Arran Local Island Plan⁹, for example, includes the output of local engagement with the community on the Isle of Arran. Comments in the Plan also referred to private sector housing being in short supply as owners may generate a greater income from holiday lets, as well as concerns about ‘island premium’ costs – the greater costs of living experienced by those in island communities.

Second Homes

6.18 As at September 2022 there were 24,287¹⁰ second homes (classified for council tax purposes). This equates to around 1% of all residential accommodation in Scotland. The number of second homes varies considerably between, and within, individual councils, with the peak numbers found mainly in tourist hotspots, rural and island areas.

⁸ It is worth noting that there is greater uncertainty attaching to estimates for the private rented sector, which are based on survey data meaning there will a margin of error due to sampling; in contrast, data for the social rented sector is based on administrative returns.

⁹ [Isle of Arran Local Island Plan](#)

¹⁰ [Scottish Government Statistics](#)

Table 2: Top 10 Councils for number of second homes (2022)

Local Authority	Number of second homes
Highland	3,720
Argyll & Bute	3,045
Fife	2,374
Edinburgh	1,660
North Ayrshire	1,527
Dumfries & Galloway	1,390
Perth & Kinross	1,223
Aberdeenshire	1,214
Scottish Borders	1,031
Na h-Eileanan Siar	885

Source: Top 10 Councils for number of second homes (2022) ([Housing statistics: Empty properties and second homes - gov.scot \(www.gov.scot\)](#))

6.19 While Na h-Eileanan Siar is the only island council in the top 10 councils in terms of absolute numbers of second homes, Orkney and Shetland Islands also feature in top 10 councils based on the percentage of second homes.

Table 3: Second homes as a percentage of the total number of dwellings by local authority, where share is above national average of 0.9% (2022)¹¹

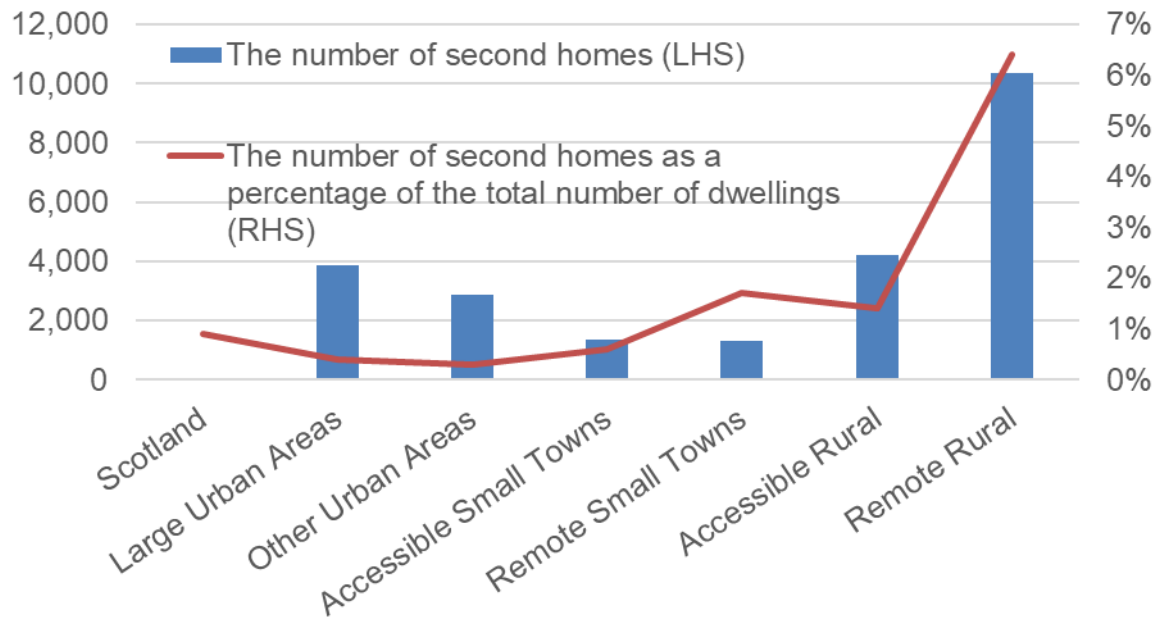
Council Area	Share of second homes
Argyll & Bute	6.2%
Na h-Eileanan Siar	5.9%
Orkney Islands	4.8%
Highland	3.0%
North Ayrshire	2.2%
Dumfries & Galloway	1.8%
Moray	1.7%
Scottish Borders	1.7%
Perth & Kinross	1.6%
Shetland Islands	1.5%
Fife	1.3%
Scottish Average	0.9%

Source: Second homes as a percentage of the total number of dwellings by local authority, where share is above national average of 0.9% (2022) [Housing statistics: Empty properties and second homes](#).

¹¹ The total number of dwellings includes chargeable dwellings and dwellings that hold exemptions but excludes free-standing lock-ups and garages.

6.20 Figure 3 also illustrates that as at September 2021, the vast majority of second homes are situated in remote rural areas, with 10,000 out of the total of 24,000 second homes in Scotland (43%) located in such areas. Second homes comprise 6.4% of all dwellings in remote rural areas.

Figure 3. The number of second homes and the number of second homes as a percentage of the number of dwellings by 6-fold urban-rural classification as at September 2021.



Source: National Records of Scotland, [Household and Dwelling Estimates by Urban Rural Classification \(2011 Data Zone based\)](#)

Empty Homes

6.21 As at September 2022 there were 42,865¹² long-term empty (6 months or more) homes (classified for council tax purposes), equating to around 2% of all residential accommodation in Scotland.

Table 4: Breakdown of empty homes by island councils as at September 2022

¹² [Scottish Government Housing Statistics](#)

	Total No. empty 6 mths+	Of which No. of homes empty 12 mths+	No. charged less than 10% discount or premium applied
Na h-Eileanan Siar	631	529	349
Orkney Islands	211	153	153
Shetland Islands	552	394	0
Scotland	42,865	27,692	20,279

Source: Scottish Government, [Housing statistics: Empty properties and second homes](#)

- 6.22 Even allowing for data improvements, reclassifications and the impact of the Covid-19 pandemic, there is still clearly an upward trend in the numbers of long-term empty homes, with the number of long-term empty properties increasing by 17.7% between 2015 and 2022. The process to bring long-term empty homes back into use is typically complex, takes time and is often reliant on there being sufficient funds for refurbishment/ renovation.
- 6.23 Overall, approximately two thirds of empty homes are empty for longer than 12 months. This proportion has remained consistent since 2017.
- 6.24 The Scottish Empty Homes Partnership [Annual Report 2020-21](#) sets out the range of reasons homes become and remain empty. An overview of the data has also been included in the Business and Regulatory Impact Assessment.
- 6.25 We have commissioned an independent researcher to conduct an audit of our long-term empty homes policy and interventions. This will be to:
- set out the scale of the problem in Scotland (including how this compares to other UK nations) and the factors that lead to homes becoming empty for longer than 6 months
 - identify the learning from various interventions and use of powers across Scotland to bring long-term empty homes back into use
 - review UK and other relevant approaches to tackling empty homes to identify whether any of these might be used to enhance the effectiveness of tackling/ preventing empty homes in Scotland, including the appropriateness across different demographics (urban, rural, islands)
 - produce a high quality, balanced and impartial report, ensuring that the full range and nature of underlying evidence and views are presented
- 6.26 The audit findings and consultation responses will help to inform further development of these proposals, as appropriate.

Non-Domestic Rates

- 6.27 In October 2022 there were 18,290 self-catering accommodation units on the valuation roll for non-domestic rates across Scotland. This represents an upward trend in numbers of more than 20% over the past five years. Self-

catering accommodation accounts for 7% of all premises in Scotland liable for non-domestic rates.

- 6.28 The numbers of units per council area vary considerably, with the highest numbers in 2022 located in tourist hotspots such as Highland (5,050), Argyll and Bute (2,290), the City of Edinburgh (1,410), Dumfries and Galloway (1,400) and Perth and Kinross (1,100).

Table 5. Increase in the numbers of self-catering units on the Valuation Roll, between 2017 and 2022 in three island councils

Council	2017	2022	%-/+
Na h-Eileanan Siar	510	750	32
Orkney Islands	380	440	14
Shetland Islands	250	250	0
Scotland	14,180	18,290	22

- 6.29 The owners, tenants or occupiers of self-catering accommodation (who may be businesses, the public or the third sectors) may be liable for either council tax or non-domestic rates. This includes owners of second homes who use them for self-catering accommodation. To be liable for non-domestic rates rather than council tax, self-catering holiday accommodation must be actually let for a period of at least 70 days and available to let for 140 days or more in each financial year.

Tourism/Short term let data

- 6.30 Short-term lets support the tourism and visitor economy, which can be vital to island communities through:
- income received by hosts,
 - support for local businesses such as tourist attractions, restaurants and shops by short-term let guests, and
 - employment opportunities, such as cleaning and maintenance
- 6.31 Our research¹³ into the impact of short-term lets on communities found that just over half (51%) of short-term lets in Scotland were found in just 24 council wards (out of 354), demonstrating that short-term lets are geographically concentrated.
- 6.32 Of those 24 wards, 4 include island communities as set-out in Table 6:

¹³ [Scottish Government commissioned research on short-term lets](#)

Table 6. Type of active Airbnb listings by ward, May 2019.

Ward	Entire Home	Private Room	Shared Room	Total	% of total	Dwellings (2017)
Skye	663	412	8	1083	3.4%	16,759
Oban North and Lorn ¹⁴	332	108	1	441	1.4%	5,171
Caol and Mallaig ¹⁵	244	172	9	425	1.3%	3,971
Oban South and Isles ¹⁶	263	116	12	391	1.2%	5,894

Source: Indigo House and Scottish Government, [Short-term lets - impact on communities: research - gov.scot \(www.gov.scot\)](http://www.gov.scot/resources/publications/2019/05/short-term-lets-impact-on-communities-research)

6.33 In May 2019, some 1.2% of homes in Scotland were listed on Airbnb (as home sharing, home letting or secondary letting). However, in Skye this rose to 18.6% (the highest penetration rate by ward in Scotland). For context, the penetration rate in Edinburgh City Centre Ward was 16.2%.

6.34 The research also provided a breakdown of the total number of Airbnbs in operation in each local authority, including the three local authorities that exclusively cover island areas, as illustrated in table 7.

Table 7. Type of active Airbnb listings by local authority area, May 2019.

Local authority	Entire home / apartment	Private Room	Shared Room	Total (May 2019)	% of total (Scotland wide)
Na h-Eileanan Siar	397	113	3	513	1.6%
Orkney Islands	198	98	0	296	0.9%
Shetland Islands	163	62	0	225	0.7%

Source: Indigo House and Scottish Government, [Short-term lets - impact on communities: research - gov.scot \(www.gov.scot\)](http://www.gov.scot/resources/publications/2019/05/short-term-lets-impact-on-communities-research)

¹⁴ Includes Luig

¹⁵ Includes Rum, Canna and Eigg

¹⁶ Includes Mull, Tiree and Coll

- 6.35 The total population of Scotland's islands, as at the 2011 census, was 103,702¹⁷. The total population of Scotland at the 2011 census was 5,295,000. This suggests that just under 2% of Scotland's population lives on islands (in 2011).
- 6.36 Short-term let licensing commenced in October 2022 and will provide us with a clearer picture about the numbers of short-term lets in Scotland. Based on data collated in 2019, the number of short-term lets on the islands of Skye, Na h-Eileanan Siar, Orkney Islands, Shetland Islands was 6.6% (2,120) of the Scottish total. The number of short-term lets operating across all islands in May 2019¹⁸ will have been significantly greater if it were possible to account for numbers in Arran, Bute and Mull. This emphasises the importance of tourism, and short-term lets, for island communities compared to Scotland as a whole.
- 6.37 Although Airbnb have a large share of the short-term letting market, they are not the only platform for short-term lets in Scotland. Vrbo (Expedia) and Booking.com, as well as other platforms and independent operators with their own website or marketing channels, are important too. The above data quoted only covers short-term let properties listed on Airbnb, and is a snapshot of the picture in island communities.
- 6.38 Second homes can positively support the wider islands economy through providing accommodation for seasonal workers and short-term lets.
- 6.39 In responses to the consultation on short-term let licensing, a number of hosts in rural and island areas noted that running a second property (or properties) as a short-term let provided them with full-time employment and allowed them to sustain their position in the community. They noted that alternative employment opportunities were often limited.
- 6.40 The negative impacts of second homes, empty homes and short-term lets on access to housing include:
- Reduced availability of residential housing – particularly in areas where there are high concentrations of short-term lets and/or second homes
There are reports of people being unable to take up jobs in certain locations, including Skye and the Western Isles, due to lack of available housing¹⁹
 - Increased strain on local public services
 - Negative impacts on communities' quality of life, for example due to noise and anti-social behaviour, which can be an issue in rural and island areas, particularly from larger 'party mansion' type short-term lets

¹⁷ <https://www.scotlandscensus.gov.uk/documents/censusresults/release1c/rel1c2sb.pdf>

¹⁸ Figures quoted in our research was based on InsideAirbnb data from May 2019 and is before the impact of the COVID-19 pandemic.

¹⁹ Note that housing shortages in island locations could be down to a number of factors beyond short-term lets, including: second homes, a smaller private rented sector than in urban areas and the challenge of trying to match need and demand in smaller communities.

Screening summary

- 6.41 Our consultation proposals could have an effect on island communities. However, the additional powers proposed for councils would be discretionary and it would be for local areas to assess the benefit and cost to their local communities before deciding whether to introduce higher council tax charges for second and/or empty homes.
- 6.42 We will review whether to complete a full ICIA after the consultation exercise is complete.

7. Pre-screening for the Strategic Environmental Assessment

- 7.1 This is a pre-screening notification with regard to whether a full Strategic Environmental Assessment is required.
- 7.2 It is our view that the new powers being consulted on would have no impact on most environmental receptors. Receptors such as human health, population and material assets, which are likely to experience some positive effects from these new powers, are still considered to be safely within the minimal threshold and therefore exempt from Strategic Environmental Assessment as per Section 7 of the Environmental Assessment (Scotland) Act 2005.

Impact assessment combined document

Signed off by: Jessica Niven

Position: Head of Housing Markets and Home Ownership

Date: 28 March 2023



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The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-80525-709-7 (web only)

Published by The Scottish Government, April 2023

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1242602 (04/23)

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