

MELTON BOROUGH COUNCIL

NEW HOMES BONUS PROTOCOL

The intention of this protocol is to guide the use of New Homes Bonus Funding:

- To secure a proportion of New Homes Bonus Funding to secure the financial soundness of Melton Borough Council;
- To maximise the opportunity for New Homes Bonus Funding to be used to directly support infrastructure or services for those communities who receive growth; and
- To provide a framework for the Council and local community groups (Parish Councils or other appropriately constituted local groups) to consider the appropriate use of New Homes Bonus Funding.

New Homes Bonus

The New Homes Bonus was introduced by the Government in 2011 as part of a radical overhaul of local government finance.

The 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. Because the grant is paid for the following six years, the total will rise for at least the first six years until 'topping out' in year 6. (i.e. year two of the grant will reward houses built in years 1 and 2 and so on). The grant is 'split' with Leicestershire County Council (as the top tier authority) receiving 20% and Melton Borough Council 80% of the total New Homes Bonus allocated to Melton.

The New Homes Bonus is unringfenced. However, we want to decide how to spend the funding by working closely with our communities, particularly those neighbourhoods most affected by growth, to understand the priorities for investment.

We must recognise that the New Homes Bonus has been partly funded through significant cuts in Formula Grant and that there is the potential for further cuts to come if the payments exceed initial estimates. The initial income received through the Bonus only partly meets the reductions in grant from central government although the Bonus will increase in future years. Melton Borough Council responded to these funding changes by completing a major restructuring exercise and service delivery efficiencies including the savings made from the move to Parkside. In addition the council has received significant financial benefits (both revenue and capital) from a capital receipt from the sale of land. However there are restrictions placed on the use of capital receipts whereas the New Homes Bonus is a revenue grant and therefore more flexible in the use that it can be put.

Nevertheless, the New Homes Bonus is an essential part of mainstream funding that is essential to underpin the functions of the Council. Through sound financial management

we were able to secure a proportion of New Homes Bonus from year 2 for the delivery of infrastructure and services directly associated with growth and anticipate that this will increase further with future awards of the Bonus.

New Homes Bonus Protocol

The New Homes Bonus has the potential to inject a significant amount of funding to Melton Borough Council in the future. Estimates indicate that in the 6th year funding will top out at close to £1m. There are likely to be several calls on the use of the Bonus and as a result this protocol has been developed to provide guidance for the Council's own budget setting process and for decisions that the Council must make when external parties call for access to the Bonus in pursuit of their own projects and initiatives.

Budget Setting: The Bonus will be used by the Council for the following three funding strands:

- Financial support to general revenue budget
- Strategic Infrastructure in support of Growth
- Local infrastructure or services in support of Growth

The use of New Homes Bonus will remain flexible in the short term as we must recognise the need for flexibility during periods of funding uncertainty. Nevertheless, in practice it may be that monies can be sourced from all three funding strands towards a single infrastructure project.

Council Budget

The Bonus will be used to support the Council's budget until such time as the Council's income and budget setting process is stable and the Bonus is no longer required to underpin the reduction in Formula Grant.

The Head of Central Services will prepare a statement as part of the annual budget setting process to show how this proportion of the Bonus has been employed in support of Council priorities that and the intentions for the Bonus: to ensure that the economic benefits of growth are returned to the local authorities and communities where that growth takes place.

Where possible this component of NHB will be reduced to maximise the delivery of infrastructure and services in direct support of growth. However, the possibility that a significant proportion of the Bonus will be required to underpin the Council's budget cannot be ignored.

Strategic infrastructure in support of growth

The principal intention for the Bonus is to provide benefits to those communities who directly serve growth. The Council's emerging Core Strategy provides the policy framework for growth to take place, including the delivery of 3,400 new homes (2006 – 2026). An Infrastructure Schedule has been developed to identify infrastructure that supports the growth provided for by Core Strategy.

A proportion of the Bonus will be made available to pursue the delivery of infrastructure set out in the Infrastructure Schedule. Whilst the Council will remain the responsible body for taking decisions on this investment, the Infrastructure Delivery Group proposed in the Core Strategy will be used to facilitate a partnership approach to infrastructure delivery.

The focus for the Council's Bonus allocated to the Infrastructure Schedule will be infrastructure that directly supports Council priorities and is not assigned to other bodies or organisations to fund in whole and cannot be delivered without New Homes Bonus funding. In making decisions under this strand funding will be allocated in priority order, with 'essential' items delivered as the priority.

The element of the funding identified under this strand will be placed in a New Homes Bonus Reserve and its use determined by members. This will enable funds to be available over more than one year to support larger projects.

Where it is more financially beneficial members may choose to fund infrastructure projects through capital receipts up to an equivalent amount to the New Homes Bonus with the New Homes Bonus funding itself being placed into the Corporate Priorities Reserve. This will enable the council to retain reserves that are more flexible in nature.

The Head of Communities and Neighbourhoods will prepare an annual statement setting out how the New Homes Bonus made available under this strand has been used.

Local infrastructure or services in support of growth

The Council wishes to see an element of the Bonus being made available for infrastructure or services in support of communities who receive growth. Parish Councils or other appropriately constituted groups will be eligible to bid for a proportion of the New Homes Bonus which directly relates to development in their local area (e.g. Parish Boundary). Proportions of the fund will be made available in this way from year 3 of the New Homes Bonus onwards (NHB received in 2012/13) and will relate to dwellings completed in the parish or community area during the preceding year (or years) as appropriate. For example, if 3 homes are built, the community would be able to access the proportion of the New Homes Bonus made available under this strand that directly relates to those 3 new homes.

Parish Councils or other community groups will be able to apply for funds up to or equal to this proportion from year 3 of New Homes Bonus onwards (2012.13).

To be considered favourably the bid for funding must:

- Be made by a formally constituted local community group;
- Seek funding to directly deliver local infrastructure or services that have been identified in an appropriately robust neighbourhood plan or other community-led plan;
- Ensure a realistic possibility that project will be delivered; and
- Reflect the Council's priorities (MBC) and the statutory development plan for the Borough.

Community support for the infrastructure or service and the bid for New Homes Bonus funding is essential. An appropriate Neighbourhood or community-led plan must have been undertaken with thorough community engagement and must have been adopted by the local or Borough Council.

Decisions on bids to access this funding will rest with Melton Borough Council but the advice will be sought from the Infrastructure Delivery Group including the possibility of additional or alternative funding being available.

Where there is no Neighbourhood Plan in place or little prospect of one being delivered, expenditure of the proportion of New Homes Bonus that is available through this strand will be determined by Melton Borough Council. The Council will consider spending this money in the following priority order:

1. Local infrastructure or services in support of growth
2. Strategic infrastructure in support of growth
3. Council Budget

In the event that the proportion of funding available under this strand is greater due to less pressure on the Council's budget, the Council will consider the use of New Homes Bonus in the above priority order.

The Head of Communities and Neighbourhoods will prepare an annual statement setting out how the New Homes Bonus made available under this strand has been used.