

Subject: Second Homes Income

Status: For Publication

Report to: Cabinet

Date: 18th March 2009

Report of: Deputy Chief Executive

Portfolio Holder: Communities and Neighbourhoods

Key Decision: No

Forward Plan General Exception Special Urgency

1. PURPOSE OF REPORT

- 1.1 To seek agreement from members on the County Council protocol for Second Homes Fund for the three years 2009/10 to 2011/12.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report impact directly on the following corporate priorities:
- Delivering quality services to our customers
 - Well Managed Council

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 Failure to agree second homes protocol would mean inadequate and unclear arrangements are in place for the distribution of second homes income for the next three years.

4. BACKGROUND

- 4.1 Up to April 2007 properties designated as second homes have paid only 50% of the Council tax for that property. This money is split between Rossendale Borough Council, Lancashire County Council and the Fire and Police Authorities in the same way as the general Council tax.
- 4.2 Changes in Government regulations gave council tax billing authorities in Lancashire the discretion to increase council tax on 2nd homes from 50% to a maximum of 90% effectively collecting up to an additional 40% of the full council tax payable on all second homes in any district area.

- 4.3 From April 2007 Rossendale Borough Council agreed to collect the additional 40% which in effect resulted in the collection of 90% of the council tax on properties designated as second homes.
- 4.4 The initial 50% of this tax has always been collected, and is used by the county and district authorities to fund their normal budgets. It is the additional 40% collected that is referred to as 'second homes fund'.
- 4.5 For 2009/10 the additional 40% income from second homes council tax equates to approximately £57,000. It is this sum that is referred to as second home fund.

Estimated Income from second homes fund 2009/10

Number of 2 nd homes	117
Total 2 nd Homes Income (£)	57,000
Split (£)	
Fire and Police	7,000
Rossendale Borough Council	9,000
Lancashire County Council	41,000
Allocation (£)	
CDRP (Police and Fire)	7,000
LSP (RBC +LCC)	50,00
Total	57,000

- 4.6 District authorities in Lancashire agreed a protocol with the County Council whereby second homes fund is allocated by both authorities to the LSP. In Rossendale second homes fund are being used to fund an LSP Officer and any additional non-staffing costs to the LSP.
- 4.7 The element of Council tax which would have been allocated to the Fire and Rescue and the Police are allocated for spend by the Crime and Disorder Reduction Partnership.
- 4.8 In November 2008 the County Council proposed a new protocol for the use of second Homes fund. This provides for clearer definition of the use of second homes, clarifies reporting and accountability arrangements, but most importantly it suggests a three year agreement for the use of the fund. This will allow for better operation of the LSPs across the County. Appendix 1 details the final protocol.

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

- 5.1 Financial matters are highlighted within the report and are funded from existing budget resources.

6. MONITORING OFFICER

- 6.1 No comments.

7. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

- 7.1 There are no HR implications

8. CONCLUSION

- 8.1 Second Homes Income is a key funding stream that contributes towards the effective operation of the Local Strategic Partnership, Rossendale Partnership.

9. RECOMMENDATION(S)

- 9.1 That Cabinet agree to the principles of the County Council protocol for the collection and distribution of second homes fund to support the ongoing development of the Rossendale Partnership (Rossendale's Local Strategic Partnership).
- 9.2 That any future amendments to the County Council protocol be delegated to the Deputy Chief Executive and portfolio holder for Communities and Neighbourhoods.

10. CONSULTATION CARRIED OUT

- 10.1 Rossendale Partnership Executive.

11. EQUALITY IMPACT ASSESSMENT

Is an Equality Impact Assessment required No

Is an Equality Impact Assessment attached No

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required No

Is a Biodiversity Impact Assessment attached No

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Background Papers	
Document	Place of Inspection
Second Homes Protocol	Appendix 1

Appendix 1

Partnership Budgets Arising from Additional Council Tax Raised on Second Homes.

Protocol for Governance and Financial Management

1. Contributions

1. In each district area where the district council has reduced the council tax discount on second homes from 50%, the County Council and district councils shall make a contribution to the Local Strategic Partnership (LSP) based on the amount of additional council tax collectable by each authority as a result of that reduction. In this protocol, such money will be referred to as "second home funds". This arrangement will apply as long as the LSPs remain in existence.
2. To the extent that a district council makes a commitment to collect second homes council tax for a period of more than one year and for up to three years, the County Council and the district council will agree to contribute their second homes funds to the LSP for the same period as that commitment.

2. Accounting Arrangements

1. The district council shall act as host authority and banker for the second home funds of the LSP and shall hold all the money raised by the two authorities from this source.
2. The host authority shall create and maintain a clearly identifiable accounting structure for the second home funds.
3. The contributions to the LSP by the contributing authorities will be reflected in their normal revenue accounts.
4. The host authority shall prepare, in October of each year, an interim monitoring report on LSP spending to 30 September, projected spend for the remainder of the year and any planned use of second homes funds in future years. This shall be for presentation to the LSP and copies are to be forwarded to the contributing authorities.
5. The host authority shall also prepare a final year-end report for the second home funds expenditure on a similar basis as the interim report, within the statutory accounting timetables of the contributors.
6. The interim and final year-end reports shall have a form and content which is to be agreed by the host authority and the County Council, in consultation with the LSP.
7. The interim and final year-end reports shall be offered to each appropriate Lancashire Local for information.
8. Unused funds arising from the current and earlier years' contributions may be carried forward into the following financial year with the proviso that the total carry-forward must not exceed 25% of the latest year's contributions.
9. Any surplus funds in excess of this threshold shall be repaid to contributors pro rata to their contributions.

10. However, with the agreement of the contributing authorities, LSPs may carry forward amounts in excess of the 25% threshold if the funds are firmly and specifically earmarked for a purpose in the future. This would apply to projects that have been approved but where the start is delayed or to projects that will not be required to start until a future date.
11. Funds must not be committed by the LSP in excess of the budget available. However, if, for reasons beyond the control of the LSP or of the host authority, an overspending of the available funds should occur, the overspending shall be temporarily funded by the contributing authorities pro rata to their contributions for the year but recouped by commensurate reductions in the amounts payable to the LSP by the contributing authorities in the following year. The host authority shall be responsible for ensuring that, in normal circumstances, there are sufficient funds in the LSP budget to cover all outgoing payments.

3. Use of the Second Home Funds

1. Spending decisions taken by the LSP shall be in accordance with its work programme encompassing relevant plans and strategies including the Sustainable Community Strategy and the Lancashire Local Area Agreement.
2. Spending decisions of the LSP shall be communicated to the district host authority and shall be ratified by that authority through its usual executive process. This may be by the full Cabinet, by a Cabinet member, by a Chief Officer under a scheme of delegation or by any other means within the host authority's constitution. The County Council shall delegate its executive function in respect of ratifying the LSP expenditure to the district host authority.
3. After executive ratification, the host authority shall make the payment or payments to implement the decision as and when necessary on behalf of the LSP.
4. No spending decision shall be taken by the LSP which gives rise to a commitment to make payments in future years unless those payments are covered by currently available funds, either those carried forward for the specific purpose or if sufficient funds are already forecast as being available in the future financial years, for example from a joint commitment under point 1.2 to operate the scheme for more than one year.
5. Supplementary Item
 1. The provision number 8 in the Accounting Arrangements above relating to the restriction on the carry forward of unspent budgets to 25% shall not apply in full to the Preston Local Strategic Partnership. For Preston, the restriction shall apply only to the contribution made to the Partnership by the County Council. The contribution made by the City Council shall not be subject to any restriction in terms of what may be carried forward from one year to the next.