

Overview and Scrutiny Report
Ward(s) affected: All
Report of Director of Resources
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Review of New Homes Bonus

Executive Summary

This report sets out that since 2011-12 the Council has received £12.7million in funding through the New Homes Bonus (NHB) grant. The Council has spent £6.5million of NHB funding to support Council services and £4.2million of NHB funding on specific projects in line with the NHB policy adopted by Council at the Budget Council meeting in February 2016. The report also sets out that the New Homes Bonus grant is highly likely to be abolished for 2021-22 and that the remaining balance on the NHB reserve at the end of 2020-21 is highly likely to be used to partially fund the Council's overspend on COVID19. As a result, there is little scope for making any changes to how the bonus is spent in the future.

Recommendation to Committee

That the Committee notes the report detailing how the New Homes Bonus has been spent.

Reason(s) for Recommendation:

The Overview and Scrutiny committee asked for a report reviewing how the New Homes Bonus is being spent

Is the report (or part of it) exempt from publication?

No

1. Purpose of Report

- 1.1 The purpose of this report is to review the income received from the New Homes Bonus since its introduction in 2011-12 and how the bonus has been used by the council. The Council introduced a New Homes Bonus Policy in February 2016 as part of the 2016-17 Budget. This report reviews the policy and its implementation.

2. Strategic Priorities

- 2.1 The New Homes Bonus and the NHB Allocations Policy has supported the achievement of all the fundamental themes and strategic priorities as set out in the Council's 2015-2020 and 2018-2023 Corporate Plans.

3. Background

- 3.1 New Homes Bonus is a grant paid by the government to all English councils for creating new homes in their area. The bonus provides Councils with payment for every property added to their council tax register, after deducting recent demolitions. These may be newly built, conversions, or empty homes being returned to use.
- 3.2 For each new home added to the council tax register, the government pays an amount equivalent to the national average for its council tax band every year. Initially this payment was received for six years, however in 2018, the government made amendments to the New Homes Bonus Scheme so that the payment for any new homes from 2018-19 onwards was subject to a 'deadweight' calculation and only received for 4 years. In addition, the bonus was subject to a national limit of £900million.
- 3.3 In December 2019 the Council received a 'one-year only' local government finance settlement from the Government. This included notification that the NHB grant for 2020-21 was only for one year, it is anticipated that 2020-21 will be the final year that the New Homes Bonus is paid to local authorities; however, confirmation that that remains the case is unlikely to be received until the Local Government Finance Settlement is announced for 2021-22 in December 2020. The Council's medium term financial plan assumes no income from NHB grant from 2021-22 onwards.
- 3.4 Whilst an increase in housing growth in the borough was projected in the local plan, we have not expected any significant increase in the New Homes Bonus (NHB) in the medium and long term budget for the Council. This is because the Government have set the national limit on NHB allocations as £900 million and it is likely the allocation will further reduce if the government does not meet its national austerity targets. Therefore, the bonus is likely to be subject to on-going reform to keep within the national allocation or be abolished altogether.
- 3.5 In February 2016, the Council approved a new homes bonus policy which is included as Appendix 1 to this report. The policy set out how the bonus should be used to fund expenditure consistent with achieving the objectives set out in the Council's corporate plan.
- 3.6 Between 2014-15 and 2019-20, the Council allocated around £1million per annum from the NHB grant to finance on-going services as part of the Council's general fund revenue account. This was because NHB was not new money, the government had reduced other funding to local councils to create the New Homes Bonus so, some of the grant was used to fund services that would have otherwise had to be cut as a result of the reduction in government funding. However, following confirmation that the NHB funding is subject to significant change and likely to be phased out over time, our budget and medium term financial plan for 2020-21 onwards assumes that

NHB grant is transferred to reserves to finance one off short to medium term revenue projects or capital projects. This is because NHB funding is only available for the short term and so it would not be prudent to rely on the income as a permanent source of finance to fund on-going revenue expenditure. The Council has undertaken the Future Guildford Transformation project, in order to create the savings necessary to reduce the Council's expenditure to a level where we are not reliant on NHB income. Future Guildford Phase A allowed us to take the £1million savings out of the general fund revenue budget for 2020-21 to mitigate the loss of NHB grant.

- 3.7 The table below summarises the NHB grant received, the amount spent on services and the amount spent on projects for each year. It also shows the amount spent on projects and the transfer of funding to the NHB reserve.

Financial Year	Amount received	Amount Spent on Services	Amount spent on projects	Transfer to / (from) reserve	Reserve Balance
	£	£	£	£	£
2011-12	137,525	137,525	0	0	0
2012-13	583,912	137,525	0	93,818	540,205
2013-14	1,214,586	137,525	0	1,077,061	1,617,266
2014-15	1,510,961	1,000,565	0	510,396	2,127,662
2015-16	1,779,365	1,000,551	0	778,814	2,906,476
2016-17	2,362,055	997,785	325,213	1,039,057	3,945,533
2017-18	2,075,466	1,000,555	1,037,096	37,815	3,983,347
2018-19	1,200,586	1,000,555	656,388	-456,357	3,526,991
2019-20	1,039,201	1,000,555	50,550	-11,904	3,515,087
2020-21	851,019	0	1,594,398	-743,379	2,771,708
2021-22		0	457,000	-457,000	2,314,708
2022-23			125,000	-125,000	2,189,708
TOTAL	12,754,676	6,413,141	4,245,645		

- 3.8 The projected uncommitted balance on the reserve of £2.2million is quite likely to be used at the end of 2020-21 to finance the overspend the Council has due to COVID19. The Council will then need to decide whether it wishes to try to repay/rebuild the reserve to its previous pre-COVID balance, however, there is no particular need to replenish the reserve given the potential abolition of the grant. The Chief Finance Officer does not believe that it is a good use of Council Tax funding to replenish this reserve. This will be a matter for the Council to decide as part of the Budget process for 2021-22. Any decision to rebuild the reserve will require the identification of revenue savings (in addition to those identified through Future Guildford) through the 2021-22 budget process to be able to repay the reserve.

- 3.9 As set out in paragraph 3.7 above, the Council has spent a total of £4.2million NHB grant on specific projects in recent years. All NHB expenditure on projects was approved by Council as part of the budget report for the relevant years or through other reports to the Executive. The allocation of NHB grant on projects was principally to use the grant to fund feasibility studies for transport schemes and other projects as set out within the NHB Policy (Appendix 1). A summary of the amount spent on projects and how the expenditure was consistent with the criteria for spending the grant within the NHB policy is shown in the table below.

	TOTAL Allocated	NHB Policy Criteria
Amount spent on Feasibility Studies for Projects	£	
Ash Road Bridge	162,771	3f
Guildford Gyratory and Approaches	865,297	3e & 3f
Guildford Station Platform Capacity	107,182	3f
Sustainable Movement corridor	282,644	3c & 3e
Bedford Wharf	472,601	3b
Walnut bridge	176,601	3c
Slyfield Internal Estate road	335,000	3f
Bike Share Scheme	70,000	3d
Spectrum 2.0	160,550	3j
Stoke Park Masterplan	186,000	3i
Town Centre masterplan / GERP	750,000	3b
Other Expenditure		
Planning policies	200,000	3a / 3b
Ripley Village Hall rebuild	277,000	3k
Crowdfunding platform for community grants	160,000	3n
Watts Gallery 'Physical Energy' Sculpture	40,000	3m
TOTAL	4,245,647	

- 3.10 Within the New Homes Bonus Policy there is provision for 15% of any grant received to be passed to the respective parish council or community organisation for spending where the grant received relates to homes built on a site earmarked for development within a Neighbourhood Plan. Although a number of neighbourhood plans have been adopted, no developments have occurred on approved sites allocated within a neighbourhood plan yet and so no funds have been passed to any parish council or community organisation for spending yet, however £277,000 has been earmarked for expenditure in the future in Ripley under this part of the policy following Executive decision in January 2020. Given the imminent withdrawal of the grant, it is now unlikely that further funds will be passed to parish councils or community groups in future.

4. Consultations

- 4.1 No consultations have taken place on this report.

5. Key Risks

- 5.1 There is a significant risk that New Homes Bonus funding will be withdrawn by the government in 2021-22. As such £1million of funding per annum that was used to fund general services has been withdrawn from the Council's budget and Future Guildford Phase A has delivered efficiency savings to reduce the Council's expenditure to compensate for the loss of income.

- 5.2 There is a significant likelihood that the Council will need to use the remaining funding contained in the New Homes Bonus reserve to fund the overspend from COVID 19 in 2020-21. Given the imminent withdrawal of the NHB grant, the Chief Finance Officer does not propose to recommend to Council that the reserve is replenished from Council tax payer funds as part of the 2021-22 budget. As such it is anticipated that there will be no reserve and no NHB grant in 2021-22 for us on future projects.

6. Financial Implications

- 6.1 The financial implications are included throughout the report. Approval to spend the New Homes Bonus was included in the relevant budget reports for the relevant years.

7. Legal Implications

- 7.1 The New Homes Bonus is a grant paid by central government to incentivise Councils to increase the number of available homes. Bonus payments are “non-ring fenced” meaning they can be spent by authorities as they see fit, although councils are expected to spend receipts “in line with the wishes of the community”.

8. Human Resource Implications

- 8.1 There are no human implications to this report.

9. Equality and Diversity Implications

- 9.1 There are no equality and diversity implications arising from this report.

10. Climate Change/Sustainability Implications

- 10.1 There are no climate change implications arising from this report however, a number of the projects funded from the NHB grant were to fund sustainable transport and better pedestrian and cycle routes which would have a positive impact on climate change.

11. Executive Advisory Board comments

- 11.1 This report has not been considered by an EAB. (As part of the 2016-17 budget setting process the former Joint Overview and Scrutiny Committee considered the New Homes Bonus Policy in November 2015.)

12. Suggested issues for overview and scrutiny

- 12.1 This report sets out how the New Homes Bonus has been spent. The Overview and Scrutiny Committee is asked to consider the report and ask any questions and make comments as necessary. However, with the imminent abolition of the grant and the need to use the reserve to fund the Council's overspend arising as a result of COVID19, means that there is little scope for consideration of how future NHB funding could be spent.

15. Conclusion

- 15.1 This report sets out that since 2011-12 the Council has received £12.7million in funding through the new homes bonus. The Council has spent £6.5million of NHB funding to support Council services and £4.2million of NHB funding on specific projects in line with the NHB policy adopted by Council at the Budget Council meeting in February 2016. The report also sets out that the New Homes Bonus grant is highly likely to be abolished for 2021-22 and that the remaining balance on the NHB reserve at the end of 2020-21 is highly likely to be used to partially fund the Council's overspend on COVID19.

14. Background Papers

Executive 24 November 2015: General Fund Outline Budget 2016-17
(<http://www2.guildford.gov.uk/councilmeetings/mgAi.aspx?ID=1602#mgDocuments>)

Council 10 February 2016: Business Planning: General Fund Budget and Council Tax 2016-17
(<http://www2.guildford.gov.uk/councilmeetings/ieListDocuments.aspx?CId=159&MId=154&Ver=4>)

16. Appendices

Appendix 1 – New Homes Bonus Policy