

POLICY FOR THE FUTURE USE OF NEW HOMES BONUS

1 Purpose

- 1.1 To allow the Scrutiny Committee to comment on the policy for the future use of new Homes Bonus allocations. Any relevant comments made by the scrutiny committee will be included in the report to the full Council meeting of 5 December 2012.

2 Recommendation

- 2.1 The Scrutiny Committee is requested to indicate any comments on the policy for the future use of New Homes Bonus allocations that it wishes to be reported to full Council when this matter is considered on 5 December 2012.

3 Supporting Information

- 3.1 On 23 October, 2012, Cabinet considered possible options for a policy for the future use of New Homes Bonus. Attached as Appendix 1 is a copy of the relevant Cabinet Minute which sets out in detail Cabinet's considerations.
- 3.2 Cabinet's recommendations to full Council were:-
- (a) To adopt a policy on the future use of New Homes Bonus allocations based around option 3 outlined in the Cabinet report to 23 October, 2012 (and the attached Minute extract), subject to the proposed allocation criteria enabling the carry forward on any unused sums at the end of each year but otherwise encompassing the other main elements set out in the attached Minutes extract.
 - (b) To automatically add to the capital programme provision for affordable housing the additional payments of New Homes Bonus received in relation to affordable housing development.
 - (c) Not to apply the policy retrospectively to the years 1 and 2 allocations already received and allocated to the waste scheme enhancement works.
 - (d) That the percentage to be applied to the scheme should be 20%, given the respective investment requirements on Parishes and the District.

4 Alternative Options Considered

- 4.1 These are set out in the attached Minute extract.

5. Reasons for Recommendations

- 5.1 To facilitate the implementation of a policy that takes account of the needs of Parishes and the District as a whole.

6. Resource Implications

- 6.1 These are set out in the attached Minutes extract.

7. Response to Key Aims and Objectives

- 7.1 Funding made available via the New Homes Bonus will help the Council to deliver the key objectives identified in the Corporate Plan.

**EXTRACT FROM THE MINUTE OF THE CABINET MEETING HELD ON
23 OCTOBER, 2012**

4. POLICY FOR THE FUTURE USE OF NEW HOMES BONUS

The New Homes Bonus, introduced by the Government last year, was an incentive designed to encourage local authorities to approve new housing rather than to force them through the old regional targets. The Scheme formed part of the Government's localism agenda. Funding for the Bonus had been found at national level by top slicing the main revenue grant which supported the provision of key mandatory services. It was not "new money" and the creation of this funding stream would therefore impact on each councils' on-going ability to fund existing service provision.

The Government had made a number of announcements on the subject which had been interpreted in various ways by different groups, most notably Parishes, which had argued that the Government had intended that those Parishes affected by growth should be free to decide how and where the money was spent.

This Council had committed to pursuing a consultation exercise with Parishes on what should be the key elements of a new policy for dealing with these funds and the report submitted to Cabinet summarised the outcome of that consultation, and presented options that might be used as the basis of a final policy.

The previous report to Cabinet had included details of the potential receipts from the Scheme, but for ease of reference these were restated in the current report as follows:-

	2011/12 £,000's	2012/13 £,000's	2013/14 £,000's	2014/15 £,000's	2015/16 £,000's	2016/17 £,000's	2017/18 £,000's
Total	£810	£1,620	£2,430	£3,240	£4,050	£4,860	£4,860
Cumulative		£2,430	£4,860	£8,100	£12,150	£17,010	£21,870

Note: Assuming an average delivery of new 700 homes per year.

The Parishes had taken the Government's statements to mean that it was they who should receive the Bonus and it was they who should be able to determine what community needs were associated with growth. Those Towns/Parishes due to take significant elements of housing growth had expressed the strongest views, with the exception of Aylesbury and its immediately surrounding Parishes. Their key arguments were that the Bonus was for sharing and that there was an obligation to direct a significant proportion of the funding (at least 40%) to those communities that had generated that income. These Parishes had also indicated that they believed that distributions should extend retrospectively to the District's agreed use of amounts received for years one and two.

The Council had agreed in December, 2011, to use the amounts from years one and two (approximately £1.7m) in support of the works to the Pembroke

Road Depot, to facilitate the roll-out of the enhanced waste collection service and to respond to increased pressures on waste collection associated with growth.

Crucially, the Government was distributing allocations to councils as a Section 31 grant. This was not ring fenced and could be used by the receiving authority for any lawful purpose whether this was capital investment, support of the revenue budget or placed into reserves. This did not preclude the passing of a share on to Parishes if the Council wished to do so. However, nowhere within any communication from the DCLG did it say that this was a requirement, or even an expectation. The reference to 40% appeared to be derived from the policy adopted by one council - Wychavon - but officers were not aware that this amount had been applied elsewhere. The Government could have mandated that a fixed proportion should be passed to Parishes, should it have wished this to be the case. This point had been tested with the relevant Government Department, who had confirmed that there was no requirement to pass all or part of the Bonus onto Parishes, and that receiving Councils were completely free to determine how best to use the sums concerned. There was also no reference to any percentage within any Ministerial statements.

Cabinet was advised that eight Parishes (7% of the total), together with two Parish representative groups (who it was acknowledged were speaking for the majority of Parishes) had responded to the consultation. The responses had been broadly consistent, the main points being as follows:-

- The Government had intended this scheme for sharing and there was an obligation to direct a significant proportion, at least 40%, to those communities which had generated the income.
- The Council had to consult with communities on the use of the Bonus.
- The Council's policy had to be simple, transparent and explicit.
- The Council was wrong to use the first two years' money and this decision should be reversed.
- The Council should commit to face to face meetings with Parishes prior to agreeing to its policy.
- Town/Parish Councils were best placed to decide what was best for their communities.
- Flexibility should be built into any policy to allow community pooling.
- It should be paid for even the smallest development.

Under the South-East Plan, the Council was designated as a growth area. Even when these numbers were replaced by the Vale of Aylesbury Plan, the Vale was still likely to see 13,500 new dwellings constructed over the next twenty years (including existing permissions). This represented a potential increase in the Vale's population of the order of 10%. Whilst Community Infrastructure Levy (CIL) might provide for some immediate infrastructure requirements, it was unlikely to ever cover all of the demands placed upon it.

In particular, it was unlikely to unlock all of the strategic enabling work key to the future development of jobs, transportation links or the retail and leisure offer that growing communities required. This was particularly relevant now that the Government had indicated that CIL payments might be negotiated downwards by developers where they were considered to make a development unviable.

The Council had some known, potentially significant, infrastructure demands arising in the next few years, with contributions to East West Rail in the north of the District and the Eastern Link Road in the south. The limitation of CIL might place a potential barrier on this Council's ability to contribute to these major projects. With this potential restriction on CIL, further stringent reductions in revenue support for Councils and the limitation of increases in Council tax, the New Homes Bonus represented one of the few remaining mechanisms available to the Council to deliver the growth related investment demanded by residents.

A New Homes Bonus policy needed to carefully consider the strategic importance of this funding stream to the whole District when weighing up relative distribution between Parish and District requirements. The other implication for the Council was the impact on the revenue budget associated with the introduction of the Bonus and the demand for services created by larger communities.

As previously referred to, the New Homes Bonus Scheme was funded by top slicing the core revenue grant awarded to councils each year. This directly impacted on the funding of each council and their ability to provide a standstill level of service provision irrespective of growth. Not including funding of the Bonus, the forecast reductions in Government Grant currently stood at in excess of 30% for the Comprehensive Spending Review (CSR) period. Funding of the Bonus would further compound these reductions.

The communities created also had service demands and these communities had, as a minimum, to receive core services such as waste collection. The level of growth proposed within the Vale of Aylesbury Plan was of the magnitude of 20% and this would have a considerable impact on service demand. It was for this reason that the previous report on this subject had proposed top-slicing the grant to mitigate the revenue impact of its introduction, estimated to be between 20% and 25%, and also to ensure continued provision of key services into the future.

It was reported that there were few (if any) examples of councils passing New Homes Bonus grant onto parishes for them to do as they wished. Most were holding on to awards to mitigate the impacts of growth or to offset the impact of reductions in revenue support grant.

The DCLG New Homes Bonus Unit had published examples of what they considered good practice on their web site. Wychavon District Council featured consistently as one such example. That Council currently allocated a proportion of the Bonus for community use, and awards were made by the Council's Executive upon production of a justified application.

The County Council, which received a 20% share of Aylesbury Vale's growth payments, had initially committed to use it on Rural Broadband. The Parishes were also lobbying the County for a share of the County's allocation.

Cabinet was advised that, having regard to the above factors, the following options had been formulated:-

OPTION 1

The Council could retain the entire Bonus and allocate it according to its perceived highest priority needs for the District. These could be revenue support for existing services, investment in new infrastructure (associated with existing growth or not), or enabling investment so as to unlock new growth and private sector investment. This option need not preclude allocating funding to initiatives proposed by Town/Parish Councils associated with growth.

Advantages

- It would provide the District with the greatest freedom to meet growth and community needs, at either sub-regional, County, District or Parish level.
- The aggregation of resources enabled larger, strategic schemes to be delivered as well as smaller schemes where these were considered a priority.
- It allowed for investment of the Bonus with a high level view of relative priorities.
- It could be directed into funding initiatives in those Parish areas most affected by growth.

Disadvantages

- It denied Parishes the ability to choose for themselves the initiatives that would benefit their residents.
- It did not obviously accord with the Government's expectation of consulting with the communities affected by growth, nor would they necessarily be convinced that they were benefitting from growth if they could not clearly see the investment taking place within their area.

OPTION 2

This was a variant of Option 1 and although under this proposal the Council still retained all of the New Homes Bonus, it allowed for external input on how the funding was allocated. This external input would be provided by those stakeholders who understood and represented the interests of the community and would include Parishes or their representatives and members of the business community.

It was envisaged that this group would consider the list of strategic infrastructure requirements for the Vale, together with their own proposals and make recommendations to Council on which should receive funding.

Advantages

- The aggregation of resources still enabled larger, strategic schemes to be delivered as well as smaller schemes where these were considered a priority.
- It allowed for investment of the Bonus with a high level view of relative priorities.
- It could still be directed into funding initiatives in those areas most affected by growth.
- It benefitted from an independent assessment of what the key investment priorities were and demonstrated community consultation.

Disadvantages

- It introduced external influence into Council decision making.
- The smallest schemes were liable to “fall through the cracks”.
- Parishes were unlikely to be happy that this proposal satisfied their requirements.

OPTION 3

The Bonus would be split (in a proportion to be agreed) between Parish nominated initiatives and District nominated initiatives. It was not proposed under this option that the funding would be automatically passed to Parishes, but instead they would be able to bid against the pooled pot in a “Community Chest” type fashion. The form of an allocation panel would need to be agreed, but could involve external representation. To demonstrate transparency, awards would be publicised. This option was most similar to the approach adopted by Wychavon DC.

Advantages

- It partitioned a fixed proportion of the Bonus for local initiatives which clearly compensated for the impacts of growth.
- It would leave a fixed proportion available to the District to allocate without the need to be directly accountable to those Parishes responsible for growth.
- It would allow the entire District to benefit from growth and would mean a move away from the idea that the impacts of growth were contained within the Parish where the growth was located.
- It demonstrated consultation with Parishes on how the Bonus should be used.
- It demonstrated community benefit, although arguably not to all communities as the pot might be aggregated and targeted into community centres.

Disadvantages

- It reduced the extent of the resources available for District nominated schemes. Thus it might not have the resources for the largest schemes or alternatively they might take longer to deliver.
- It still did not give individual Parishes control over their perceived resources and consequently it might be seen as District control and thus unpopular with some.

OPTION 4

This was similar to option 3 in that the Bonus would be split in a fixed proportion between the District and the Parishes. Rather than the Parish element being retained in a pooled fund, the Parish element would instead be passed directly to the Parishes responsible for generating the growth, and they would have the freedom to decide how and when they spent the sums generated.

Advantages

- Parishes would get some direct benefit from housing growth delivered in their area.
- Parishes would receive some benefit from even small scale growth, i.e. those which would not attract S106 receipts.
- This was the option that most Parishes who had responded to the consultation appeared to favour.

Disadvantages

- The disaggregation of funds would dilute the resources available and would mean that larger Parish sponsored initiatives would be less likely to be deliverable unless Parishes could agree to act together and pool their funding to deliver a scheme in one Parish area.
- It did not necessarily follow that the benefit communities wanted to see from growth would be located in their Parish. For example, the residents of Berryfields might want better shopping, food and leisure opportunities in the centre of Aylesbury. Only through pooling the Bonus receipts from all surrounding areas might their requirements potentially be delivered.

In addition to the main element of New Homes Bonus, the Government paid a separate amount for each unit which was classed as affordable. This additional element equated to £350 per property and was paid a year later than the main element. In year one the Council had received £71,000 via New Homes Bonus for the affordable housing units delivered. It was proposed that this element should be treated separately to the main allocation and any receipts derived from it should be allocated to the Capital Programme to help deliver new affordable housing.

Cabinet was informed that a face to face meeting of all the interested parties had taken place on 31 July, 2012, when the above options had been discussed. Parishes had requested additional time to consider the options with their respective Parish Councils and it had been agreed that responses could be sent to the Council by 21 September. The responses received subsequently, together with the views expressed at the meeting had been generally supportive of option 4, but with some acceptance of the advantages offered by option 3, particularly by the larger Parishes which expected to take some growth under the Vale of Aylesbury Plan.

During the pre-Cabinet discussions non-Cabinet Members were offered an opportunity to comment on the proposals contained in the Cabinet report, during which reference was made to correspondence received from the Buckingham Town Clerk.

Cabinet was of the view that the final form of any policy had to take a balanced view of the needs of the District Council and those of the Parishes. It was however accepted that, like the District Council, Parishes also had spending pressures associated with housing growth which extended beyond those that might be met through increases in taxation. It was therefore felt that part of the Bonus should be reserved for schemes proposed and delivered by Parishes.

It needed to be recognised, again in the same way as it applied to the District Council, that these pressures tended to be stepped pressures i.e. not triggered by the addition of individual properties in a given area, but by the accumulation of growth over a period of time. Based upon the accumulation of growth principle, there would be points where there would be a need for the provision of new community facilities and therefore a recognition that significant capital investment would occur at these points. Passporting individual amounts of Bonus to Parishes, as in the case of option 4, would not achieve this as the Bonus would be scattered and not targeted to where there was a demonstrable need for significant spend in a Parish area to help with the provision of community facilities associated with growth.

Distributing amounts in accordance with option 4 would result in small awards of a few hundred pounds to many Parishes. Whilst these were likely to be useful in terms of balancing annual budgets, they were unlikely to result in the delivery of projects which had tangible benefits for the communities accepting growth. It was an important element of the Bonus Scheme that residents should be able to see the rewards of accepting growth, and it was unlikely that option 4 would deliver this in the majority of cases.

Cabinet therefore felt that option 3 should be recommended for adoption as it would better deliver benefits to areas of demonstrable need, and through the aggregation of sums generated, it would make for useful and tangible contributions to projects in those Parish areas that needed it most. It was recognised that this was not specifically the option that Parishes preferred, but the awards of Bonus under this scheme were strategically important and the Council had a duty to ensure that their application was targeted and used strategically so that everyone in the Vale benefitted as a result of housing growth.

Building upon the consultation feedback and the experience gained from other awards processes, Cabinet felt that the key elements of the policy should be:-

- a. Annual awards should be identified and accounted for separately within the Council's accounts. The usage made of the scheme and the distributions should be transparent and reported on the Council's web site.
- b. Annual awards of Bonus would be top sliced and a proportion taken into the General Fund Revenue Account. This would mitigate the financial impact on Government Grant resulting from the introduction of the scheme together with the revenue impact of providing services to new residents. This was estimated to be in the range of 20% to 25%, but would vary depending upon the amount of new housing delivered nationally.
- c. Of the remaining sum, a provision of a percentage amount (to be determined) would be set aside annually (retained by the District) for Parish and Town Council nominated schemes.
- d. There would be an application process and awards would be made annually alongside the budget process so that allocations were known in advance of the financial year to which they applied.
- e. Awards would be assessed by a separate panel convened for this purpose and recommendations would be passed to Cabinet for final determination. The composition of the panel would be agreed separately but it was envisaged that it would be cross party and would include representation from Parish bodies.
- f. Award criteria would be for the panel to determine, but it was expected that applications should include a business case which as a minimum should demonstrate:-
 - o The impact of growth on their area; applications need not necessarily be from the area directly taking growth in recognition of the fact that those most affected by growth were not always within the area taking that growth;
 - o The need or community desire for the investment proposed;
 - o Firm costings together with a funding and delivery plan.
- g. Awards could be for up to 100% of the scheme cost and could support both capital and revenue projects (with a life of less than 6 years).
- h. It would be a condition of the scheme that the contribution made by New Homes Bonus should be clearly identified to the local community.
- i. Multi-year awards could be made, recognising the 6 year award timeframe used in calculating allocations of New Homes Bonus, but these would not be underwritten by the Council and any changes by the Government to the national New Homes Bonus Scheme would be reflected in annual awards, irrespective of forward allocations.

- j. Any unused sums at the end of the year would not be carried forward.
- k. Separate awards made by the Government for the affordable housing element would be ring-fenced for new affordable housing provision and allocated by the District Council in accordance with its priorities.
- l. It was expected that the District Council would use its share of the Bonus for schemes associated with population growth.

The Cabinet Member for Resources indicated that he had reconsidered the issue of carry forward of funds and had reached the conclusion that this should be permissible. An appropriate adjustment would therefore need to be made to the key element referred to in (j) above to facilitate this. The recommendations referred to later in this Minute took this revision into account.

Members appreciated that the amount to be ring-fenced for Parish use needed to be determined as part of the proposed policy. Parishes had consistently referred to 40% of the New Homes Bonus as being a significant and fair amount. The Government had not mandated a proportion that should pass to Parishes, nor had it indicated that any should pass at all. Careful consideration needed to be given to the respective needs of Parishes and the District's residents associated with growth. Also any allocation to Parishes needed to consider the strategic importance of the Bonus in terms of being able to meet those respective demands. The Cabinet report incorporated a schedule containing example distribution percentages. It was noted that even at the lower end of these shares, the amount available for Parish use would approach £1m annually, which was a significant proportion. It was felt the percentage to be applied to the scheme should be 20%.

After careful consideration of all the information available, it was

RESOLVED –

That Council be recommended:-

- (a) To adopt a policy on the future use of New Homes Bonus allocations based around option 3 outlined in the Cabinet report, subject to the proposed allocation criteria enabling the carry forward of any unused sums at the end of each year, but otherwise encompassing the main elements set out within paragraph 12.1 of the Cabinet report.
- (b) To automatically add to the capital programme provision for affordable housing the additional payments of New Homes Bonus received in relation to affordable housing development.
- (c) Not to apply the policy retrospectively to the years 1 and 2 allocations already received and allocated to the waste scheme enhancement works.
- (d) That the percentage to be applied to the scheme should be 20%, given the respective investment requirements on Parishes and the District.