

**Second Homes Council Tax Premium**  
**Island Communities Impact Assessment for Cumbrae**  
**Cumbrae Community Council briefing note**

**30% of all North Ayrshire's second homes are on Cumbrae, which has a population of just 1,262. This means the impact of the tax rise per person on Cumbrae is 74 times higher than on the mainland. It causes disproportionate harm, taking £500k out of the island's economy, which is just £12.9m in total.**

The Islands (Scotland) Act was brought in in 2018 to improve outcomes for island communities. A key part of this is the requirement to prepare an Island Communities Impact Assessment (ICIA) where a policy is likely to have an effect on an island community which is significantly different from its effect on other communities.

The legislation requires that an ICIA must do two things:

- It must describe the significantly different effect.
- It must assess the extent to which the policy can be developed or improved to mitigate that significantly different effect.

The ICIA for Cumbrae did perform the first of these legally-required functions. It repeatedly identified significantly different effects for Cumbrae:

- *....due to the relatively high proportion of second home ownership in Cumbrae it is considered that the policy is likely to have an effect on this island community which is significantly different from its effect on other communities.*
- *Housing demand and indeed supply are not regarded as a major issue....*
- *...the type of properties available on the island do not necessarily match the required (sic) property type required to help grow the population.*
- *....demand for purchasing or renting such property types with the intention of more permanent occupancy, may be limited due to the size and suitability of the property.*
- *The Council tax Band profile of second homes on Cumbrae is such that 344 properties out of the 450 second home properties (76%) are either Band A or Band B..... it is recognised that the type of second home accommodation proportionally across Bands A and B may not lend itself or be suitable for more permanent island living.*
- *Due to the property types, especially across Bands A and B, there may be less demand for such properties in the event of them being put up for sale or rented out, which could lead to larger numbers of properties being placed on the market for longer periods of time if supply exceeds demand.*
- *There is a risk, which is probably more acute in Cumbrae, that this change could potentially lead to more housing supply for lower banded properties being available on the market and that this is not matched by an equivalent level of demand for such properties.*
- *Without knowing the individual economic circumstances of current second homeowners on the island it is likely that due to the high proportion of Band A and Band B property types, the financial impact of the application of a council tax premium on current second home owners is likely to be proportionally higher than could be the case in Arran...*

Having identified these significantly different effects, the Islands Act requires that the ICIA must assess ways to mitigate them. It did not do that.

The only mitigations proposed in the ICIA were additional money for affordable housing, and a continuation of the 12 month discount for recently purchased properties being renovated. However, these are North Ayrshire wide mitigations, they are not targeted at the specific problems identified on Cumbrae and are not ring-fenced for Cumbrae.

In relation to Cumbrae itself, the ICIA simply says “*Any unintended consequences of the policy will be closely monitored so that appropriate steps can be taken to minimise any negative outcomes*”. This does not satisfy the legal requirement to assess ways to develop or improve the policy before it is implemented.

This clear legal position was raised repeatedly by Cumbrae Community Council at the Cabinet meeting on 8 October, but was ignored. Cabinet instead chose to spend their time discussing the difficulties of predicting the impact of the policy change on Cumbrae, and the difficulties of doing anything about those impacts. It was pointed out that those questions should have been addressed by the ICIA, but were not.

It is important that the Audit Committee focusses on the legal question of whether the ICIA satisfied the requirements of the Islands Act, and does not get bogged down with discussing the merits of possible mitigations – those are matters for a revised ICIA.

The ICIA should be repeated, and improvements properly assessed that might reduce the negative effects on Cumbrae – as it is legally required to do.

## Notes

1. Both the ICIA and the discussions at the Cabinet meeting mentioned the importance of the consultation undertaken by NAC. However, not a single change was made to the policy as a result of that consultation.
2. The ICIA and discussions at the Cabinet repeatedly referred to the fact that short term lets must be available for rent for 140 days a year, while second homes only have to be occupied for 25 days a year. This, they suggest means that changing properties from second homes to short term lets would result in an increase in occupancy. However, short term lets only have to be let for 70 days a year, and the 25 days a year for second homes is actually the threshold below which the property is considered to be unoccupied, it is not a measure of actual occupancy. A survey currently being undertaken by Cumbrae Community Council has revealed that of 150 second home owners on Cumbrae that have responded so far, the average occupancy of second homes is 138 days a year – which is comparable to the likely occupancy of short-term lets.
3. Possible improvements to the policy that the ICIA might have considered could have included:
  - Phasing the premium in over 2–3 years (e.g., 50% year 1, 75% year 2, 100% year 3), with explicit monitoring thresholds that trigger a policy review.
  - Make the premium graduated. Apply a smaller premium to Band A/B second homes, or establish occupancy-based tiers.
  - Ring-fence a share of premium revenue for Cumbrae-specific housing and town-centre interventions. Targeted funding could support conversions and small homes refurbishment.

- Use ring-fenced funds to offer purchase incentives, deposit loans, or renovation grants for purchasers who commit to local occupancy.
- Allow exemptions or temporary deferrals where owners demonstrate strong local connection or where the owner provides a demonstrable community benefit (e.g., health workers, long-term carers, owners who provide community services etc).
- Allow means-tested hardship deferrals for low-income owners who would otherwise be unable to pay.
- Use revenue to support diversification of local tourism (off-season events and marketing to extend the season).
- Provide small business grants/training to convert properties into managed accommodation that supports local employers.
- Establish a Cumbrae Community Panel to advise on how funds are spent and to flag unintended consequences.