

REPORT TO CABINET

REPORT OF: Revenues Manager

REPORT NO. FIN/

DATE: January 2005

TITLE:	SECOND HOMES DISCOUNT
FORWARD PLAN ITEM:	N/A
DATE WHEN FIRST APPEARED IN FORWARD PLAN:	N/A
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	

COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:	Peter Martin-Mayhew
CORPORATE PRIORITY:	B
CRIME AND DISORDER IMPLICATIONS:	N/A
FREEDOM OF INFORMATION ACT IMPLICATIONS:	N/A
BACKGROUND PAPERS:	None

1. INTRODUCTION OR SUMMARY

The Local Government Act 2003 gave billing authorities new **discretionary** powers to reduce council tax discounts in respect of second homes and long term empty properties.

Members decided to retain the discount at 50% for 2004/05, a decision in line with all the other Lincolnshire Authorities.

The purpose of this report is to formally decide to what degree and from what date we will operate these new discretions

2. RECOMMENDATIONS

That with effect from 1 April 2005 and until further notice, the Council will use its discretion to reduce the council tax discount on Second Homes Class B (those where occupation is NOT prohibited by law for a continuous period of at least 28 days in a relevant year) from 50% to 10%.

3. DETAILS OF REPORT

Second homes are defined in the regulations as **dwellings which are furnished but not used as anyone's main home**. For the purposes of using the discretion to reduce the council tax discount on these homes, regulations break them down into 2 classes:

- Class A - those where occupation is restricted by a planning condition preventing occupancy for a continuous period of at least 28 days
- Class B - those without such a planning restriction on occupancy (which could therefore be lived in all year round).

We have the discretion to reduce the council tax discount for all such second homes for the whole of our area or even for any part of it. The extent of this discretion is to reduce the discount on either or both of the above classes from 50% to a minimum of 10% or anything in between (an exception is where the liable person is required to live in "job related accommodation" as part of his job). If we decide to operate this discretion, owners of furnished let property **will** be caught by this **between leases** even though most people would not think of such property as being a "second home" in the everyday use of the phrase. However, service personnel living in armed forces accommodation in England will keep the 50% discount if they have a second home in England too. In the same way, the 50% discount will also be retained for most clergy with second homes.

If we choose to reduce the discount on second homes, the additional revenue raised will be retained locally and shared between ourselves, the County Council and the Police **without any restrictions on how we choose to spend our shares**. The extra revenue will be divided up in proportion to the shares of the overall council tax amount for the relevant year.

In Lincolnshire, all the other District Councils are intending to reduce the discount for second homes to 10%. We interpret this to mean Second Homes Class B only as it seems unfair to charge the maximum if year round occupation is prohibited. In South

Kesteven District Council, we are not aware of such properties and so it does not seem justifiable or worthwhile altering the statutory entitlement to the 50% discount for them when no-one could live in them as their main home anyway. The view is likely to be different for those authorities with large concentrations of such property – for example seaside resort areas with lots of holiday chalets.

The county-wide approach is on the understanding that the County Council and Police Authority will spend their shares of the additional revenue, which we'll be collecting for them at our expense, on additional services within our area. In South Kesteven District Council, we expect this will be achieved by the County Council and Police Authority supporting the Local Strategic Partnership. We have had confirmation of this from the County Council and we await confirmation from the Police Authority.

We currently have approximately 190 second homes in the South Kesteven District Council area (Second Homes Class A). The experience of other Council's in the country suggests that there could be a reduction in second homes as a consequence of operating the new discretion. We think it would be prudent to assume about a 15% reduction throughout the first year

Clearly there are sound financial reasons for reducing the discount on second homes. However, that would hardly seem sufficient justification alone to the owners of such property. They are likely to perceive that they benefit from certain council services to a much lesser extent than those who occupy their homes all the time and so therefore they would argue that they should get more than the new minimum 10% discount. However, the Government has introduced this discretionary power specifically to ensure that billing authorities can ask second home owners to contribute a greater amount towards the cost of council services – they can achieve this through reducing their council tax discount. The increased council tax burden will raise more money locally, act as a disincentive to keeping a second home or result in a combination of both of these.

There is reasonable justification for using our discretion to reduce the discount for second homes to the minimum of 10%. Second homes, which by definition are not occupied all the time (some only very occasionally), reduce the demand on local services (for example buses, shops and pubs). They can also drive property prices up where demand is high and effectively price local people out of the housing market. In addition, some would no doubt argue that people with second homes can afford to pay full council tax and so continuing to grant the statutory 50% discount is perceived to be unfair.

4. OTHER OPTIONS CONSIDERED AND ASSESSED

We could continue with only the statutory discounts (which apply nationally) and not operate these new discretions at all.

5. COMMENTS OF DIRECTOR OF FINANCE AND STRATEGIC RESOURCES

None.

6. COMMENTS OF CORPORATE MANAGER, DEMOCRATIC AND LEGAL SERVICES (MONITORING OFFICER)

Monitoring Officer had no specific comments to make in respect of this report.

7. COMMENTS OF OTHER RELEVANT SERVICE MANAGER

None - report complied in conjunction with Service Manager.

8. CONCLUSIONS

None.

9. CONTACT OFFICER

Kevin Legg – Revenues Manager

Direct dial: 01476 406224

Email: k.legg@southkesteven.gov.uk