

PAPER NO. 8

REPORT TO THE EXECUTIVE MEETING OF 19th DECEMBER 2011

Status: Decision - Recommendation to Council
Title: Proposed Policy for use of New Homes Bonus (NHB) - Comments from Consultation
Originator: Deputy Chief Executive
Where from: Executive 7th November 2011
Where to next: Council

1 Purpose of the Report

1.1 To report on the outcome of the consultation with Parishes, Harborough Improvement Team and the Civic Society on the proposed use of the New Homes Bonus (NHB) for 2012/13.

R 2 Recommendations:

2.1 The Executive receives and considers comments from the consultation on the proposed use of the New Homes Bonus for 2012/13 of £340,620 and agrees and recommends a policy to Council.

2.2 The Executive notes that the consultation event took place on 12th December 2011.

3 Summary of Reasons for the Recommendations

3.1 At its meeting on the 7th November 2011, the Executive considered a report on the NHB which set policy options on its use for 2012/13. It resolved to consult on policy option C in paragraph 5.2.2 of the report as set out in Appendix A.

3.2 A consultation event is scheduled to take place on 12th December 2011 with Parish Councils/Meetings, Harborough Improvement Team and the Civic Society in accordance with the resolution of the Executive.

3.3 The outcome of the consultation will be reported to the Executive as a follow up paper and reported at the meeting.

4 Impact on Communities

4.1 The policy on the use of the NHB will impact on communities within the District.

5 Key Facts

- 5.1 The Executive considered a report on the NHB at its meeting on 7th November 2011 which included options for the use of the Bonus for 2012/13. The Executive resolved to consult on policy option C in paragraph 5.2.2 of the report with Parish and Town Councils/Meetings, Harborough Improvement Team and the Civic Society.
- 5.2 A consultation event is scheduled to take place on the 12th December 2011 and the outcome from the meeting will be set out in a follow up paper to the Executive at this meeting.
- 5.3 On 1 December 2011, the Government announced the Year 2 (2012/13) first tranche provisional allocation of £340,620. There will be five further tranches of £340,620 making a total of £2,043,720.
- 5.4 It is important to note that the NHB is funded from business rates nationally by the government and therefore top sliced from the total funding for local government. Therefore, the NHB is not new money as explained in Appendix B. It is essentially a reward for housing growth in the District which is funded from the overall local government funding total. Effectively, it is money that would have been paid to local government as part of the annual grant settlement but is now going to be paid as a reward and an incentive for housing growth.
- 5.5 The NHB is an unringfenced general grant to the council and it is upto the council to do what it wishes with it.
- 5.6 In accordance with the Executive's resolution on 7th November 2011, it is important that a policy informed by the outcome of the consultation on how the NHB for the first provisional allocation of £340,620 for 2012/13 is used is recommended to Council. A policy will give a framework by which communities affected by housing growth will be able to benefit from the NHB.
- 5.7 Members will be aware of the government's plans to significantly change the way that local government will be funded from 1 April 2013. The NHB in total is expected to grow three fold over the next three to four years. This will continue to be top sliced from the total local government funding. It is therefore important to note that with further cuts expected in the coming years and other one off grant funding dropping off there will be pressure on the Council on how the NHB is used in the future.
- 5.8 Due to the uncertainty and potential volatility in future funding of the council it is suggested that any policy in the future in respect of the use of the NHB is proposed by the Section 151 Officer for consideration by Council on an annual basis.

6 Legal Issues

- 6.1 There re no legal issues arising from this report.

7 Resource Issues

7.1 There will be resource implications in administering any bidding

8 Equality Impact Assessment Implications/Outcomes

8.1 An equality impact assessment will be undertaken once the outcome of the consultation is known so that any issues arising can be taken into account in the assessment.

9 Impact on the Organisation

9.1 The detail of the financial impact on the Council from the national changes to the way local government will be funded is uncertain at this stage as the government is in the process of putting the changes through the legislative process.

10 Community Safety Implications

10.1 None arising directly from this report.

11. Carbon Management Implications

11.1 None arising directly from this report.

12. Risk Management Implications

12.1 Risk and uncertainty over future funding has been identified as a risk.

13 Consultation

13.1 The consultation on the Executive's proposed policy option is scheduled for 12th December 2011.

14 Options Considered

14.1 Not to set a policy for the use of the NHB for 2012/13 first tranche provisional allocation. This was discounted on the grounds that there is an expectation by communities to benefit from the NHB where they have experienced housing growth locally.

15 Background Papers

15.1 None.

Previous report(s): Executive 7th November 2011 - POLICY FOR USE OF NEW HOMES BONUS (NHB)

Information Issued Under Sensitive Issue Procedure: ✘/N

Ward Members Notified: ✘/N

Appendix A: Analysis of New Homes Bonus against the reduction in Revenue Grant Support

Extract from Paragraph 5.2.2 of Executive Report 7th November 2011

Policy Option C

Split any balance (after first ensuring support to the General Fund revenue budget to compensate for the loss of RSG as a result of the government top slicing the formula grant funding nationally to fund the NHB) of the NHB into two 'pots' on an agreed split:

- a. A locality investment fund to be used on a community budgets arrangement in those areas that have had the housing growth. The areas may be a whole community or part of a community or a community comprising a larger area (clusters). A process for identifying how the money would be used would need to be drawn up but it should be on the basis of clearly identified and articulated need and not on 'pet projects' of the few.
- b. A district wide investment fund. This fund again could be used flexibly to meet identified need for example:
 - i. Districtwide facilities including funding the increased costs of delivering services as a result of the housing growth e.g. waste management, grounds maintenance, street cleansing, street art and furniture, place making costs.
 - ii. Facilities in areas that cannot support additional housing growth and therefore may not be able to benefit directly from the NHB.
 - iii. Support to stimulate economic growth by working with local business organisations and partners
 - iv. Pooling a proportion of the fund or match funding with the County Council, LEP and/or the Welland Partnership towards economic or housing development proposals in the District.
 - v. Spend on an 'invest to save' basis on green environmental projects on the Council's own infrastructure. Possible examples could include rain water harvesting and use in the significant parks and open spaces, installation of solar panels on the Council Offices and Market Hall roofs, Leisure and Sports Centres, Settling Rooms to generate electricity to feed the surplus back into the national grid and generate income.

APPENDIX B

Analysis of New Homes Bonus against the reduction in Revenue Grant Support

Adjusted 2010/11 Grant	2011/12 Grant	Reduction Adjusted 2010/11 to 2011/12	% Reduction Adjusted 2010/11 to 2011/12	2012/13 Provisional Grant	Reduction 2011/12 to 2012/13	% Reduction 2011/12 to 2012/13	Total Reduction Adjusted 2010/11 to 2012/13	% Total Reduction Adjusted 2010/11 to 2012/13	New Homes Bonus Total to be received in 2012/13 (2011/12 second payment + 2012/13 first payment)	As a % of Total reduction in Grant (£) from Adjusted 2010/11 to 2012/13
£'000	£'000	£'000	%	£'000	£'000	%	£'000	%	£'000	%
4,984	4,176	808	16.21	3,557	619	14.82	1,427	28.63	848	59.42

Effectively, the above table shows that the New Homes Bonus total amount that will be received in 2012/13 (comprising the second tranche of the 2011/12 relevant year and the first tranche of the 2012/13 relevant year) will be 59.42% of the total £1,427m reduction in grant between the adjusted 2010/11 and 2012/13. Therefore, there is still a gap of £579k reduction in grant that the Council are carrying.

The first tranche payment in 2011/12 of £507k is not included here as it was fully funded by the government.