



**CABINET 6 FEBRUARY 2002**

**PORTFOLIO: FINANCE & SUPPORT  
HOUSING**

**COUNCIL TAX: A PROPOSED RESPONSE TO THE GOVERNMENT'S  
CONSULTATION PAPER ON SECOND HOMES AND LONG TERM EMPTY  
PROPERTIES**

**1. INTRODUCTION**

- 1.1 On 23 November the Department for Transport, Local Government and the Regions (DTLR) issued a Consultation paper on proposed changes to the council tax for second homes and long-term empty homes.
- 1.2 A summary of the proposals is shown below for Members consideration. More detailed information is available from Officers on request. The Consultation paper can be viewed on the DTLR website at [dtlr.gov.uk/consult.htm](http://dtlr.gov.uk/consult.htm)
- 1.3 The Appendix to this report contains a summary of specific questions from the DTLR on which views are invited, each with a proposed Council response for the approval of Members.

**2. SUMMARY OF THE PROPOSALS**

- 2.1 Long-term empty properties and second homes can have a significant impact on the nature and sustainability of local communities. This impact varies considerably between areas and the Government considers that there is a strong case for introducing some flexibility over the setting of council tax discounts and exemptions. This would allow decisions on discounts and exemptions to reflect local circumstances in a way that helps to address the associated problems, especially housing.
- 2.2 In addition to the direct impact of such flexibility, the Government is also considering whether any additional revenue generated should be allocated to address housing, or wider, problems in areas that opt to reduce or end discounts.
- 2.3 In the Consultation paper, the Government sets out proposals to give local authorities discretion to:
  - Remove or reduce the existing 50% council tax discount for second homes (defined as furnished dwellings which are no-one's main residence).

- Remove or reduce the existing 50% council tax discount for unfurnished long-term empty homes – and to decide how long a property remains empty before council tax is due.
- Grant additional council tax exemptions or discounts that are not already covered by the current national exemptions, in response to local factors (e.g. flooding) or on a case-by-case basis.

2.4 The Government invites views on how the additional council tax raised by local authorities which remove or reduce the discounts for second homes and/or long-term empty homes should be distributed. Four possible options are outlined:

- A Government would continue to take the additional tax raised into account when distributing grant.
- B Billing authorities retain proceeds and are free to spend it on housing or any other locally identified priority.
- C Billing authorities retain proceeds which are spent on housing only.
- D Additional proceeds are ring-fenced for social housing and spent through the Housing Corporation's Approved Development Programme.

The paper also proposes that local authorities should bear the full cost of any new exemptions or discounts that they choose to apply in their areas.

2.5 The proposed changes will require primary legislation and apply to England only.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 Approximately 2850 of the 75000 dwellings in the District currently receive 50% council tax discount because they are either second homes or unfurnished long-term empty homes.
- 3.2 If local authorities were given discretionary powers to remove or reduce these existing discounts and all the proceeds were retained by billing authorities the maximum extra revenues for this Council may be as much as £1.2M per annum if the discounts were completely removed or £0.6M if say the discounts were halved.
- 3.3 There would clearly be additional on-going administration costs to offset against the potential extra revenues. This is very broadly estimated as £50,000 per annum. There would also be some one-off implementation costs to cover software changes etc.

### **4. CRIME & DISORDER IMPLICATIONS**

- 4.1 None arising directly from the proposals.

### **5. ENVIRONMENTAL IMPLICATIONS**

- 5.1 Additional revenues generated could be used to alleviate environmental issues caused by second homes and empty properties

## 6. RECOMMENDATIONS

- # 6.1 That Cabinet approves or amends the proposed responses (shown in Appendix 1) to the Consultation paper for submission to DTLR and the Local Government Association.

### Further Information

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### Background Papers

DTLR Consultation Paper

Or

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## Appendix 1

### **PROPOSED RESPONSE FROM NEW FOREST D.C.**

#### **EXTENT OF LOCAL AUTHORITY DISCRETION OVER COUNCIL TAX**

<b>QUESTION</b>	<b>PROPOSED RESPONSE</b>
<b>Q1.</b> Do you agree that local authorities should be given discretion to reduce or end the council tax discounts for second homes?	<b><i>Yes. This Council strongly agrees with this proposal and has made representations to this effect previously.</i></b>
<b>Q2.</b> Do you agree that this discretion should also extend to long-term empty homes?	<b><i>Yes</i></b>
<b>Q3.</b> Should local authorities also have powers to create their own council tax exemptions and discounts, including powers to grant relief on a case by case basis?	<b><i>This is not considered necessary and granting relief on a case by case basis may cause more problems than it would solve. (There are currently 22 classes of exempt dwellings prescribed by legislation. This national classification of exemptions has worked very well in practice for many years now. If any additional classes are worthy of exemption these could also be prescribed by legislation.)</i></b>

#### **PROCEEDS FROM REDUCING OR REMOVING COUNCIL TAX DISCOUNTS LOCALLY**

<b>Q4.</b> Should individual local authorities be able to retain the additional council tax raised, or should the additional money be spread across all local authorities in England?	<b><i>This authority believes very strongly indeed that individual local authorities should be able to retain the additional council tax raised. (This will raise a number of detailed billing and accounting issues that will need to be addressed. Significant changes to computer software will be required).</i></b>
<b>Q5.</b> If you believe there should be local retention, should the proceeds be retained for just second homes, or for long-term empty homes as well?	<b><i>For the sake of simplicity we feel that the proceeds from second homes and for long term empties should be retained locally</i></b>
<b>Q6.</b> If so, which of options B-D in paragraph 31 would be the most appropriate means of local retention?	<b><i>This Council believes that any additional revenue raised should be retained by billing authorities and spent on housing or any other locally identified priority. (Option B)</i></b>

	<p><b><i>This Council is a very popular tourist destination with a significant proportion of second homes. This raises distinct issues within this unique district that do not apply throughout the County. The Council could use additional money raised to provide more affordable homes for local residents and low paid workers in the area and to help maintain local village shops and transport services etc.</i></b></p>
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**OTHER ISSUES**

<p><b>Q7.</b> Do you agree that the distinction between unoccupied furnished and unoccupied unfurnished properties is the simplest and fairest approach to defining second homes and long-term empty homes? If not, please suggest an improvement.</p>	<p><b><i>Yes we agree with this proposal.</i></b></p>
<p><b>Q8.</b> If the proceeds are retained locally, how can we continue to ensure that the additional amount raised by removing or reducing the council tax discount is identified correctly in years to come? (Failure to do so will have implications for grant distribution.)</p>	<p><b><i>Any additional proceeds will presumably have to be accounted for quite separately and excluded from the taxbase for grant distribution. Software changes will be required. Billing authorities currently account for court costs and fees via personal council tax accounts. Any additional proceeds may be able to be accounted for in a similar manner.</i></b></p>
<p><b>Q9.</b> Do you agree that local authorities should meet the costs of any additional exemption or discounts that they grant?</p>	<p><b><i>Yes. Providing the additional proceeds are retained by the billing authorities that bear the entire cost of administering council tax.</i></b></p>