

## POLICY FINANCE AND ADMINISTRATION COMMITTEE

17 APRIL 2012

### REPORT OF HEAD OF COMMUNITIES & NEIGHBOURHOODS

#### NEW HOMES BONUS PROTOCOL

##### 1.0 PURPOSE OF REPORT

- 1.1 To seek Members approval for protocol to guide decisions on the use of New Homes Bonus Funding.

##### 2.0 RECOMMENDATIONS

- 2.1 **Members approve the New Homes Bonus Protocol for publication and use in investment, financial planning and budgeting processes.**

##### 3.0 KEY ISSUES

- 3.1 The New Homes Bonus was introduced by the Government in 2011 as part of a radical overhaul of local government finance, intended to breakdown barriers to growth and provide a stimulus for economic recovery. The Government has funded the New Homes Bonus from a reduction in Formula Grant, the key form of central government funding to local authorities.
- 3.2 The bonus is made as an unringfenced grant through Section 31 of the Local Government Act 2003. However, the expectation from the Government is that local authorities will decide how to spend the funding by working closely with their communities, particularly those neighbourhoods most affected by growth, to understand their wishes. The guidance associated with the scheme suggests that we should understand the priorities for investment within the communities affected, establish how the money will be spent and communicate the benefits it will bring.
- 3.3 The New Homes Bonus rewards local authorities for delivering new homes within their area. A New Homes Bonus is paid to us, equal to the national average for the council tax band on each additional property and paid for the following six years. There is also an enhancement for affordable homes.
- 3.4 A New Homes Bonus of £168,870 was received in 2011/12. In recognition of the fundamental change in the way local authorities were being financed the entire Bonus was incorporated into the general fund revenue budget. Nevertheless, a grant was made from the capital receipts reserve of £87k to support the delivery of affordable housing in Somerby (in partnership with Leicestershire County Council).
- 3.5 A further £306,870 of NHB is to be received in 2012/13, making a total grant award of £475,740 (year 2 2011/12 payment of £168,870 plus the £306,870 from 2012/13). Of this amount £409,550 has been used to balance the budget for 2012/13, with the balance of £66,190 being transferred to a new New Homes Bonus Reserve. However the revenue implications of the capital receipt from the

sale of land on Nottingham road provide scope for this to be revisited and revised. Predictions for future New Homes Bonus funding are set out in the table below (Melton component only):

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
NHB Prediction	£627,810	£845,043	£1,103,458	£1,379,213	£1,482,848	£1,175,981

3.6 Whilst the New Homes Bonus continues to be unringfenced the Government wish to see the benefits passed back to those communities that receive growth and for us to engage with our community on how we are using it. A protocol is considered prudent as it can provide a framework against which the use of New Homes Bonus can be considered with consistency and also provide the basis for communication with the community.

3.7 A draft New Homes Bonus Protocol is attached at Appendix 1. The Protocol has been drafted to provide a framework whereby the use of New Homes Bonus will be directed towards three funding strands:

- Financial support to general service provision;
- Strategic Infrastructure in support of Growth; and
- Local infrastructure or services in support of Growth.

3.8 In accordance with the New Homes Bonus guidance there is a desire to maximise the component that is used to benefit those communities who receive growth. However, during the current climate of financial uncertainty it is prudent to recognise that flexibility must be available to allow the use of New Homes Bonus for general service provision in the event that the Council's financial position is in jeopardy. Nevertheless, in practice it may be that monies can be sourced from all three funding strands towards a single infrastructure project.

3.9 Members may wish to note the proposed arrangements for the authority to publish an annual statement, for the benefit of the community, setting out what decisions have been taken in respect of the use of New Homes Bonus under the three funding strands.

3.10 When making any decisions about the use of New Homes Bonus in general, Members may wish to be mindful that there are restrictions on capital receipts (only being available to fund capital projects or repay debt) and the relationship this has with the flexible, unringfenced New Homes Bonus which is intended to delivery infrastructure which is likely to require capital funding. As such it may be prudent to 'swap' New Homes Bonus with capital receipts where possible to fund capital expenditure thereby leaving more flexible revenue funds intact.

#### 4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 The use of New Homes Bonus should be directed to those communities who receive growth. We should also expect to engage with those communities on what the priorities for investment are. In the absence of funding stability for local government the use of New Homes Bonus should remain flexible in the short term but have a strong regard for our corporate priorities and for local priorities where decisions under

the 3<sup>rd</sup> funding strand is concerned (local infrastructure and services through parish councils or other locally constituted groups). In the medium to long term we should expect to engage with communities who receive growth on their priorities for full use of the New Homes Bonus.

## **5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

- 5.1 There is future pressure and uncertainty on the Council's finances due to the review of funding from 2013/14, including the localisation and retention of business rates and council tax benefits, as highlighted in the Council's Medium Term Financial Strategy (MTFS) approved by PFA on 25 January 2012. This pressure is in the form of not only uncertainty at the actual amounts to be received each year but also the volatility of funding in year and future years.
- 5.2 Whilst the agreed policy will set a target level for each of the funding strands it may be that it is more advantageous for the actual funding for infrastructure projects to be met from capital receipts as opposed to the New Homes Bonus which as a revenue grant is more flexible in terms of the use that it can be put. Members will be advised at the time projects are considered for funding of the recommended funding source and adjustments to reserves can be made accordingly in line with approvals made.

## **6.0 LEGAL IMPLICATIONS/POWERS**

- 6.1 The New Homes Bonus is made as an unringfenced grant through Section 31 of the Local Government Act 2003.

## **7.0 COMMUNITY SAFETY**

- 7.1 There are no direct links to community safety arising from this report

## **8.0 EQUALITIES**

- 8.1 There are no direct links to equalities arising from this report.

## **9.0 RISKS**

9.1

**Probability**  
↓

Very High A				
High B			3	
Significant C			1,2	
Low D				
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

→  
**Impact**

Risk No.	Description
1.	New Homes Bonus is lower than forecast
2.	Uncertainty of Local Government Finance requires New Homes Bonus to be directed to General Revenue Account
3	The infrastructure needs of the community are not met

**10.0 CLIMATE CHANGE**

10.1 There are no direct implications for Climate Change arising from this report.

**11.0 CONSULTATION**

11.1 Community engagement should be undertaken on the Protocol at such time as the funding landscape stabilises.

**12.0 WARDS AFFECTED**

12.1 The New Homes Bonus Protocol may relate to funding secured from dwellings throughout the Borough and used throughout the Borough.

Contact Officer            D.Pendle  
 Date:                        4<sup>th</sup> April 2012  
 Appendices :                New Homes Bonus Protocol  
 Background Papers:        None  
 Reference :                 Council, C'tees & Sub-C'tees/PFA/2011-12/17-4-12/New Homes Bonus Protocol