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RURAL COMMUNITIES MISSING OUT ON ADDITIONAL COUNCIL TAX ON SECOND HOMES WARNS RURAL WATCHDOG

Many rural local authorities are missing an opportunity to address the problems caused by large numbers of second homes in rural communities, according to a report published by the Commission for Rural Communities (CRC) today. Although there have been positive outcomes from the policy to allow local authorities to reduce the discount on council tax on second homes, with examples of the additional resources being used to help fund extra services, to support affordable housing and to help lever in funds from other sources, the opportunities to make the most of this policy to benefit the communities experiencing the problems have not been fully realised.

Dr Stuart Burgess, Chairman of the Countryside Agency and Rural Advocate, said, " It would be wrong to blame the incidence of second homes for the housing problems in rural areas, but there is no doubt that, in highly pressurised areas, they can have a severe impact on the local community, both on the availability of housing and on the viability of local services. Along with many others, we welcomed the decision by the Government to allow local authorities to reduce the council tax discount on second homes and to retain the additional revenue raised as a means of addressing some of the problems locally. But our evaluation shows that, in many cases, this is not happening and the funds are being used for other purposes unrelated to the individual communities."

The report shows that almost all rural authorities with significant numbers of second homes have exercised the discretionary powers, introduced in April 2004, to apply a reduced council tax discount for owners of second homes. The report found that, in 2004/05:

- Over 90 per cent of authorities with 0.5% of their housing stock classified as second homes applied the reduced discount, resulting in total additional revenue of £87.5m, of which over £46m was raised by rural authorities.
- 10 rural authorities raised the most additional revenue, totalling £15m, of which £7m was used for affordable housing or related purposes.
- The additional resources have in some locations helped to ameliorate the negative aspects of large proportions of second homes. However, often the funds have been spent on other priorities, outside the communities affected, or there has been a lack of agreement between local authorities or excessive bureaucracy in administering the funds raised. In some cases, the additional resources have gone into a general pot and been used to reduce the overall council tax bill across the authority's area.

The CRC's report makes a number of strategic and technical recommendations for improving the policy and its operation. In particular, where local authorities decide not to apply the discount, it recommends that they should publish the reasons behind their decision; where it is applied, all the additional resources raised should be used to

mitigate the impacts of high levels of second home ownership and the effects identified in local strategies. This could be done by adjusting local housing and community policies to take full account of rural needs and circumstances and directing more resources to meet rural housing needs. It should also give real support to local people to seek their involvement in finding solutions to the problem through local surveys and community led plans.

The CRC also recommends that the Office of the Deputy Prime Minister (which has policy responsibility for local authority funding) should consider amending the legislation and regulations, as necessary, to permit the billing authority (i.e. the district or unitary council) to retain all the additional resources raised. The Commission also suggests that the current review by Sir Michael Lyons of the balance of funding between central and local government should consider whether there is a case for council tax on second homes being treated as a separate taxation resource, rather than categorised as residential, as at present.

"Many rural communities perceive second home ownership as a problem. There are real concerns about the impact it will have on the future of many of our best-loved rural villages. Any action to overcome or reduce the consequences to the benefit of local residents and businesses will, I am sure, have a positive effect in the longer term," concluded Dr Burgess.

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NOTES FOR EDITORS

1. The Local Government Act 2003 gave local authorities the ability to reduce the discount on council tax on second homes with effect from April 2004, with the additional revenue retained locally. The report 'Evaluation of the use of reduced council tax discount from second homes by rural authorities 2004/2005' presents the results of research that sought to evaluate the early impacts of this policy change. It was undertaken jointly by the Commission for Rural Communities and De Montfort University. The evaluation looks at what has happened in the period 2004/2005. It is available from www.ruralcommunities.gov.uk

2. Throughout March, (free) 'show and tell' events are being arranged across the country to share examples of good practice identified during the evaluation, focusing on the different approaches counties and local authorities have taken to distribute the resources, types of use the money has been put to and successes and problems encountered. To find out more about these events, visit our website at www.ruralcommunities.gov.uk

3. A regional breakdown of the evaluation found:

South West: Sixteen rural district and unitary authorities¹ were interviewed, along with each of the region's county authorities. Fifteen of these districts and unitary authorities have reduced the discount on council tax on second homes to 10%, and are therefore raising additional council tax revenue for local use.

Between them these fifteen district and unitary authorities raised approximately an additional

¹ (The district authorities are: Cotswolds, North Wiltshire, Kennet, West Dorset, North Dorset, Purbeck, West Somerset, Sedgemoor, Torridge, South Hams, East Devon, Caradon, Kerrier, North Cornwall, Penwith; the unitary authority is the Isles of Scilly.)

£12 million in the financial year 2004/05. The additional funding has been put to a number of uses. In six of the districts the revenue has been used to directly fund provision of new affordable housing, while in three of the remaining districts the revenue has been used to fund some other form of housing related services. In all but one of these district and unitary authorities second homes comprise more than 1% of their total housing stock.

Yorkshire and Humberside: The rural district authorities of Craven, Richmondshire and Ryedale, and East Riding of Yorkshire unitary authority were interviewed, along with North Yorkshire county authority. All of these district and unitary authorities have reduced the discount on council tax on second homes to 10%, and are therefore raising additional council tax revenue for local use.

Between them these four district and unitary authorities raised approximately an additional £1.5 million in the financial year 2004/05. The additional funding has been put to a number of uses. In three of the districts the revenue has been used to directly fund provision of new affordable housing, as well as enabling of affordable housing and housing research. In all of these district and unitary authorities second homes comprise more than 1% of their total housing stock.

East of England: The rural district authorities of Kings Lynn and West Norfolk, North Norfolk, Broadland, Suffolk Coastal and Waverney were interviewed, along with Norfolk and Suffolk county authorities. All the district authorities have reduced the discount on council tax on second homes to 10%, and are therefore raising additional council tax revenue for local use.

Between them these five district and unitary authorities raised approximately an additional £4.9 million in the financial year 2004/05. The additional funding has been put to a number of additional uses. In two of the districts the revenue has been used to directly fund provision of new affordable housing, while in one of the remaining districts the revenue has been used to fund additional housing posts. In all but one of these district authorities second homes comprise more than 1% of their total housing stock.

North East: The rural district authorities of Tynedale, Berwick upon Tweed and Alnwick were interviewed, along with Northumbria county authority. All of these district authorities have reduced the discount on council tax on second homes to 10%, and are therefore raising additional council tax revenue for local use.

Between them these four district authorities raised approximately an additional £1.1 million in the financial year 2004/05. The additional funding has been put to a number of uses. In all of the districts the revenue has been used to fund additional housing posts, enabling of affordable housing, housing research and housing advice services. In all of these district authorities second homes comprise more than 1% of their total housing stock.

North West: The rural district authorities of Allerdale, Eden, South Lakeland and Copeland were interviewed, along with Cumbria county authority. All of these district authorities have reduced the discount on council tax on second homes to 10%, and are therefore raising additional council tax revenue for local use.

Between them these four district authorities raised approximately an additional £3.3 million in the financial year 2004/05. The additional funding has been put to a number of uses. In all of the districts the revenue has been used to directly fund provision of new affordable housing while in one of the remaining districts the revenue has been used to fund enabling of affordable housing, housing research and additional housing posts. In all these district authorities second homes comprise more than 1% of their total housing stock.

South East: The rural district authorities of Wealden, Rother, Waverley, New Forest and Test Valley and the Isle of Wight unitary authority were interviewed, along with East Sussex, South Hampshire and Hampshire county authorities. All of these district and unitary authorities have reduced the discount on council tax on second homes to 10%, and are therefore raising additional council tax revenue for local use.

Between them these six district and unitary authorities raised approximately an additional million in the financial year 2004/05. The additional funding has been put to a number of uses. In three of the district and unitary authorities the revenue has been used to directly fund the provision of new affordable housing, while in two of the remaining districts the revenue has been used to fund some other form of housing related services. In all but two of these districts and unitary authorities second homes comprise more than 1% of their total housing stock.

West Midlands: The rural district authorities of Stratford upon Avon, Warwick, South Shropshire and Bridgnorth were interviewed, along with Warwickshire and Shropshire county authorities. Two of the four district authorities have reduced the discount on council tax on second homes to 10%, and are therefore raising additional council tax revenue for local use.

Between them the two district authorities that have reduced the discount raised approximately an additional £350 thousand in the financial year 2004/05. The additional funding has been put to a number of uses including some housing related services as well as a number of other community projects. In two of the district authorities second homes comprise more than 1% of their total housing stock.

East Midlands: The rural district authorities of Boston, South Holland, High Peak and Derbyshire Dales were interviewed, along with Derbyshire and Lincolnshire county authorities. All the district authorities have reduced the discount on council tax on second homes to 10%, and are therefore raising additional council tax revenue for local use.

Between them these four district authorities raised approximately an additional £750 thousand in the financial year 2004/05. The additional funding has been put to a number of additional uses. In two of the districts the revenue has been used to fund the enabling of affordable housing and other housing research. Of the district authorities Derbyshire Dales has the highest proportion of second homes among its housing stock at over 3%.

5. The Natural Environment and Rural Communities Bill, currently under consideration in Parliament, will establish the Commission for Rural Communities as an independent statutory body. Pending legislation, the Commission has been established as a distinct division within the Countryside Agency. It has three main roles, with a particular focus on disadvantage:

Rural advocate: the voice for rural people, businesses and communities.

Expert adviser: providing evidence-based, independent advice to government and others.

Independent watchdog: monitoring and reporting on the delivery of policies nationally, regionally and locally.

See also the website: www.ruralcommunities.gov.uk