

Consultation received from Kent County Council's Cabinet Member for Finance

Council Tax Second Homes Discount

Summary

We have had a long standing arrangement (since 2006/07) for the county council to share the proceeds from reducing the Council Tax discount on second homes with district councils. However, the time has now come that we must review these arrangements for 2016/17 as they are no longer sustainable. This paper sets out KCC's revised proposals, districts need to respond by 24th November.

Background

In 2006/07 KCC adopted¹ a new approach to spending the additional Council Tax levied as a result of district councils reducing the discount on second homes from 50% to 10%. Under the change KCC retained £2m towards its overall revenue budget (to be spent on local initiatives) and the remainder of the additional Council Tax levied through the KCC element of Council Tax was paid to district councils as a grant pro rata to the amount levied in each district as a result of reducing the discount² (to be spent on agreed local schemes). This policy was continued each year until 2011/12 with KCC retaining £2m towards its budget and the variable balance shared with districts.

By 2010 it was clear that the established arrangements could not be maintained, not least because they meant all of the Council Tax increases on second homes accrued to districts, districts also bore the full impact of any freeze/reduction. From 2011/12 it was agreed to revise the split with 75% of the proceeds going to KCC and 25% to the district council. It was also agreed to remove the restriction on the use of these funds.

Sustainability

KCC has been raising the issue of sustainability through Kent Finance Officers meetings over the last couple of years. The present arrangements are no longer sustainable for a number of reasons:

- All districts have removed the remaining 10% discount on second homes. This makes it impossible to identify the additional yield from reducing the discount from 50% to 10% which is necessary to calculate the 75%/25% split;
- We have frozen allocations at the same level as 2013/14 for the last 2 years pending a final resolution;
- The reductions in funding for local authorities have been substantially more and have lasted much longer than originally anticipated, particularly in 2015/16.

As a consequence of the above we have had to examine all areas of discretionary spending within the County Council Budget. This includes *inter alia* the payments we make to district councils from the second homes proceeds and the local grants available to KCC members (which were first established as part of the local initiatives funded from the original second homes scheme). In the circumstances we have

¹ As agreed at Kent Leaders & Chief Executives Forum

² As well as the KCC grant, Districts benefit from all of the extra Council Tax levied through their own precept

proposed reductions in both in response to the anticipated further reductions in local authority funding through the 2015 Spending Review (due to be announced on 25th November).

Revised Proposals

The “frozen” allocations which have been paid in each of the last 3 financial years are set out in table 1.

Table 1	Second Homes Payments
Ashford	£34,710
Canterbury	£97,520
Dartford	£8,660
Dover	£113,070
Gravesham	£7,180
Maidstone	£18,790
Sevenoaks	£34,740
Shepway	£94,650
Swale	£73,530
Thanet	£130,090
Tonbridge & Malling	£31,240
Tunbridge Wells	£44,290
	£688,470

KCC’s draft budget which is currently out to consultation includes the proposal to reduce member grants by 25% (reducing the grant available to individual councillors from £25k to £20k) and to remove the payment to districts from the second homes proceeds. The combined effect would result in the final termination of the established second homes arrangements. We would like to invite comments about these proposals to be submitted during the consultation period (closes 24th November). In particular we would like feedback on the impact of removing the district payment and whether we should consider any transitional factors to help manage the reduction.