

## MOTION FROM COUNCIL – COUNCIL TAX ON SECOND HOMES

### 1. INTRODUCTION

- 1.1 At the Council meeting held on 30 July 2007, a motion was made by Cllr Pemberton which read “That this Council makes representation to the appropriate Government Minister to raise the upper limit of Council Tax on second homes to a level of twice the basic rate. “
- 1.2 The motion was referred to the Corporate Overview Panel.
- 1.3 This report sets out key issues that need to be considered.

### 2. BACKGROUND

- 2.1 The 30 July Council minutes show Cllr Pemberton’s position in respect of the motion, namely: -
  - Cllr Pemberton considered that there was sufficient evidence to show that the upper limit of 90% of the basic rate was more of an encouragement than a deterrent to second home buyers, when considering the number of dwellings lying empty or unoccupied during winter months. He considered that the seasonal fluctuation had a detrimental effect on local communities.
  - There had been recent BBC reports of the Government’s concern at the economic decline of seaside resorts along the south coast. More particularly, the housing market had become distorted with developers building for the holiday trade and not for local people.
  - It was felt that the mechanisms that influenced people’s decisions on whether to have a second home by the sea should be altered. It was considered that the Government should allow local authorities to adjust levels of Council Tax in order to deter the purchase of holiday homes.
  - Cllr Pemberton felt that a slight adjustment to the Council tax might be sufficient to temper demand and restore the equilibrium to a housing market that must first serve its neighbourhood and so succour its local economy.

### 3. POWERS OF THE PANEL AND THE CABINET

The Terms and Reference of the Council’s Review Panels gives the Corporate Overview Panel the power:

- To make reports or recommendations to the Council or the Executive in respect of functions which are not the responsibility of the Executive; and
- To make reports or recommendations to the Council or the Executive in respect of matters which affect the Local Authority’s area or its inhabitants.

In the case of Cllr Pemberton's motion, the Cabinet and the Council does not have the power to raise the upper limit of Council Tax on second homes this can only be done by a change in current legislation.

The Department for Communities and Local Government is responsible for advising Ministers on all aspects of local government finance policy and legislation.

It is within the Cabinet's powers to make recommendation to the minister if they so choose.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 Where a Billing Authority reduces the discount on unoccupied furnished properties both the billing authority and the precepting authorities (the County Council, Police, Fire Authorities and Local Councils) benefit from the increase in the tax base. The tax base used in the calculations of the revenue support grant is not currently increased.
- 4.2 This means that any proceeds raised locally by virtue of a Billing Authority's decision to reduce the discount is shared with the precepting authorities in proportion to their council taxes (and is not off-set by a corresponding reduction in government grant).
- 4.3 Approximately, 85% of any additional income raised passes to the major precepting authorities (County, Police and Fire) because their council taxes account for the major part of the council tax bill. However, any additional administration costs falls on the billing authority.

#### **5. ENVIRONMENTAL, CRIME AND DISORDER, EQUALITY AND DIVERSITY IMPLICATIONS**

- 5.1 There are none arising directly from this report.

#### **6. CORPORATE OVERVIEW PANEL COMMENTS**

- 6.1 The Panel were very sympathetic with the intentions behind the Motion, given the adverse effect that second homes had on local communities, but a number of practical considerations were acknowledged which may have a bearing on how the issue might be progressed. In summary, the main problems highlighted were:-
  - Where many second homes stood empty for long periods of time, which exacerbated housing shortages for local people in some parts of the District, and,
  - In areas where there were high proportions of such empty properties, it was claimed some local businesses were experiencing difficulties in remaining viable because of the related seasonal variations in trade.
- 6.2 The Panel was reminded that for the purposes of council tax, the definition of 'Second Home' did not just include 'holiday homes', but also contractor / employee flats or houses which may only be occupied for part of a year. There were 1530 furnished and unoccupied dwellings in the District plus 150 holiday

chalets. It was acknowledged this was a complex, national problem with no easy solutions.

- 6.3 Since 2004, NFDC had lowered the council tax discount on second homes to the legal minimum of 10% in an effort to discourage second homes, though it was doubted this did much to address the problem.
- 6.4 Officers pointed out that, even if the Council were able to increase council tax substantially for second homes, some owners may try to find ways to avoid payment, which may in turn create resource issues for the Council in terms of collection problems. This was a particularly important point, given that NFDC only received a small percentage of the council tax raised, with the majority going to the County Council. The extra costs of recovery may even exceed the additional revenue the District Council might receive from a higher council tax on second homes.
- 6.5 In conclusion, the Panel accepted the intentions behind the Motion, but acknowledged that the impact of increasing council tax on second homes may not in itself be sufficient to combat the problem, and may even create a resource issue with council tax collections. The Panel therefore wished to amend the Motion by suggesting that the Council make representations to Government and the LGA, calling for councils to be given all the necessary powers to tackle the problem locally, which may include adjustments to local taxation if appropriate and practicable.
- 6.6 The Panel therefore agreed that the Council should be recommended to make representations to the Government and the LGA, calling for councils to be given all the necessary powers to tackle the problems relating to second homes in their localities.

## **7. PORTFOLIO HOLDER COMMENTS**

- 7.1 The Finance & Efficiency Portfolio Holder would like to see greater clarification of the problems to be tackled before representations are made and recommends deferment until this has been studied.

## **8. RECOMMENDATION:**

- 8.1 That the Cabinet considers the matter and makes recommendations.

### **For Further Information Please Contact:**

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### **Background Papers:**