

APPENDIX 2 - ISLAND COMMUNITIES IMPACT ASSESSMENT

ISLE OF CUMBRAE

Please ensure this template is completed in conjunction with the Island Communities Impact Assessment (ICIA) Guidance on the [Scot Gov Website](#)

Name of Policy, Strategy or Service	Council Tax Premium applied to Second Homes
STEP ONE – DEVELOP A CLEAR UNDERSTANDING OF YOUR OBJECTIVES	
What are the objectives of the policy, strategy or service?	<p>The policy objective is to make the council tax system work as an incentive to prioritise homes for living in on a more permanent basis and increasing the level of home occupancy. By applying a 100% premium on council tax for second homes, which would bring this in line with the position across long-term empty properties for North Ayrshire, it is anticipated this would influence behavioural changes across current second home ownership in Scotland and in North Ayrshire to bring more housing into use to support greater occupancy and it is also recognised that the behavioural shift could also lead to more holiday let properties. This would be through a modal shift from second home occupancy of at least 25 days per annum to more permanent levels of occupancy through sale or rental, and in the case of holiday lets, a potentially greater level of occupancy throughout the year against the measurement of the property being available for rent for 140 days per year and actually let for at least 70 days per year. Both shifts could also have wider economic benefits to the local economy. It is also recognised that the application of this policy could also generate additional revenue for the Council. This is against a backdrop of significant budget challenges for all Councils. The</p>

	use of such statutory powers would help mitigate the impact of budget gaps and help protect vital Council services.
Do you need to consult?	The North Ayrshire Council meeting of 14 February 2024 agreed that a programme of consultation should be undertaken on the proposal to implement an increased Council Tax charge on second homes in North Ayrshire, ensuring in particular that the island communities on the Isles of Arran and Cumbrae are given a platform to voice their opinions, concerns and suggestions. A programme of consultation was delivered from 10 October 2024 to 25 November 2024. This was in the form of an on-line survey on proposals relating to Taxes and Levies as part of the Council's Budget Engagement programme, as well as a more targeted on-line survey which residents and businesses, particularly those most directly affected, were asked to contribute to. Feedback was also gathered from engagement groups.
How are islands identified for the purpose of the policy, strategy or service?	This policy would apply across all of North Ayrshire. The Isles of Arran and Cumbrae have therefore been identified as being affected by this policy. A separate ICIA has been completed in respect of the Isle of Arran.
What are the intended impacts / outcomes and how do these potentially differ in the islands?	The isles of Cumbrae and Arran have a high proportion of second homes. In North Ayrshire there are 1,476 domiciles classed as second homes i.e. a home not a primary home and occupied for at least 25 days per year. 30% of North Ayrshire second homes are on Cumbrae (450), 39% are on Arran (572), with the North Ayrshire mainland having 454 second homes (31%). It is proposed that this policy would be applied across all of North Ayrshire. It is recognised that both islands have a high proportion of second homes when compared to the mainland, therefore the impact of this policy could be proportionally greater across the Island communities than that of the mainland. It is also recognised that both island communities are

	<p>different. 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. In Arran, only 118 properties from the 572 second homes (21%) sit across Band A or Band B. The property profile on Cumbrae reflects a higher number of smaller tenemental properties, whereas Arran has a greater proportion of larger dwellings which are also impacted by higher house prices, driven by demand on the Island. The considered impact of the policy is that both Islands could benefit from increased levels of home occupancy when compared to the current level of occupancy through the second home ownership model. An increase in the level of home occupancy through a behavioural change, whether it be through sale or rent of the properties or through a switch to a holiday let, could have a net economic benefit to both island economies. In terms of addressing general housing availability and need, again there are distinct differences across both islands i.e. in Cumbrae 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. Whereas in Arran there are significant challenges around the availability of affordable housing.</p> <p>This ICIA is concerned with the impact on the Isle of Cumbrae.</p>
Is the policy, strategy or service new?	<p>Yes, the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023 was introduced by the Scottish Government following consultation and came into force on 1 April 2024, giving Councils the power to vary the Council Tax charge for second homes from the current 100% charge to include a premium of up to a further 100% of the applicable Council Tax charge.</p>

STEP TWO – GATHER YOUR DATA AND IDENTIFY YOUR STAKEHOLDERS	
What data is available about the current situation in the islands?	<ul style="list-style-type: none"> • The Scottish Government’s consultation responses and report • Internal analysis of second homes profile across the island community and council tax bands • The Isle of Cumbrae Local Island Plan • Isle of Cumbrae Economic Baseline report
Do you need to consult?	<p>Yes. The North Ayrshire Council meeting of 14 February 2024 agreed that a programme of consultation should be undertaken on the proposal to implement an increased Council Tax charge on second homes in North Ayrshire, ensuring in particular that the island communities on the Isles of Arran and Cumbrae are given a platform to voice their opinions, concerns and suggestions. A programme of consultation was delivered from 10 October 2024 to 25 November 2024. This was in the form of an on-line survey on proposals relating to Taxes and Levies as part of the Council’s Budget Engagement programme, as well as a more targeted on-line survey which residents and businesses, particularly those most directly affected, were asked to contribute to. Feedback was also gathered from engagement groups.</p>
How does any existing data differ between islands?	<p>Both islands have a high concentration of second home ownership when compared with the mainland. Around 25% of privately owned homes on Arran are second homes compared with over 40% on the Isle of Cumbrae. In terms of the North Ayrshire mainland less than 1% of homes are second homes. The council tax banding profile across each island is also markedly different i.e. Cumbrae has a very high concentration of Band A properties whereas Arran’s highest concentration is across Band’s D and E. This is set out below:-</p>

Band	Arran	Cumbrae	Mainland	Total
A	57	272	97	426
B	61	72	71	204
C	106	61	67	234
D	124	22	76	222
E	147	21	81	249
F	65	1	43	109
G	12	1	17	30
H	0	0	2	2
Total	572	450	454	1,476

The Isle of Arran is the seventh largest Scottish island and is the largest island in the Firth of Clyde with an area of 432 square miles. It is the most southerly populated of the Scottish islands with Brodick, Lamlash and Whiting Bay on the east coast of the island being the main settlements. Arran is reliant upon its ferry services to transport residents and visitors to and from the island and to access medical and social services, to visit family and friends and for leisure purposes. The Fraser of Allander Institute report 'The Impact of Covid 19 on the Arran Economy' estimated that, on average, each day, the ferries contribute just under £170,000 to the island's economy. This demonstrates the social and economic lifeline that the ferry provides to the island communities and businesses.

In 2023, the total population of Arran was estimated to be 4,549. This represents a 12% decline in the total population of Arran since 2003. 54% (2,441) of the population is of working

	<p>age. 7% of the population is aged 16-24, with 48% aged 24-64 and 34% aged 65 and over.</p> <p>It is estimated that, for 2022, the GVA (Gross Value Add) for Arran was £93.24 mil. The top sector was 'Manufacturing', which had a GVA of £26.67 mil.</p> <p>All but one of Arran's data zones rank above the median (average) for the overall domain² ranking. The access to services domain has some of the lowest domain ranks for Arran's data zones, with five out of seven data zones ranking below the median, and two of those among the bottom 10%. The housing domain also highlights some key challenges on Arran, with six out of the seven data zones ranking below the median. Access to affordable housing is a key challenge for the Island.</p> <p>As of 2022, tourism related employment accounted for roughly one in three jobs in Arran. Key employing sectors on Arran are: 'Accommodation and food service activities' (30%), 'Wholesale and retail trade; repair of motor vehicles and motorcycles' (13%), and 'Transportation and storage' (10%). 'Education' and 'Human health and social work activities' are also important sectors, accounting for 9% and 6% of overall employment respectively.</p> <p>As of December 2023, Arran's claimant count (estimate of people claiming unemployment related benefits) as a proportion of the working age is 2.8%. This is below the national (Scotland) average of 3.0%.</p>
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	<p>The key priorities reflected in the Arran Local Island plan include:-</p> <ul style="list-style-type: none"> • A reliable ferry service • Affordable housing • Health and Social care services • Early years provision on the island • Attracting labour • Tackling depopulation • Public transport on the island <p>The Isle of Cumbrae is Scotland's most accessible populated island and as such the island represents an important and unique island economy in North Ayrshire. Millport is the only settlement on Cumbrae. The island has an active and engaged community with a wide range of interest groups represented in the many clubs and associations on the island. The island has a reputation as an attractive visitor destination and is famously popular among cyclists of all ages thanks to a safe 10-mile, mostly flat, circular loop around the island.</p> <p>It is estimated that, for 2022, the GVA (Gross Value Add) for Cumbrae was £13.85 mil. The top sector was 'Human health and social work activities', which had a GVA of £4.66 mil.</p> <p>As of 2022, total employment on the Isle of Cumbrae was estimated at 425. The top three industries in terms of numbers employed are 'Human health and social work activities' (28%), 'Arts, entertainment and recreation' (24%), and 'Accommodation and food service activities' (16%).</p>
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	<p>The claimant count (estimate of people claiming unemployment related benefits) as a proportion of the working age population for the Isle of Cumbrae was 5.7% as of December 2023. This is almost double the Scottish average of 3.0%.</p> <p>Further to this, in mid-2022, North Ayrshire Council prepared economic baseline report, which was an update to the October 2021 Economic Baseline. This report reviewed the available economic data for the Isle of Cumbrae to inform the development of a Cumbrae Local Island Plan. The key findings included:-</p> <p>Despite its unique strengths, the Isle of Cumbrae faces significant demographic challenges. Over the period of 2001 to 2020, the estimated total population of the Isle of Cumbrae has contracted by 12% – from 1,431 in 2001 to 1,262 in 2020.</p> <p>For the Isle of Cumbrae, the percentage share of the total population that is of working age is 11-percentage points lower than the Scottish level (53% compared to 64%), and the percentage share of the population that is aged 65+ is over double the Scottish rate (39% compared to 19%).</p> <p>To realise Cumbrae’s vision of becoming a sustainable and accessible island, three plan themes determine the Island Plan with a set of key priorities and related actions that build on the existing strengths of the island and minimise risk and further fragility to the community, economy and environmental wellbeing of Cumbrae.</p> <p>In the Communities theme the key priorities include:-</p>
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	<ul style="list-style-type: none"> • Reliable ferry provision • Affordable and Social Housing • Population – Attract working age families • Public transport and infrastructure • Access to health and social services • Effective community governance • Community Facilities <p>The economy theme key priorities include:</p> <ul style="list-style-type: none"> • Improving resilience of island business base • Diversification of economy and reliance on seasonal tourism • Improved tourism and retail offer • Education and skills and retention of young people • Recruitment and retention of employees • Employment opportunities <p>Finally, the environment theme key priorities include:</p> <ul style="list-style-type: none"> • Addressing energy costs • Climate action and sustainability • Protection of natural environment • Built and natural environment • Tourism management • Public transport and infrastructure • Flood prevention and marine / pier infrastructure
Are there any existing design features or mitigations in place?	Each island has specific challenges, and they are reflected in the key priorities across each island. If you consider the current number of second homes across each island and how any

	<p>behavioural shift could impact on the key priorities for each then it is recognised that a shift in housing models, through the application of a council tax second home premium, which leads to more home occupancy or permanent levels of occupancy, to support the island economy and help provide accommodation for those individuals who deliver key services across the islands, could have a net positive impact across a range of priority areas across both islands. They include:-</p> <ul style="list-style-type: none"> • Health and Social care services (for staff accommodation) • Early years provision on the island (for staff accommodation) • Attracting labour (through more housing availability) • Tackling depopulation (through more housing availability) • Public transport on the island (through staff accommodation) • Affordable housing • Recruitment and retention of employees <p>Any modal shift in housing ownership models must consider the impact on tourism on the islands. This is a vital element of the island economy across both islands. For clarity, this proposed application of a council tax premium for second homes relates to properties which are not the primary residence and are occupied for a period of at least 25 days a year. For comparison, properties which are made available for holiday lets for at least 140 days per year and are actually let for a period of at least 70 days per year, are not subject to council tax, rather they are subject to non-domestic rates. This cohort of properties will not be affected by this change,</p>
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	<p>however, it is recognised that following the application of a council tax premium for second homes, it is anticipated that some current second home owners may then apply to be assessed for non-domestic rates purposes, subject to meeting the qualifying criteria. In such an event, this modal shift, whilst not directly contributing to the delivery of a greater level of permanent housing occupancy, would still likely have a net economic benefit to the island economy through a greater level of tourist accommodation provision. This will also have an impact on the level of revenue generated through council tax to the council.</p>
STEP THREE – CONSULTATION	
Who do you need to consult with?	<p>The Scottish Government ran a joint consultation with COSLA from 17 April to 11 July 2023 to seek views on the proposals to provide additional powers to councils allowing them discretion to:</p> <ul style="list-style-type: none"> • 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 <p>There were 981 responses to the Scottish Government consultation: 73 from groups and 908 from individual members of the public. The consultation report is available online.</p> <p>The North Ayrshire Council meeting of 14 February 2024 agreed that a local programme of consultation should be undertaken on the proposal to implement an increased Council Tax charge on second homes in North Ayrshire, ensuring in particular that the island communities on the Isles of Arran and Cumbrae are given a platform to voice their opinions, concerns and suggestions.</p>

	<p>A programme of consultation was delivered from 10 October 2024 to 25 November 2024. This was in the form of an on-line survey as part of the Council's Budget Engagement programme. The consultation was open to all North Ayrshire residents, including island residents, business owners and current second homeowners. In addition, there was a more targeted on-line survey relating specifically to the proposal to implement an additional Council Tax levy on second homes which residents and businesses, particularly those most directly affected, were asked to contribute to. Feedback was also gathered from engagement groups.</p>
How will you carry out your consultation and in what timescales?	<p>The Scottish Government consultation opened on 17 April 2023 and closed on 11 July 2023.</p> <p>A North Ayrshire Council programme of consultation was delivered from 10 October 2024 to 25 November 2024. This was in the form of an on-line survey as part of the Council's Budget Engagement programme. The consultation was open to all North Ayrshire residents, including island residents, business owners and current second homeowners. In addition, there was a more targeted on-line survey relating specifically to the proposal to implement an additional Council Tax levy on second homes which residents and businesses, particularly those most directly affected, were asked to contribute to. Feedback was also gathered from engagement groups.</p>
What questions will you ask when considering how to address island realities?	<p>The Scottish Government consultation, which opened on 17 April 2023 and closed on 11 July 2023, asked 25 questions. Full details of the Consultation and responses is available here on the Scottish Government's website.</p>

	<p>With reference to the consultation undertaken between 10 October 2024 and 25 November 2024, full details of consultation responses are included in appendix 1 of the report.</p>
<p>What information has already been gathered through consultations and what concerns have been raised previously by island communities?</p>	<p>The Scottish Government consultation was open to all citizens and also included specific reference to Island communities.</p> <p>Of those answering the question, 55% of respondents thought that councils should be able to charge a Council Tax premium on top of regular Council Tax rates for these second homes. Support for this position rose to 89% among organisations answering the question. The consultation included 785 published responses from individuals, Local authorities and organisations. These included responses from:-</p> <ul style="list-style-type: none"> • North Ayrshire Council (Included in appendix 1 of the Scottish Government Consultation report) • 43 responses with a connection to North Ayrshire <p>Within the consultation question 23 specifically focussed on the impact on island communities i.e. "Please tell us how you think the changes identified might affect island communities."</p> <p>Around 615 respondents provided a comment at Question 23, with a frequently made point being that it will be important for island authorities and communities to determine how proposals are applied. While there was a view that island communities are likely to experience a similar range of impacts as are expected across other parts of Scotland, most of those commenting thought that islands are likely to be disproportionately affected – positively or negatively. This was linked to suggestions that second and empty homes account for a significantly larger proportion of the housing stock, and</p>

	<p>that short-term lets make a very significant economic contribution for some islands.</p> <p>The consultation included some Specific impacts identified for island communities:</p> <p>Respondents highlighted the extent to which the issues of housing, the economy and community are closely interconnected for Scotland's islands. However, as is outlined below, views were very much divided on the likely balance between positive and negative impacts across these themes.</p> <p>Housing</p> <p>In terms of housing impacts for island communities, respondents were primarily focused on the potential for more second homes being made available for sale, and more empty homes being brought back into use. It was noted that these outcomes, if they increase supply of permanent accommodation, are consistent with the need to address depopulation and the sustainability of communities and economies across some of Scotland's islands. Specifically, it was suggested that:</p> <ul style="list-style-type: none"> • increased supply could help curb house price inflation • additional Council Tax income could be used to deliver additional affordable supply, including through the provision of funding to help with renovating empty homes <p>However, it was also suggested that the extent of any positive housing impacts is likely to vary across island communities. In particular, the proposals were seen as unlikely to benefit communities where there is no significant housing shortage, or</p>
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	<p>there is a lack of housing demand. It was also suggested that any positive impact will depend on how well additional housing supply matches local housing need.</p> <p>There was also a view that the anticipated positive housing impacts are unlikely to be realised across many island communities. There was reference to some of the issues noted above, such as lack of housing demand and a potential mismatch between supply and need, but also concerns that any empty or second homes becoming available to buy may be unaffordable for local residents. It is recognised that this is an issue on the isle of Arran. It was suggested that this may result in homes only being available to wealthy households. Equally, it was also noted that owners may simply choose to retain their second home or leave their property empty, including because of local market conditions. In the case of Cumbrae, house prices are in the more affordable range for local residents and for those who have purchased second homes. Housing demand and indeed supply are not regarded as a major issue, however, the type of properties available on the island do not necessarily match the required property type required to help grow the population.</p> <p>Local economy</p> <p>Views were mixed on whether the proposed changes would be likely to have a positive or negative impact on island economies. As at other questions, respondents noted that a localised approach will be required to support economic activity, and by extension sustainable communities.</p> <p>Expected positive economic impacts were primarily linked to the potential for improved access to housing for workers. A shortage of affordable housing was identified as a key barrier to recruitment for some island economies, and de-population was</p>
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	<p>also highlighted as limiting economic growth for some islands. Both Arran and Cumbrae populations have declined by 10% since 2001. It was suggested that an increase in housing supply could help to retain the local labour force and make islands more attractive to workers moving from the mainland or further afield.</p> <p>However, there were also concerns about the loss of investment from second home buyers, linked to a view that this investment has been crucial in bringing empty or derelict homes back into use across many island communities. It was also suggested that loss of this investment could have an adverse impact on tourism activity if the appearance and amenity of communities are affected.</p> <p>There were also more general concerns that a decline in the visitor economy, as a result of a loss of holiday accommodation and increased accommodation costs, could have a very significant, if not devastating, impact on some island communities. This was linked to loss of employment in particular. In terms of why island communities might be particularly affected, especially by any higher occupancy threshold for short-term lets, it was reported that the tourist season can be shorter on many islands.</p> <p>Local communities</p> <p>Most of those commenting on community impacts anticipated that the proposals would be likely to have positive impacts. This was primarily associated with a reduction in second homes and short-term lets resulting in more year-round occupancy. It was suggested that this would support the sustainability of island communities, and again there was reference to limiting rural depopulation. However, it was also acknowledged that some second homes have been passed down the generations, with</p>
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	<p>the current owners retaining a strong connection to, and actively supporting, the local community.</p> <p>Nevertheless, retaining or building the permanent population was seen as crucial to helping to sustain key local services, such as schools, healthcare and community facilities. Although it was thought that the proposals could have a positive impact on local communities, there were also concerns that they could have the opposite effect and could effectively undermine the sustainability of those communities. This linked back to concerns about the local economy if a substantial proportion of holiday accommodation is lost.</p> <p>Approach to implementation of changes for islands Respondents highlighted the importance of enabling a localised approach to implementation. In terms of the local needs and circumstances that may be relevant to implementation of changes across islands, these included the role of the visitor economy, local housing supply, and the sustainability of communities. It was also suggested that island communities might benefit from an understanding of the different reasons for short-term lets and second home ownership, for example for work or access to education, and as additional income for island residents. As at Question 5 in relation to Council Tax premiums, there was reference to the importance of an evidence-based approach and to ensuring that local communities are involved in any decisions.</p> <p>Linked to calls for a localised approach, respondents wished to ensure that additional funds raised through proposals are retained to benefit island communities. There was specific reference to using funds to support bringing empty homes back</p>
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	<p>into use, to provide advice to owners on compliance with current building standards, for support with potential barriers to becoming a private landlord, and to promote options to sell at locally affordable levels. It was also suggested that additional funding may be required for island communities where they have chosen to limit the application of changes, and thus to reduce any additional income, in order to support the sustainability of local communities and economies.</p> <p>Modelling and ongoing assessment of impact was also seen as essential to better understand how proposals are affecting Scotland's diverse island communities. This was highlighted specifically in relation to monitoring of housing impacts, and the balance between economic and community impacts.</p>
Is your consultation robust and meaningful and sufficient to comply with the Section 7 duty?	The North Ayrshire Council Consultation undertaken between 10 October 2024 to 25 November 2024 has been determined by officers as robust and meaningful and sufficient to comply with the Section 7 duty.
STEP FOUR - ASSESSMENT	
Does your assessment identify any unique impacts on island communities?	Each island has its own characteristics and challenges. Both island economies rely heavily on a reliable ferry service. In the case of Cumbrae, due to the travel times and frequency of service the impacts of any disruption are less acute than they are on Arran. The proposed change to apply a 100% premium on council tax for second homes will likely have an impact on the property ownership models across both islands, however, the extent of change will initially be influenced by the personal economic circumstances of each second homeowner. The policy intent behind the application of a premium is to influence home ownership models across all second homes that helps

	increase the level of housing provision available for more permanent housing or more occupancy.
Does your assessment identify any potential barriers or wider impacts?	<p>Analysis of the available information, including the responses to the consultation carried out by the Council, highlights a number of potential barriers or wider impacts of the proposal. In the case of Cumbrae a large proportion of second homes (76%) fall within Band A and Band B. These are smaller properties which include tenemental type properties. The local economy currently benefits from weekend occupancy and the holiday season including significant numbers of day-trippers, so is therefore dependent on the tourism with around a quarter of the resident population working in tourism related sectors. 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, recognising however the premium element of council tax is lower for lower banded properties. For context, the premium would result in an additional annual cost of £968 for a Band A, £1,129 for a Band B and rising to £3,558 for a Band H. It is therefore possible that this could drive a higher level of behavioural change through current properties being placed on the market for sale or made available for rent. In such cases if the property is then purchased or rented by an individual being their primary residence, then this would lead to higher levels of occupancy throughout the year and it would be anticipated, deliver a greater level of economic benefit to the island. There is a risk however, highlighted in a number of consultation responses, that due to the property types, especially across Bands A and</p>

	<p>B, that 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. Potential purchasers may be more aligned to second home buyers, therefore, there is a potential that a premium on council tax may not be attractive to all demographics and lead to larger numbers of properties being placed on the market for longer periods of time if supply exceeds demand. Again, this would very much be influenced by the economic circumstances of the buyer. Again, the extent to which this could impact the island economy is difficult to predict across the year as Cumbrae, due to the short travel time of the ferry, would continue to benefit from seasonal day-trippers and short stay tourists. Another possible scenario for current second homeowners on Cumbrae through the impact of the council tax premium, is for owners to consider going through the process of changing their property to a holiday let. This would be considered by the Ayrshire Valuation Joint Board subject to meeting the criteria of the property being available to let for a period of 140 days per year and actually let for at least 70 days per year. The property would therefore no longer be subject to council tax and move to non-domestic rates instead. Whilst it is recognised that this could be of economic benefit to the homeowner, as they would likely qualify for 100% Small Business Bonus Scheme relief, therefore not subject to any annual charge along with any rental income that they would also accrue, this would require the homeowner to make their home available to rent for a period of 140 days which may not be desirable. From an island economic impact perspective this switch in property model could still produce a net economic benefit due to the potential higher level of occupancy on the island throughout the year. The consultation response also included feedback that those</p>
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	<p>with second homes were more likely to spend more money on the island when they were there than permanent residents would spend. To address this point, it is recognised that the threshold for second home classification is aligned to an occupancy period of at least 25 days per year. It is therefore considered that, on balance, the economic benefits of higher levels of occupancy throughout the year are expected to outweigh the economic benefits of increased levels of spending over shorter periods of time.</p>
How will you address these?	<p>The impact of the policy will be monitored to assess the ongoing impact and extent of behavioural shift in property ownership models on the islands. This will include the number of second homes retained, the number of homes sold or rented, and the number of homes changed to holiday lets. The proposed policy includes a further top-slice of funding to support investment in affordable housing for North Ayrshire. The 10% allocation from the proposed 100% council tax premium builds on an initial 40% from the current level of second home council tax. This means that 25% of the total proposed charge for council tax on second homes will be invested in affordable housing across North Ayrshire.</p>
<p>You must now determine whether in your opinion your policy, strategy or service is likely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities).</p>	<p>Yes - 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.</p> <p>It is anticipated that the effect of the policy on Cumbrae would likely differ to the effect on Arran due to the different profile of the council tax banding of second homes on each island as detailed above. This may make it more likely that a greater number of second homes on Cumbrae will be sold or converted</p>

	<p>to holiday lets, compared to Arran, as property owners may be less willing or able to absorb the additional expense. 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. Again, the actions of each second home owner were the policy to be introduced would depend on their own personal and financial circumstances and the overall impact on the island economy is therefore difficult to predict. However, it is noted that there would likely be less impact on tourism in Cumbrae compared to Arran due to the short travel time of the ferry, as the island would continue to benefit from seasonal day-trippers and short stay tourists.</p> <p>If the answer is YES, an ICIA must be prepared and you should proceed to Step Five</p>
STEP FIVE – PREPARING YOUR ICIA	
<p>Assess the extent to which you consider that the policy, strategy or service can be developed or delivered in such a manner as to improve or mitigate, for island communities, the outcomes resulting from it.</p>	<p>This policy change would be applied across the whole of North Ayrshire and affect those individuals who currently own a second home. Currently all second homeowners pay full council tax on their second home and this change would result in a 100% premium being applied, therefore, resulting in a 200% council tax charge. These charges will vary depending on the council tax Band of the property, ranging from an annual premium of £968 for a Band A property to £3,558 for a Band H property. The main policy intent behind this change is ultimately to influence a behavioural change in current ownership models that would then result in more permanent home occupancy or a greater level of home occupancy from the current minimum of 25 days per annum related to second home ownership. The proposed policy includes a further top-slice of any revenue generated to support investment in affordable housing. In total,</p>

	<p>25% of all council tax revenue generated from second homes in North Ayrshire would be directed towards investment in affordable homes. Any investment would continue to be needs based and in accordance with North Ayrshire's Local Housing Strategy (LHS) 2023 – 2028 approved at Cabinet on 13 June 2023.</p> <p>Any subsequent property sale or rental or even switch to the rates-based holiday rental could lead to a greater level of home occupancy and have a net positive economic benefit to the islands, when compared to the current threshold of a minimum of 25 days occupancy. It is recognised that the impact on the housing market across both islands through sale or rent will be influenced by the type of property supply being placed and the market and the demand for these property types. 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. It is important that, should this policy be implemented, any impacts are monitored within the context of both island economies. This will include monitoring the number of second homes retained, the number of homes sold or rented, and the number of homes changed to holiday lets. With external support, house prices on the islands will also be monitored. It is also recognised that the application of this policy could also generate additional revenue for the Council. This is against a backdrop of significant budget challenges for all Councils. The use of such statutory powers would help mitigate the impact of budget gaps and help protect vital Council services.</p>
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	<p>It should also be noted that separate to the current number of second homes across both islands there are also properties designated as holiday lets, totalling around 60 in Cumbrae (and over 300 in Arran), providing tourist accommodation to support this sector.</p> <p>The consultation responses included reference to a number of mitigation measures from respondents e.g. suggestion of a sliding scale of premium charge depending on property type. To address this point, it is considered that the current council tax banding allocated to properties is in effect a built-in sliding scale that aligns to historic property valuations. Further, responses included requests that additional revenue generated by the scheme should be ring-fenced for spending on the island that generated the income. To address this point, within the context of the challenging fiscal environment that councils are operating in it is recognised that this revenue will help protect vital council services, however, it is also important to note that the proposals include a 10% top-slice of funding to support investment in affordable housing. This being based on need and in accordance with the North Ayrshire Council Local Housing strategy.</p> <p>Any unintended consequences of the policy will be closely monitored so that appropriate steps can be taken to minimise any negative outcomes for the community as required.</p>
Consider alternative delivery mechanisms and whether further consultation is required.	<p>Due to the complex and changing nature of people's individual circumstances and ultimately the choices they make, it is difficult to predict the level of housing ownership shift across both islands that may result as a consequence of the application of a 100% council tax premium on second homes,</p>

	<p>or indeed the level of any unintended consequences of this policy.</p> <p>A programme of consultation was delivered from 10 October 2024 to 25 November 2024. This was in the form of an on-line survey on proposals relating to Taxes and Levies as part of the Council's Budget Engagement programme, as well as a more targeted on-line survey which residents and businesses, particularly those most directly affected, were asked to contribute to. Feedback was also gathered from engagement groups. Extensive feedback from the Consultation has been gathered and is included in appendix 1 of the report. From the 398 respondents to the survey on proposals relating to Taxes and Levies, 44 (11.06%) related to Arran and 70 (17.59%) related to the North Coast and Cumbrae. From the 507 respondents to the more targeted survey, 247 (49%) related to Arran and 155 (31%) related to the North Coast and Cumbrae. Feedback was also provided by the following Engagement Groups: Redburn Grove Tenants Group; 3Towns Community Shed; Healing Hearts Group; Scottish Syrian Roses; Long Covid Group; Kilbirnie Residents – Syrian & Ukrainian New Scots Women; Big ESOL class, Syrian, Afghan learners; Garnock Community Campus Umbrella Club; Newton Mens Shed; Online Consultation – Ukrainian; and NAFCO.</p> <p>Of the respondents to the Taxes and Levies survey, 114 (30.56%) respondents indicated that the proposal would have a high impact on them or their community; 105 (28.15%) indicated that the proposal would have no impact on them or their community; 80 (21.45%) indicated that the proposal would have a low impact on them or their community, and 74</p>
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	<p>(19.84%) were unsure how much impact the proposal would have on them or their community.</p> <p>Of the respondents to the more targeted survey on the proposal, 299 (59%) respondents indicated that the Council should not apply a premium on council tax. However to provide further context, 209 (41%) respondents identified as being a current second home owner.</p> <p>A range of views were expressed in response to both surveys including reference to:-</p> <ul style="list-style-type: none"> • Impact of the local economy and tourism received mixed views • The fairness of any charge, again received mixed opinions • Around 146 current second homeowners who responded to the more targeted survey indicated they would sell their property if the premium was introduced and 75 owners indicated they would pay the premium, keep their property and continue to use it as a second home. <p>Given the level of feedback from the recent programme of engagement, further consultation is not considered necessary at this time, however it is important that, should this policy be implemented, any impacts are monitored within the context of both island economies. This will include monitoring the number of second homes retained, the number of homes sold or rented, and the number of homes changed to holiday lets. With external support, house prices on the islands will also be monitored.</p>
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Describe how these alternative delivery mechanisms will improve or mitigate outcomes for island communities.	Any required mitigations will continue to be assessed on an ongoing basis.
Identify resources required to improve or mitigate outcomes for island communities.	As above.
STEP SIX – MAKING ADJUSTMENTS TO YOUR WORK	
Should delivery mechanisms/mitigations vary in different communities?	This policy change would be applied across the whole of North Ayrshire, including both islands and the mainland. Whilst it is recognised that both islands have a high proportion of second homes and each island has its own characteristics and challenges this assessment has been completed based on the policy being applied across the whole area. Any behavioural change will be influenced by the economic circumstances of the current second homeowner. Given the high proportion of second home ownership in both island communities it is important for the realisation of the policy objectives that the policy applies to the islands in the same way that it applied to the mainland. It is currently anticipated that the impact of this policy would be positive for the island by increasing the level of home occupancy and prioritising homes for living in on a more permanent basis. In the event of any unintended consequences of this policy being identified in the course of ongoing monitoring, including but not limited to the potential barriers or wider impacts identified at step 4 above, consideration will be given to appropriate steps which may be required to mitigate these across different communities as required.
Do you need to consult with island communities in respect of mechanisms or mitigations?	Island communities have provided feedback to the on-line survey delivered as part of the Council's Budget engagement programme. From the 507 total respondents to the targeted survey on this proposal, 247 (49%) were from Arran and 155 (31%) from the Isle of Cumbrae. In the event of any unintended consequences of this policy being identified in the course of


	ongoing monitoring, consideration will be given to appropriate steps which may be required to mitigate these across different communities as required, including whether further consultation is required.
Have island circumstances been factored into the evaluation process?	The particular circumstances in Cumbrae have factored into the evaluation process as set out above.
Have any island-specific indicators/targets been identified that require monitoring?	<p>In December 2019, Scottish Ministers published the first ever National Islands Plan, which was created with the input from many islanders, including those on Arran and Cumbrae. The current Plan sets out 13 Strategic Objectives which are practical yet critical to improving the quality of life for island communities. The 13 strategic objectives (SOs) set out in the National Islands Plan include:-</p> <ul style="list-style-type: none"> • To address population decline and ensure a healthy, balanced population profile • To improve and promote sustainable economic development • To improve transport services • To improve housing • To reduce levels of fuel poverty • To improve digital connectivity • To improve and promote health, social care and wellbeing • To improve and promote environmental wellbeing and deal with biosecurity • To contribute to climate change mitigation and adaptation and promote clean, affordable and secure energy • To empower diverse communities and different places • To support arts, culture and language

	<ul style="list-style-type: none"> • To promote and improve education for all throughout life • To support effective implementation of the National Islands Plan <p>It is recognised that a number of the national strategic objectives included above could be impacted either directly or indirectly through this new policy initiative i.e. through these measures that results in more home occupancy and more permanent housing availability and affordability. The behavioural shift could help address affordable housing need through an increase in housing supply and help grow the island population and provide more accommodation for staff to deliver vital public services.</p> <p>It is within the above context that, following any new policy implementation, through monitoring the number of second homes retained, the number of homes sold or rented, and the number of homes changed to holiday lets, along with external support to help monitor house prices on the islands, it is anticipated this will provide a sufficient level of information to assess the ongoing impact of the policy.</p>
How will outcomes be measured on the islands?	Monitoring the number of second homes retained, the number of homes sold or rented, and the number of homes changed to holiday lets, along with external support to help monitor house prices on the islands, it is anticipated this will provide a sufficient level of information to assess the ongoing impact of the policy and any associated outcomes.
How has the policy, strategy or service affected island communities?	This would be monitored on an ongoing basis.
How will lessons learned in this ICIA inform future policy making and service delivery?	This would be assessed on an ongoing basis as the policy was implemented.
STEP SEVEN – PUBLISHING YOUR ICIA	

Have you presented your ICIA in an Easy Read format?	
Does it need to be presented in Gaelic or any other language?	This is not considered proportionate for the Island or wider North Ayrshire community
Where will you publish your ICIA and will relevant stakeholders be able to easily access it?	The completed ICIA will be included in a report to North Ayrshire Council scheduled for 12 February 2025, therefore, the information will be publicly available.
Who will sign-off your final ICIA and why?	

ICIA approved by:Mark Boyd.....

Position:Head of Finance.....

Signature:.....

Date completed:28/01/2025.....

Additional Income from Second Homes Premiums

Band	Total	2024/25 Council Tax	Additional Premium (100%)	2025/26 Proposed Charge	Gross Income	10% Bad Debt Provision	Net Additional Income
A	426	968.08	968.08	1,936.16	412,402	-41,240	371,162
B	204	1,129.42	1,129.42	2,258.84	230,402	-23,040	207,362
C	234	1,290.77	1,290.77	2,581.54	302,040	-30,204	271,836
D	222	1,452.12	1,452.12	2,904.24	322,371	-32,237	290,134
E	249	1,907.92	1,907.92	3,815.84	475,072	-47,507	427,565
F	109	2,359.69	2,359.69	4,719.38	257,206	-25,721	231,486
G	30	2,843.73	2,843.73	5,687.46	85,312	-8,531	76,781
H	2	3,557.69	3,557.69	7,115.38	7,115	-712	6,404
Total	1,476				2,091,920	-209,192	1,882,728

Potential Impact if 10% of Second Homes were sold or transferred to the Private Rental Market:

Percentage Transferred	Number sold or Transferred to Rent	Gross Income	10% Bad Debt Provision	Net Additional Income
10%	148	-209,165	20,917	-188,248

Potential impact if 10% of Second Homes were removed from the Council Tax register:

Impact	Number Removed from CT Register	Gross Income	Bad Debt Provision	Net Additional Income
Statutory 50%	148	-104,583	4,183	-100,400
Affordable Housing 40%	148	-83,666	3,346	-80,320
Discretionary 10%	148	-20,917	837	-20,080
Premiums 100%	148	-209,165	20,917	-188,248
Total Impact	148	-418,331	29,283	-389,048

Net Additional Income from Second Homes Premiums

Band	Total	2025/26 Additional Income	10% Sold / Rented	10% Transferred to NDR	Net Additional Income	10% Affordable Housing	Contribution to the General Fund
A	426	371,162	-37,465	-77,427	256,270	-25,627	230,643
B	204	207,362	-21,346	-44,115	141,900	-14,190	127,710
C	234	271,836	-26,719	-55,219	189,898	-18,990	170,908
D	222	290,134	-28,752	-59,421	201,961	-20,196	181,765
E	249	427,565	-42,928	-88,718	295,918	-29,592	266,327
F	109	231,486	-23,361	-48,279	159,845	-15,985	143,861
G	30	76,781	-7,678	-15,868	53,235	-5,323	47,911
H	2	6,404	0	0	6,404	-640	5,763
Total	1,476	1,882,728	-188,249	-389,048	1,305,432	-130,543	1,174,888