
REPORT TO THE MEETING OF THE EXECUTIVE 17 OCTOBER 2012**PORTFOLIO: FINANCE AND RESOURCES****REPORT FROM HEAD OF FINANCE****SUBJECT: NEW HOMES BONUS POLICY****1 DECISION BEING RECOMMENDED**

- 1.1 To recommend to Council that the Council's policy on the use of the New Homes Bonus Policy for 2013/14 is that it should be used to support the General Fund in order to reduce the impact of further Government spending cuts and that this policy will be reviewed annually.

2 KEY DECISIONS DOCUMENT REFERENCE NO. 20/12**3 REASONS FOR RECOMMENDATION**

- 3.1 As part of the Medium Term Financial Strategy agreed by Council in January 2012, it was agreed that the Council would agree a strategy for the use of the New Homes Bonus (NHB) for the 2013/14 budget process.
- 3.2 As the Council starts the formal work on the 2013/14 budget process, a key area of concern is the lack of detail on the funding levels expected for next year as a result of the introduction of the Business Rates Retention Scheme (BRRS). The BRRS is a major change in the way that local authorities are funded from central Government. Indicative figures recently published by the CLG as part of the recently closed consultation suggest a reduction of £1/2m (17%) from £3.25m to £2.7m in our funding for next year. These figures are based on a number of assumptions which are still subject to finalising. The reduction is considerably worse than the 0.9% reduction implied by the Government's Spending Review totals for 2013/14 and is partly due to the proposed top slicing of £2bn to fund New Homes Bonus over the next 6 years.
- 3.3 Firmer figures on the level of funding for next year will be published after the Government have made their Autumn Statement on 5 December.

4 SALIENT INFORMATION

- 4.1 In 2011, the Government introduced the NHB as a funding mechanism to incentivise a growth in houses. Under the scheme, the Government will make a payment equal to the national average for the Council Tax Band on each additional property built or empty property brought back into use. The payment is received for 6 years and is split 80% to district councils and 20% to county councils. The funding is an unringfenced grant and local authorities are free to spend the money as they wish. However, the scheme is intended to be a permanent feature of local authority funding along with the new Business Rates Retention (BRR) Scheme which comes into effect from April 2013.

- 4.2 The bonus is based on the number of dwellings on the Valuation Listing so the properties must have received a certificate of completion and be ready for occupation.
- 4.3 Under the BRR Scheme, the Government will top slice money from the total business rates national yield in order to continue to fund the NHB, reducing the total amount to be distributed through the BRR. The latest BRR consultation suggests that £2bn will be removed from the start-up funding allocation in each year to fund NHB; this is equivalent to approximately 8% of the Spending Review spending control total set for 2013/14. Any balance remaining after NHB allocations have been done will be redistributed to local authorities, but this will be after budget decisions have been made.
- 4.4 In 2011/12, the Council received £116,801 and in 2012/13 the total NHB was £266,107 and these amounts have been used to support the Council's overall revenue budgets at a time when our Government funding through the formula grant has reduced from £5.2m in 2010/11 to £3.25m in 2012/13. NHB for 2013/14 will be approximately £428,000 in total.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 Alternative options considered were to create a community fund or to use the bonus for infrastructure improvements. However, in light of the pressures on the General Fund, for 2013/14 at least, it is considered prudent to retain the funds to support the General Fund. If the NHB was set aside, this would mean additional savings would have to be found or a higher Council Tax increase would have to be considered.

6 RISK IMPLICATIONS

- 6.1 Although the NHB is not ring-fenced so can be used for any purpose including supporting the general revenue budget for example to offset some of the reductions in central government funding, there is a risk that the Council could be accused of not using the NHB in the spirit with which it was intended to be used, i.e. to reward communities who accept housing growth in their local areas. However, reductions in services to meet the increased savings target would also affect communities across the district.

7 RESOURCE IMPLICATIONS

- 7.1 Government funding has reduced as follows, with the estimate for 2013/14 based on indicative figures published recently by Government as part of the BRR consultation:

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14 Estimate
Revenue Support Grant/Redistributed NNDR	4.906	5.035	5.151	3.653	3.249	2.697
2011/12 CT Freeze				0.159	0.158	0.158

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14 Estimate
2012/13 CT Freeze					0.159	
New Homes Bonus					0.266	0.428
	4.906	5.035	5.151	3.812	3.832	3.283

7.2 The grant for the Council Tax freeze in 2012/13 was for one year only so does not recognise the cumulative reduction in income. The new grant for the Localised Council Tax Support scheme has not been included in the above figures as it replaces Council Tax Benefit subsidy, albeit with a 10% reduction. However, this grant will become part of the BRRS and may disappear as a separately identifiable amount in future years.

7.3 As can be seen from the above figures, the New Homes Bonus only goes part way towards making up some of the reductions in the Council's Government funding.

8 LEGAL IMPLICATIONS

8.1 The NHB is paid as a non ringfenced grant so the Council has the flexibility to decide how to spend the funding.

9 EQUALITY AND DIVERSITY IMPLICATIONS

9.1 Any bids from community organisations or town/parish councils will need to demonstrate support for the Council's equality and diversity policy.

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.

SMT Lead Officer Signature: _____

Head of Finance

Background Papers:-

None.

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