



The Scottish Parliament
Pàrlamaid na h-Alba

Reimbursement of Members' Expenses Scheme- Edinburgh Accommodation Provision and Council Tax Costs

21 March 2024

Reference: SPCB (2024) Paper 25

Executive summary

1. The SPCB is invited to consider the following paper which lays out the implications in relation to the Edinburgh Accommodation Provision of recent legislative changes on second homes' council tax and consider whether an increase to the Provision limit is needed to meet these additional costs.

Issues and options

2. In December 2023, Parliament passed legislation which gave powers to local councils to determine any increases to council tax for properties that are second homes. [The Council Tax \(Variation for Unoccupied Dwellings\) \(Scotland\) Amendment Regulations 2023 \(legislation.gov.uk\)](https://www.legislation.gov.uk/uk/2023/1100) will come into force on 1 April 2024 and amends the previous 2013 regulations. One effect is to remove the restriction on local authorities imposing an increase in the amount of council tax payable in respect of second homes and instead to provide a power for local authorities to increase the amount of council tax payable on second homes by up to 100% with rates for the first year being based on those from 2023-24.
3. The regulations provide an exclusion on imposing an increase to the council tax if the property has been unoccupied for at least 12 months, has been purchased by a new owner within the past six months, or if repairs or renovations are underway to improve the property.
4. None of the above exclusions would apply to Members rented flats and there are no other exemptions for Members of the Scottish Parliament.

5. Edinburgh Council has taken the decision to apply the full 100% premium to properties considered to be second homes ([Second home Council Tax – The City of Edinburgh Council](#)). Second homes are classified as such if a property is:
 - lived in for 25 days a year or more (based on a 12-month rolling period);
 - furnished; and
 - not anyone's sole or main residence.
6. The property is not required to be owned and rented properties are treated in the same way as owned properties.
7. Under this classification this would mean that where Members rent a furnished property in Edinburgh, as their Edinburgh Accommodation, it would be considered a second home under the definition, as those Members who rent a flat typically stay between 2 and 3 nights per week on business weeks equating to between 72 and 108 days per year, well above the 25 day limit, the flats are rented furnished and are not the Members sole or main home.
8. Under tenancy agreements the tenants take on responsibility for paying council tax and as such this premium will also fall on the tenant.
9. To date a number of Members have received letters from Edinburgh Council to confirm this position and some have not. This could be because their home is not correctly recorded as a second home, and this will require to be rectified with the council to ensure records are accurate.
10. This legislative change and the decision of Edinburgh Council will therefore have financial implications for the organisation. In looking to quantify this, officials have reviewed the number of Members with a flat in Edinburgh and the level of existing Council Tax costs to determine the potential additional cost for each Member and the budget implications for the upcoming year 2024-25 and future years.
11. We currently have 35 Members who rent a flat in Edinburgh and 3 who own a flat but claim costs relating to council tax as is permitted within the Scheme. In 2023-24 to date this equates to spend of £67k. The cost of council tax claimed per member this financial year ranges from £1,138 to £3,079. For most Members we pay on behalf of the member in one lump sum at the start of the year, however some Members have direct debits set up and reclaim the monies on a monthly or quarterly basis so this figure will increase dependent on whether Members have sufficient monies to claim more monies back from the provision. Assuming the 2023-24 year to date spend of £67k represents most of the costs for the year, the total additional cost resulting from the legislation change will be approximately £70k in 2024-25.
12. SPCB will wish to note that there are some Members who have chosen to rent more expensive flats and who cannot therefore claim all other costs

including portions of the council tax. This will be continued, the new council tax arrangements will neither prejudice nor favor any one Member.

13. It is also worth noting that generally we are seeing a significant increase in the level of rent in Edinburgh, with some Members who are having to move flat reporting they are struggling to find places. In recognition of this the SPCB agreed to look at the potential impact of the increase in rent levels on provision in future as part of the wider sessional Expenses Scheme review and therefore this does not form part of this paper.

14. Given the increased costs due to the increase in Council Tax for Members the SPCB will wish to consider the following options to support Members in meeting these costs in relation to their Edinburgh Accommodation.

- **Option 1** – Ensure all Members eligible for Edinburgh Accommodation Provision are treated the same, as they have been up until now, irrespective of whether they are in Group 2 (hotel only) or Group 3 (hotel or flat) and increase the provision limit for all Members by £3,079, which is equivalent to the highest current council tax amount and therefore would equate to the highest premium due. This would equate to a new provision limit rounded to the nearest £100 of £23,800. As 112 Members are entitled to the provision this would equate to £3,100 per Member uplift and potentially an additional £347k on the budget this year if all eligible members were to spend their full allowance. This is not currently included in the planned budget for 2024-25.
- **Option 2** – Change the approach to Edinburgh Accommodation and have a tiered system with separate amounts for eligible Group 2 (hotel only) and Group 3 (hotel or flat) Members and only increase the limit for those who are entitled to have a flat under Group 3 in the Scheme by the £3,100 identified. This would equate to 61 Members at £3,100 per Member and a potential cost of £189k again if all eligible Members had a flat and spent their full allowance. Meeting such costs is not included in the current budget for 2024-25. Whilst the uplift to any provision limit is for the SPCB to determine under the Scheme any change to eligibility under the provision for each of the Groups within it would require a change to the Scheme and would need to be considered and agreed by Parliament.
- **Option 3** – Temporarily meet the value of the increase specific to each Member's council tax by providing all 38 Members who currently have a flat with an uplift to the end of the session to their Edinburgh Accommodation Provision which is equivalent to the actual cost of their individual additional council tax premium each year. For example, if Member A's council tax was £2,200 that would be their increase and if Member B's council tax was £1,500 that would be their increase. Whilst this will take some initial management it will enable us to fairly provide all affected Members

with the monies to cover these additional costs until the end of the session without the need for changes to the Scheme until the more in-depth sessional review of the Scheme can be carried out. As the legislation requires any premium applied to be based on the 2023-24 council tax figures the cost of this would be an additional £70k. The SPCB could meet this additional cost centrally or agree exceptional expenses for those Members affected. However, by processing through the Scheme it would give the decision more transparency as the additional spend would be published along with other expenses and be simpler administratively. This is not currently budgeted for in the 2024-25 budget. This would then also be applied between now and the end of the session to any Member who is eligible to have a flat, does not currently have one but goes on to do so.

- **Option 4** – Temporarily meet these additional costs only for those Members affected who cannot currently meet the costs within their Edinburgh Accommodation limit. This would mean only meeting the actual costs of the additional council tax for anyone who went above the current provision limit because of this additional premium. Whilst this would be a lower overall cost it would take more management and we would have reduced control overall as the final total could vary greatly from the current position if more Members were in the position of not being able to afford to claim other costs they currently can claim. This could also be considered unfair on those Members who are able to currently afford the cost and seen as only being supportive of those would be over the provision limit or who have chosen to have a higher cost flat and don't currently claim all costs. At present the cost of this would be approximately £7.5k based on current spend levels for 3 Members and their council tax charges. The SPCB could meet this additional cost centrally or agree exceptional expenses for those Members affected. However, by processing through the Scheme it would give the decision more transparency as the additional spend would be published along with other expenses and be simpler administratively. Looking at spend to date there is high potential for more Members to go into overspend depending on the level of utility bills etc. so this could increase the cost over the coming year with the need for multiple exceptional expenses applications or delegation of decisions on the matter to officials.

15. We would recommend option 3 be taken forward, particularly given the potential cost implications of implementing options 1 and 2 and the potential perception of the unbalanced approach option 4 presents.

Governance

16. The Reimbursement of Members' Expenses Scheme provides for the SPCB to determine any limit for the provisions within the Scheme and therefore the SPCB could increase the limit should it wish as detailed under

options 1 and 2, albeit option 2 would also require a change to the Scheme itself to create such a tiered approach.

17. The Scheme also provides for the SPCB to determine any exceptional expenses where it cannot be met elsewhere in the Scheme. Given some Members would be unable to meet this cost, which is out with their control, within their current limits the SPCB could consider this an exceptional cost to the end of the session and provide funds to cover that cost to those Members affected by it either through option 3 or 4.

Resource implications

18. The cost of options 3 and 4 can be met from within the wider Members Cost budget provision for the next financial year. Option one and two would not be affordable within current budget limits and would not be recommended.

Publication Scheme

19. This paper can be published in line with the publication scheme.

Next steps

20. To advise Members of the SPCB decision and take forward the chosen option in relation to the affected Members' provision limit.

Decision

21. The SPCB is invited to consider which option they would like to agree in relation to supporting Members with the cost of the increase in council tax under the Edinburgh Accommodation Provision.

Allowances Office

12 March 2023