

POLICY, FINANCE & ADMINISTRATION COMMITTEE

10 JULY 2013

**JOINT REPORT OF HEAD OF CENTRAL SERVICES AND HEAD OF COMMUNITIES
AND NEIGHBOURHOODS**

**AN UPDATE AND PROPOSED USE OF THE NEW HOMES BONUS (NHB) FOR
REVENUE BUDGET PURPOSES**

1.0 PURPOSE OF REPORT

- 1.1 To provide an update on the use of the NHB and to seek guidance from Members on the options for setting aside money from the NHB Reserve against items provided for in the revenue budget.

2.0 RECOMMENDATIONS

- 2.1 **That members note the current and proposed used of the NHB and;**
- 2.2 **That members consider the options for setting aside money from the NHB Reserve against exiting items already provided for from within the revenue budget.**

3.0 KEY ISSUES

- 3.1 This grant payment is unringfenced, which means that the Government allows local authorities to decide how to spend the Bonus. This can be spent on either revenue or capital/strategic projects, or placed in a local authority's reserves; and there is no time limit on when the funds can be spent. It is accepted that authorities are in the best position to make decisions about local priorities. However, the Government encourages local authorities to engage with their local community to decide how the money is spent, so residents feel the direct benefits of growth and also to provide for new homes.
- 3.2 The NHB Protocol, which is attached as Appendix A, previously approved by PFA on 17 April 2012 requires that the Bonus be used by the Council for the following three funding strands:
- Financial Support to the revenue budget
 - Strategic infrastructure in support of growth
 - Local infrastructure or services in support of growth

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 The use of NHB 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 NHB should remain flexible in the short term but have a strong regard for our corporate priorities and for local priorities where decisions under the third 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 NHB.

5.0 FINANCIAL ISSUES

- 5.1 There is increasing pressure on local authorities to demonstrate how they have used the Bonus in support of growth and the longer term future of the Bonus remains uncertain as with any other government grant. This has to be balanced with the fact that it 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 reduction in grant from central government although the Bonus will increase in future years.
- 5.2 The Council has significant capital reserves which are ring fenced for use on capital projects and therefore financial advice to members is to consider using the NHB for revenue purposes, where feasible, as it is more flexible money and can be used for both revenue and capital purposes. For illustration purposes the Council funded the Somerby affordable housing scheme from capital receipts and will be proposing funding ten new affordable housing units from the Housing Revenue Account's Development & Regeneration Reserve with an option to also use the NHB.
- 5.3 In order to demonstrate its use the attached spreadsheet shown as appendix A is maintained in Finance. The capital and revenue items listed have not been directly funded by the Bonus but are examples of items that could have been legitimately set against it and where the funding stream might have been used had capital receipts not been available in some cases.
- 5.4 Part of the Bonus has been used for the creation of a NHB Reserve as can be seen on the attached spreadsheet (Appendix B) and this is estimated to be £309,780 at the end of March 2014 assuming no withdrawals take place during 2013/14.
- 5.5 Whilst Members are keen to use the Reserve for housing growth and for placing less reliance on the Bonus in the future for revenue budget purposes there remains an opportunity to fund revenue items directly from the Reserve. This would assist the revenue budget moving forward as Formula grant is cut further and also create some transparency in the budget and accounts over its allocation Existing revenue provision has been considered and a list of the revenue items that could be funded by the Reserve is as shown on the spreadsheet. Members guidance is sought on this potential use.
- 5.6 The government has recently indicated its plans for the future use of NHB. The Treasury has announced that NHB allocations to those authorities that receive them would be partly pooled with LEPs from 2015/16. The detail is not available but the Government has stated its intention to consult on the mechanism for requiring that a proportion of this funding is pooled. This emphasises the need to reduce the reliance of the revenue budget on this funding stream.

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 There are no risks identified as a result of this report.

10.0 CLIMATE CHANGE

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

11.0 CONSULTATION

11.1 The Council's Management Team have been consulted on the contents of this report.

12.0 WARDS AFFECTED

12.1 To varying degrees, most if not all wards are affected.

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| Contact Officer: | D Cowl |
| Date: | 29 May 2013 |
| Appendices: | Appendix A- NHB protocol Appendix B – Monitoring of the NHB |
| Background Papers: | Oracle Financial Reports |
| Reference: | X: C'tees, Council & Sub-C'tees/PFA/2013-13/10-07-13/DG-An Update & Proposed Use of the NHB for Revenue Budget Purposes |