

# REPORT TO RESOURCES P.D.G.

**REPORT OF:** Corporate Finance Manager

**REPORT NO:** CFM 309

**DATE:** 19 March 2015

<b>TITLE:</b>	REVIEW OF NEW HOMES BONUS AND COMMUNITY FUND CRITERIA	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	N/a	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor Linda Neal - Leader	
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<b>INITIAL IMPACT ANALYSIS:</b>  Equality and Diversity	Carried out and Referred to in paragraph (7) below	Full impact assessment Required:
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council’s website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>		

## 1. RECOMMENDATION

- 1.1 Resources PDG is asked to note the national evaluation of New Homes Bonus and the impact it has had for South Kesteven District Council and to re-affirm the use of the reserve in order to fund the delivery of the Council priorities. Resources PDG is asked to recommend to Cabinet the application criteria and the determining body that will be used for considering financial awards for community bids wishing to access funding from the Council's Community Fund.

## 2. PURPOSE OF THE REPORT

- 2.1 The Department for Communities and Local Government (DCLG) has recently published a report entitled 'evaluation of the New Homes Bonus' to assess the impact the funding policy is having on attitudes and behaviours for the recipients of the receipts. The DCLG report was published on 16 December 2014 and can be found at <https://www.gov.uk/government/publications/evaluation-of-the-new-homes-bonus>. The report also provides a proposal for the criteria to be used to administer the Community Fund.

## 3. DETAILS OF REPORT

### New Homes Bonus

- 3.1 In February 2011, following the consultation on the government proposals for the New Homes Bonus (NHB), the government published its final scheme design for the policy. The aim of the Bonus is to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth. The five key stated principles of the policy are that it should be:
- (i) a **powerful** incentive;
  - (ii) **simple** in terms of understanding and implementation;
  - (iii) **transparent** in terms of its recognition, significance and rewards from growth;
  - (iv) **predictable** in terms of expected future funding and perception of being a permanent feature of local government finance and;
  - (v) **flexible** in terms of how receipts are spent and spent in line with the wishes of the local community.
- 3.2 The Bonus is a grant paid by central government to all upper and lower tier councils to incentivise them to increase the number of available homes. Each additional home added to the council tax base, after deducting demolitions, results in an authority receiving an annual Bonus payment. Payments are based on the national average council tax band relevant to each property, and are paid annually for six years. The payment recognises newly built properties and conversions as well as for bringing long term empty properties back into use. There is also an additional payment for each affordable home delivered of £350 per year, again paid for six years. Full analysis of the funding breakdown for South Kesteven is provided later in the report. For areas jointly governed by district and county councils the Bonus is split, with 80 per cent paid to the district council and the remaining 20 per cent going to the county council.

3.3 The first payment of the Bonus was made to local authorities in the financial year 2011/12 when the grant was funded entirely from central government (around £200m). In each subsequent year central government have contributed £250m to the grant with the remainder being funded by a top slice from the local government revenue support grant.

Bonus payments are “non-ring fenced” meaning they can be spent by authorities at a local discretion level.

The NHB is a financial incentive aimed at encouraging local authorities to help facilitate housing growth. To fulfil this aim a wide range of policy interactions need to occur such as housing, planning, regeneration and finance and a good knowledge of understanding of how HNB can influence behaviours and decision of the Council.

#### **4 Impact by type of authority**

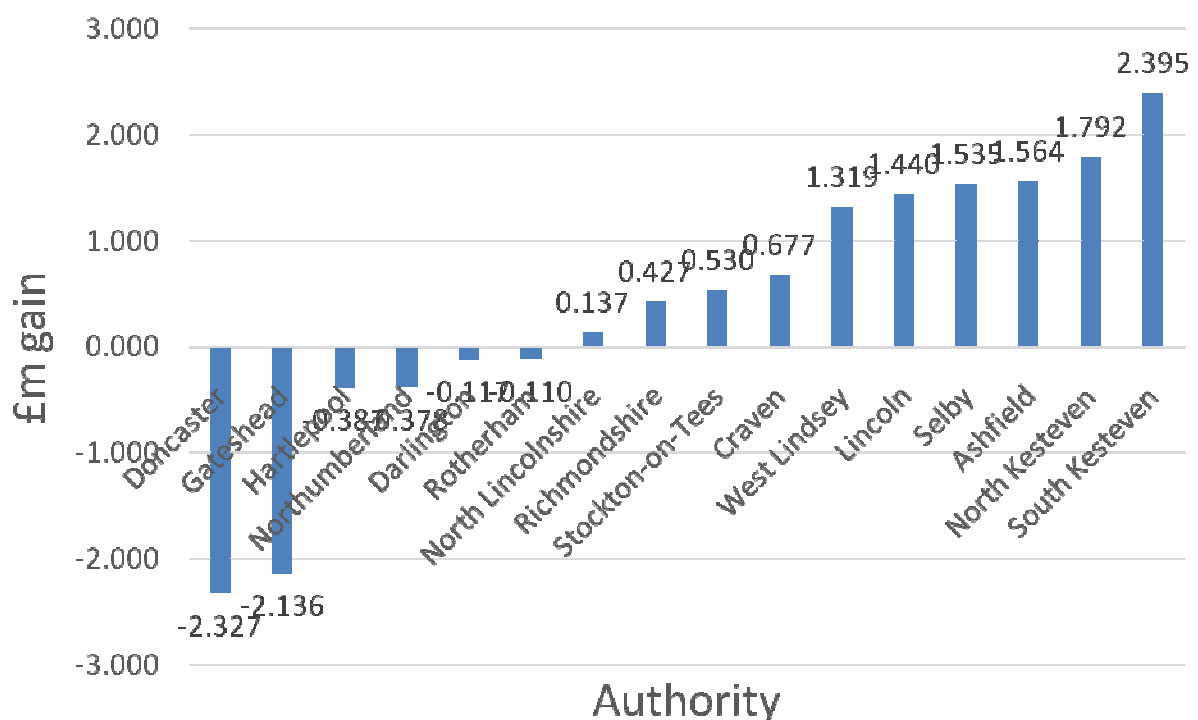
4.1 The following is a summary of the key findings of the report analysis that has been undertaken by the Local Government Chronicle (LGC):

- Some district councils have received income equivalent to a quarter of their settlement funding under a scheme designed to boost housebuilding, LGC analysis reveals.
- LGC’s study of government data on the New Homes Bonus reveals districts are becoming increasingly reliant on the fund. Twenty-three councils, all districts, have seen financial benefits over a four-year period worth at least a fifth of the value of their settlement funding, the analysis shows.
- Of 201 district councils, 117 gained funding under the New Homes Bonus programme worth at least 10% of their grant funding.
- LGC’s analysis shows that the biggest cash winner under the NHB was Tower Hamlets LBC, which was £35.9m better off over the four-year period than it would have been without the policy. Islington LBC was second at £20.5m and Wiltshire Council was third at £18.5m.
- In cash terms, Lancashire CC lost most: the county would have been £14.7m better off over the four-year period had the policy not been introduced. Liverpool City Council and Derbyshire CC would have been £9.5m and £8.9m better off - respectively.
- Of the top 10 losers in cash terms, eight were counties.
- Districts have benefited more than any other type of authority, with the country’s top 177 NHB gainers - when the figure is calculated as a proportion of settlement funding - all falling into this category.
- Just one district did not gain from the bonus - Chorley DC, which lost funds equivalent to 2% of its grant.
- Uttlesford DC was the biggest winner, gaining bonus funding equal to 34% of its grant over four years. It was followed by Basingstoke & Deane BC with 30% and South Cambridgeshire DC with 26%.

- By contrast, the report found, “the most negative impacts were seen in authorities in the north of England and Yorkshire and the Humber.”
- The government’s report also found the NHB was “having only a limited role and impact on planning applications and decisions.” Just over a third of planners said they took into account NHB receipts when considering planning applications, with over half saying they never took such receipts into account, it said. It found bonus payments were “largely being used to support authorities’ general fund or core services”, although there were “numerous examples of receipts being used to directly support housing growth”.

## 5 South Kesteven Impact

5.1 The graph below shows, by authority, the biggest gainers and losers based on an east midlands analysis of attendees at a regional seminar. It clearly shows that rural districts that are experiencing local housing growth are therefore financially benefiting at a higher proportion as evidence by the Government report.



As at 31 March 2015 the Council’s NHB the reserve is forecast to be £6.4M following £300K of the balance being utilised to fund the formation of the Community Fund. However in order to avoid external borrowing to finance the General Fund capital programme it is projected that £1.124M will be used during 2015/16 to fund capital expenditure. It is not yet clear how future allocations by Central Government will be distributed following the general election due to different policy objectives by the main parties. Therefore future projections of NHB income will need to be reviewed once the new Government sets out its policy. In terms of the specific type of allocation received the following is an analysis of the monies by category type:

**New Home Bonus**  
**Split of elements within total receipts as at 31**  
**March 2015**

	<b>11/12</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15</b>	<b>Total</b>
	£	£	£	£	£
New homes	631,598	1,202,463	1,831,471	2,241,316	5,906,848
Empty homes reduced	34,025	17,398	99,801	287,075	438,299
Affordable homes enhancement	-	69,160	116,760	150,920	336,840
Adjustment grant - returned funding from RSG	-	-	27,170	-	27,170
Transfer to Community Fund	-	-	-	(300,000)	(300,000)
<b>Total</b>	<b>665,623</b>	<b>1,289,021</b>	<b>2,075,202</b>	<b>2,379,311</b>	<b>6,409,157</b>
	665,623	1,289,021	2,075,202	2,379,311	6,409,157*

\*This figure will be reduced by £1.124M in order to fund an element of the capital programme for 2015/16 reducing the balance to £5.285M. There may also be a need to utilise the reserve further in future years as a funding source for emerging capital schemes.

The report found that the top 3 uses of the NHB monies were maintaining Council services, keeping Council Tax low and providing infrastructure for new housing.

The Council is proactively encouraging empty homes back into occupation recognising that this initiative not only enhances the local neighbourhood but also drives additional new homes bonus income. Officers are working in parallel with external expertise to specifically target long term empty properties and promote refurbishment grants. The PDG will receive further information with respect to empty homes later in the year and it may form a key part of it's workplan for 2015/16.

## **6 Use of NHB Reserve**

6.1 The Council's approved medium term financial strategy (MTFS) sets out a clear principle with respect to use of the reserve which is:

- Principle 4 - the monies received from New Homes Bonus should be used to fund the delivery of Council priority projects and initiatives.

As part of the 2015/16 budget framework, £300,000 has been used to formulate a Community Fund. The PDG is asked to consider the proposed criteria for the utilisation of the fund and further information is provided below.

The Community Fund has been set up as part of the Council's 2015/16 budget framework in order to offer financial assistance to local projects and events that benefit the residents of South kesteven. A proposed criteria for the process of applying and

determining funding awards will need to be developed and can be based on best practice where community funds have been successful elsewhere.

## **7. Community Fund – Summary of key points**

7.1 As stated above the Community Fund has been allocated £300,000, utilising the New Homes Bonus reserve, as part of the budget proposals for 2015/16. It will be for projects and events capable of delivering wide community benefit within the district. Suggested overarching “governance” principles are as follows:-

- Applications will be accepted from community and voluntary groups, parish and town councils, charities and social enterprises to deliver projects that benefit communities within the South Kesteven District. (Applications from individuals will not be accepted).
- The award must be used as an enabler to access other sources of funding and needs to be evidenced accordingly
- Organisations that are applying must have their own constitution/articles of association (unless a parish council) and bank account, with at least two unrelated signatories.
- Applications will be assessed by a panel who will make an award recommendation to the Council. The PDG is invited to make recommendations regarding the panel composition and whether the panel should be independent to the Council.
- Bids would be invited for a specified period to enable bids to be considered within a timely manner.
- It is proposed the fund will be available for the financial year 2015/16 only and any unused amounts at the year end will be transferred back to balances. The fund will be assessed as to its success against the original objects at the end of the first year.

## **8. Criteria for Funding**

8.1 Any qualified and/or eligible organisation whose programmes or activities directly benefit the South Kesteven community and underpin the Council’s priorities can apply for an award, the contribution must be specifically earmarked for local programmes and activities, and must be physically located within the district of South Kesteven. Members are asked to suggest suitable criteria that will ensure bids are evaluated in a fair and transparent way in order to ensure the community fund objectives are met.

## **9. OTHER OPTIONS CONSIDERED**

N/a

## **10. RESOURCE IMPLICATIONS**

10.1 There will be some resource implications if it is recommended that an external Panel consider the bid applications by way of an administrative financial contribution.

## 11. RISK AND MITIGATION

Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
The criteria are not sufficiently robust to reasonably determine applications	Strict arrangements to ensure criteria is robust in order to enable applications to be considered

## 12. ISSUES ARISING FROM IMPACT ANALYSIS

N/a

## 13. CRIME AND DISORDER IMPLICATIONS

N/a

## 14. COMMENTS OF FINANCIAL SERVICES

14.1 These are contained in the report.

## 15. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

15.1 The panel which will determine applications must be established with appropriate terms of reference and authority to permit decisions to be made on behalf of the Council. That panel should be provided with suitable administrative support and advice. Any criteria set must be reasonable and be capable of being applied to deliver a consistent approach to determination.

## 16. COMMENTS OF OTHER RELEVANT SERVICES

N/a