

SCRUTINY COMMISSION – 8 DECEMBER 2011

REPORT OF STRATEGIC LEADERSHIP BOARD

RE: NEW HOMES BONUS CONSULTATION - OUTCOMES

1. PURPOSE OF REPORT

- To detail the results of the consultation exercise in relation to the New Homes Bonus (NHB), and process for allocation of funds
- To seek endorsement of Scrutiny Members for the proposed recommendation to Council for allocation of the NHB

2. RECOMMENDATION

That Scrutiny Members endorse/Council agree the proposal that:

- i) Only those Parishes subject to new homes development to receive NHB
- ii) The mechanism for calculating NHB be the number of new council tax accounts initiated in the previous 12 months
- iii) 25% of the total annual allocation to the Borough Council be transferred to the relevant parish Councils
- iv) Funds be allocated to the relevant Parish Council (with 'no strings')
- v) Funds can be rolled over year on year
- vi) Both the borough Council and the Parish Councils present an annual report detailing how NHB has been spent
- vii) The allocation of 2010/11 NHB to be undertaken as set out in paragraph 5.2 of the report.

3. BACKGROUND

- 3.1. The NHB has been introduced by the Government to incentivise local communities to accept housing growth. Payment is made to local authorities for each additional house built at a rate equivalent to its council tax, initially for 6 years. Its purpose is to ease the strain on public services as a consequence of the increase in housing in their areas. In February 2011 the Government announced the final design of the NHB scheme.
- 3.2. Whilst payments will be made to individual local authorities on an un-ringfenced basis (in two tier areas on an 80% to Districts; 20% to the relevant County Council) the Government explicitly recognises that there may be benefits in taking a wider, sub-regional approach to utilisation of some of the Bonus as well as focussing on neighbourhoods. Relevant statements in the Final Design Scheme pertinent to this include:
- a. The payment of the NHB will be split between tiers outside London: 80 per cent to the lower tier and 20 per cent to the upper tier, as a starting point for local negotiation [recognising] the role of the upper tier in the provision of services and infrastructure and the contribution they make to strategic planning.
 - b. Local authorities will be able to decide how to spend the funding in line with local community wishes. The Government expects local councillors to work closely with their communities – and in particular the neighbourhoods most affected by housing growth – to understand their priorities for investment and to communicate how the money will be spent and the benefits it will bring.

This may relate specifically to the new development or more widely to the local community.

- 3.3. The Government describes NHB as being a key part of a wider framework of incentives to support growth, which also includes the Community Infrastructure Levy (CIL) which will ensure that development is supported by adequate infrastructure.
- 3.4. A report was presented to the County and Districts' Leaders Meeting on July 15th 2011, regarding the funding and co-ordination of strategic infrastructure. The paper addresses the issue of how strategic infrastructure provision across Leicester and Leicestershire (L&L) can be funded and co-ordinated during a period of reduced public funding, anticipated housing growth and in the context of the Government's new approach to planning. The paper particularly focuses on the potential role of Community Infrastructure Levy (CIL) and New Homes Bonus (NHB) to help deliver strategic infrastructure.
- 3.5. The paper emphasises that the NHB should primarily be used to add something extra to local communities in return for accepting development (providing that development is acceptable in its own right). Unlike section 106 and CIL, NHB does not have to be used to address infrastructure requirements arising from development. It can be used, therefore, for things that S106 and CIL cannot. Local authorities could use it for a wide variety of purposes, including to reduce council tax and/or to *maintain or improve services*.
- 3.6. The above set the context for the consultation process; to gain views from Parish Councils on the allocation of the NHB.

4.0. **NHB – Consultation**

- 4.1. During June – September 2011, a review of the Parish and Community Initiative Fund was undertaken, to determine priorities for the allocation of grants, to seek to improve the application process, and to ensure that the fund is meeting the needs of rural communities. Within this survey questionnaire, we took the opportunity to include a number of specific questions relating to the NHB as follows:

i). Should the new homes bonus be combined with the Parish and Community Initiative Fund?

Response: 60% specified that the NHB should NOT be combined with the Parish and Community Initiative Fund

ii). Should the new homes bonus be limited to delivering large scale strategic projects identified through the Councils local development framework?

Response: 75% *disagreed* with this statement

iii). Should the new homes bonus be limited to those settlements where new housing is being developed?

Response: 60% *agreed* with this statement

- 4.2. Parallel to this all Parishes were invited to attend a special Parish Forum Meeting on 15th September 2011, to give their views and to inform the process for the allocation of the NHB.
- 4.3. At the 15th September event attendees were given a presentation on the financial implications of the receipt of NHB, set against the losses to the Borough Council of Housing and Planning Delivery Grant and RSG from government over the next six

years. The cumulative loss in RSG funding over that period was around £6.m. This was in addition to the loss of LABGI funding. In simple terms, one intention of NHB was to be a substitute, in very small part, for more significant losses from other funding streams. Further details of the shortfall in funding are attached at **Appendix 1**.

- 4.4. Delegates at the event worked in groups to feedback their views in relation to two key questions, to agree on the mechanism/process for the allocation of funds. The results of this exercise are attached at **Appendix 2**.
- 4.5. Following the event on 15th September, it was agreed that the NHB consultation would remain open until 30th September 2011. A summary of the outcomes arising from the event, was forwarded to all Parishes, encouraging them to feed in any further views. (Please note only two further responses were received from Parishes, reinforcing views already expressed, as detailed in Appendix 2).

5.0. **Recommendations**

- 5.1. Based on the feedback arising from the special event on 15th September, subsequent individual responses from Parishes and discussion with Senior Members, it is proposed that:

- i) 25% contribution of NHB be made to Parishes on an annual basis
- ii) Only those Parishes subject to new homes development to receive NHB, with funds allocated to the relevant Parish (or equivalent) on a 'no strings' basis
- iii) The mechanism for calculating NHB is the number of new council tax accounts initiated in the previous 12 months
- iv) Funds can be rolled over year on year
- v) Both the authority and the Parish Councils present an annual report detailing how NHB has been spent

- 5.2 The allocation of 2010/11 NHB to be undertaken as follows: HBBC to identify new council tax accounts for the current year. This will be based on the annual CTB1 data return submitted to CLG in October. Parishes to be notified of the amount of NHB by December 2011 and NHB funds to be allocated to the relevant Parish Council by April 2012

6.0. **FINANCIAL IMPLICATIONS (DB)**

The New Homes Bonus allocation is funded by top slicing the Revenue Support Grant (RSG) that we receive from Communities and Local Government. The reduction in this grant for Hinckley and Bosworth Borough Council is £908,250 in 2011/12 and a further reduction (already announced in the 2010 Spending Review of £700,331). This means a cumulative reduction of £2,516,831 for the two financial years.

In comparison, the New Homes Bonus allocation, (after the 20% allocation to the County Council) is £349,762 and the provisional figure for 2012/13 is anticipated to be £345,000. This totals £1,044,524 giving a funding gap of £1,472,307 for 2012/13. Allowing for the 25% allocation for Parishes reduces the Borough Council's share of funding to £783,394 and a corresponding increase in the funding gap to £1,733,438.

This position worsens in 2013/14 and 2014/15, with a marginal turn around, assuming that the predicted housing trajectory figures are met, although still a deficit in 2015/16 and 2016/17. A full analysis is provided in Appendix 1 to this report. This funding gap will need to be met by savings in service costs or through additional income from our existing and new fees and charges.

7.0. **LEGAL IMPLICATIONS (LH)**

8.0. **CORPORATE PLAN IMPLICATIONS**

8.1. The contents of the report relate to and support the following strategic aims:

- Cleaner and Greener Neighbourhoods
- Thriving Economy
- Safer and Healthier Borough
- Strong and distinctive communities
- Decent, well managed and affordable housing

9.0. **CONSULTATION**

9.1. The recommendation has been informed through consultation with all Parishes Councils both through direct correspondence with all Parishes (and Borough Councillors), as well as a Special Parish Forum consultation event to which all Parishes were invited.

10.0. **RISK IMPLICATIONS**

10.1. It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report were identified from this assessment.

No Net Red Risks

11.0. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS (LH)**

11.1. The specific purpose of this exercise is to identify, and if subsequently recommended, the allocation of funding to those communities subject to housing development. Parishes in receipt of funding will be required to communicate to every parishioner, the amount of funding they are in receipt of, and how it will be spent within their community.

12.0. **CORPORATE IMPLICATIONS**

12.1. By submitting this report, the author has taken the following into account:

- Community Safety – None
- Environmental - None
- ICT - None
- Asset management None
- Human Resources – None

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