

## ESSENTIAL REFERENCE PAPER F

### **New Homes Bonus**

#### Basis for receipt of the Bonus

The New Homes Bonus (NHB) provides a grant based on the year on year increase in the council tax base. The increase in band D equivalent number of properties is multiplied by the assessed national average Band D rate of council tax (£1439 for 2011 payments) to which is added £350 for each affordable home. For 2011/12 the reference dates are the October 2009 and October 2010 tax bases. The total grant is split 80% to the district council and 20% county council in two tier areas.

The grant will compound as each years new tranche is payable additionally in each of the next 5 years.

#### Forecast income

The forecast is dependent on new building but the payments to be received by East Herts might be expected to grow in gross terms:

2011	£415k
2012	£830k
2013	£1,245k
2014	£1,660k
2015	£2,075k
2016	£2,490k

#### Impact of Top slicing

But the gross income is not the important figure because some of this will be offset by loss of grant from RSG.

The grant in 2011 and 2012 has been guaranteed not to impact on the revenue support grant already announced and has not been factored into the MTFP.

Top slicing starts to take effect in 2012/13 in that only £250k is set aside in the spending review to meet the NHB and if the year 1 figure of £200k compounds to £400k in year 2 then £150k of RSG has already been top sliced from the already announced

provisional 2012/13 settlement.

From 2013 the grant will be increasingly top sliced from RSG the implications of which cannot be modelled with any certainty because of the proposed review of local government funding from that year. However, because there will not be any new money in the system there is the prospect of those councils seeing a lot of housing development winning and those with little or no development and potentially declining council tax bases losing. As RSG uses population numbers in the distributional formula the way the bonus works could compound the shift of funding to growth areas away from declining areas.

Will the government accept this reallocation of funding as it appears to have done for 2012/13 or apply floors and ceilings to grant shifts to limit the impact?

Given that metropolitan districts and shire counties are all potentially net losers it can be expected that they will lobby for a greater share of the bonus or other offsetting measure.

Other losers are those councils who are relatively council tax poor and so more dependent on grant, for example Merseyside, the North East, Yorkshire and Humber. With RSG top sliced there could be a perverse impact on none planning/housing authorities such as fire and police authorities who do not receive the NHB but could lose RSG unless protected.

So, for planning purposes we need to set off against the projections for NHB grant income a provision for loss of RSG from the national top slice. At a minimum the offset needs to be the £50k illustrated from 2011. However, it would be prudent to assume a shift in allocation from damping and potentially shire counties getting a larger share than the current 20%.

**At this stage a maximum gain of about half the gross projection i.e. say £200k per year from 2013 compounding to £1.2m by 2018 would be reasonable but as noted above this is not a worse case assumption and we should not make future commitments until the actual impact of top slicing is known.**

## What to spend the grant on?

The grant is not ring fenced. The Government emphasis its flexibility but there is a clear expectation of communities being involved in spending decisions.

*- 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. For example, they may wish to offer council tax discounts to local residents, support frontline services like bin collections, or improve local facilities like playgrounds and parks. This will enable local councillors to lead a more mature debate with local people about the benefits of growth, not just the costs.*

*(page 7 of the Scheme design DCLG Feb 2011)*

Taking the above factors into account there are 3 potential uses to which the grant might be applied.

- A) for community wide purposes in support of the revenue budget
- B) to enhance support for a key council priority
- C) to fund activity and projects in and for those communities where housing building takes place

In terms of allocations to each of the above uses it is proposed that an allocation be made as follows:

- A) 50% (£720 per property at band D for each of 6 years)
- B) 25% (£360 per property at band D for each of 6 years)
- C) 25% (£360 per property at band D for each of 6 years)

be built into the MTFP and that for the purposes of defining a community under C this be a ward to promote the close working between members and their community.

Funding for A will be added to the MTFP as unringfenced net income

Funding for B will be ring fenced for the specific purpose  
Funding for C will be identified as a specific grant line in the budget.

A wide range of community activities or projects could be promoted under C with some minimum guidance. The grant might be taken up as required and could be accumulated if a capital project is proposed. Exceptionally, grant might be paid in advance to allow a capital project to proceed in anticipation of future years allocations. Given that no new homes bonus is received by the council until the year following that in which the property is added to the tax base payments would not commence until the first instalment of grant had been received from the government.

An example of a simple grant scheme follows:

### **New Homes Bonus: Local Community Funding – an out line scheme**

Local communities are invited to submit proposals for the use of a share of new homes bonus from houses built in their area. The amount will be determined by the year on year increase in the council tax base. Proposals must demonstrate benefits in particular for local residents. Where there are competing proposals a fair basis of appraisal will determine the sums awarded.

### **Application**

There is no form to complete but written proposals should include a section covering each of the above:

1. Set out the opportunity or problem to be addressed.
2. Show how the grant will be spent and its use for the benefit of the local community (rather than only for the membership of a club or organisation where membership is restricted).
3. How will you know that this spending has had impacts and brought about change?
4. What is novel, unusual and different about this proposal?  
Experimenting with something different is encouraged and

less than full success is acceptable provided there is learning for the future.

5. How much are you applying for, what other sources of funding are you relying on and how certain are you this will be available?
6. When do you need the money and when will you be able to tell us what you have achieved?

A representative will need to confirm in writing

“I confirm that the information provided is correct to the best of my knowledge and that I am not aware of anything not disclosed which the Council might be expected to take into account in having proper oversight of the spending of public money.”

### **Award criteria**

A score of 1 to 5, with 5 representing a high match, against each of the following

1. Significance of the problem/opportunity
2. Likelihood of success
3. Innovative approach
4. Opportunity to apply learning elsewhere
5. Dependency on this funding and sustainability

Proposals scoring 15 or less are not likely to be approved; proposal scoring above 15 will be subject to ranking in rationing available funding.

### **Awarding Panel**

A member panel

## **Accountability**

For approved grants up to £5,000 we will simply require some representative to provide a certificate that the money has been used for the purposes given and a brief commentary on what's been achieved – no more than one side of A4.

For grants above £5,000 supplementary information may be required dependent on the scale of funding, complexity of the proposal and how results are to be measured. Some of this may be requested when considering a proposal. The aim will be to only request copies of documents we expect the proposal will require if it is to be delivered with reasonable controls. Examples include

- Simple business plan
- Evidence of competitive quotations for bought in goods and services
- Evidence of regard to equality and health and safety issues
- Copy bank statements
- Copy invoices
- Proof of addresses
- Copy of financial accounts
- Copy of insurance certificates
- CRB checks
- Documentation as to proof of the results.
- Plans and designs for any building works