

1. Introduction

- 1.1 There are a number of changes in local government finance that are being introduced through the life of this parliament. Initiatives in the Localism Act 2011 and in the Local Government Finance Bill, now passing through parliament, and providing the legislative base for Coalition initiatives on both public expenditure reductions and the Big Society.
- 1.2 The New Homes Bonus is a replacement for the previous planning incentives received by Councils that performed well in delivering planning outcomes. It is based on a calculation of new properties in the council area.
- 1.3 The Big Society Fund is this Council's preparation for delivering on the Localism Act duties to engage with and empower local communities.
- 1.4 The development of these two initiatives is not without risk to the Council. The expectation that funding for the new homes bonus exceeding the initial allocation would be met from Formula Grant has been overtaken by proposed changes in the funding local government is to receive contained in the Local Government Finance Bill.

2. New Homes Bonus

- 2.1 Within the Comprehensive Spending Review (CSR 10) the government announced plans for funding to be made available for the New Homes Bonus Scheme. The new homes bonus is to incentivise and reward councils and communities who wish to build new homes in their area.
- 2.2 The government set aside nearly £1 billion over the Comprehensive Spending Review period for the scheme, including nearly £200 million in 2011/12 (year 1) and £250 million for each of the following three years. Funding beyond those levels were to come from reductions in Formula Grant.
- 2.3 The Government believe this would be a simple, powerful, transparent and permanent feature of the local government finance system. The key features of the scheme are as follows:
 - The bonus would be paid as a grant, which in summary will, from 2011/12, match fund the additional council tax for each new home and property brought back into use, for each of the 6 years after that home is built with an additional amount for affordable homes.
 - The match funding would be split between upper (county and possibly police) and lower tier authorities (districts). The ratios to be used for the split were confirmed with 80% being returned to lower tier (District Council) authorities.
 - The value of the bonus should increase for at least six years. The payment for 2011/12 was based upon the growth in new homes in the year to October 2010. The 2012/13 bonus reflects growth in the two years to October 2011. In the third

year, the bonus will be based on the growth in the first, second and third years of the scheme and so on.

- Local authorities would be able to decide how to spend the funding in line with local community wishes. The Government expected local councillors to work closely with their communities – and in particular the neighbourhoods most affected by growth – to understand their priorities for investment and to communicate how the money will be spent and the benefits it would bring. This may have related specifically to the new development or more widely to the local community. For example, they may have wished to offer council tax discounts to local residents, support frontline services like bin collections, or improve local facilities like playgrounds and parks.
- The bonus would be paid through section 31 of the Local Government Act 2003 as an unringfenced grant.

2.4 The New Homes Bonus has now been operational for a year. For 2011-12 an estimated 364 new properties were brought into use producing a grant of £437k. As noted above 80% of this sum is paid to the District Council giving a figure of £350k.

2.5 Provisionally in 2012-13, based on the net growth in properties of 254 plus new affordable homes of 107 the grant is estimated to be an additional £327k. Again 80% of this, £262k, comes to the District Council. The total forecast to be received for the year will therefore be £612k (as the £350k from 11/12 is received each year along with the new additional allocation of £262k). The total of £612k is then being transferred to the New Homes Bonus reserve.

2.6 However, from 2013/14 the cost of the new homes bonus will exceed the national funding referred to above by progressively increasing amounts each year. Proposals for the localisation of business rates will require each local authority to pay a proportion of the business rates from their area to a national pot which will then be used to cover the shortfall in new homes bonus payments. A prudent view has therefore been taken in relation to the future years forecasts, which have remained at £612k to reflect this position.

3. Big Society Fund

3.1 The aim of North Norfolk's Big Society Fund is as an initiative which will enable a flexible approach to community investment in the district.

3.2 It is designed as a means of improving social and economic wellbeing and will promote the principles of self-determination and self-help by providing local people and organisations with the capacity and skills to plan and implement projects which they choose to benefit their own communities.

3.3 The discretionary element of the second homes council tax charge, of approximately £1.835 million per annum is currently split between the County Council, Police and District Council in proportion to their precepted sums. The County Council sum of £1.39 million is currently distributed in the following way:

- 50% returned to the former District Local Strategic Partnership (LSP)
- 25% allocated to the County infrastructure fund

- 25% allocated to the County LSP

3.4 A new agreement has now been reached between the County Council and all of the Norfolk District Councils to return 50% of the funding direct to the relevant District Council. There is therefore an annual budget of approximately £700,000 available to support the establishment of a Big Society Fund in North Norfolk. The 2012/13 allocation of £1.15m is made up of this annual amount plus the residual balance left over from the LSP.

3.5 The Localism Act provides the legislative framework within which the Council will seek to:

- Reform public services by devolving and empowering communities where appropriate to do so
- Drive efficiencies through the rationalisation of public sector assets and service delivery
- Promote the development of neighbourhood plans and maximise growth where there are clear benefits and it is welcomed

3.6 The Council's Corporate Plan 2011- 2015 makes the following commitments in placing localism at the heart of our agenda.

What we want to achieve	How we are going to achieve it
Recognise the important role that Town and Parish Councils have as the democratic embodiment of their communities	Review the need for partnerships and other bodies that duplicate and potentially compete with local councils. Review all Council activities to identify whether some might be more effectively carried out by Town and Parish Councils. To respond positively to requests from Town and Parish councils to take over the running of services within their area.
Encourage communities to develop their own vision for their future and help them to deliver it	Encourage the development of neighbourhood planning. Maximise the benefits that local communities receive from embracing growth.
Encourage the growth of the Big Society within communities	Review services and ensure that the Council's activities are not competing inappropriately with or stifling alternative provision. Establish a community investment fund, to be known as The Big Society Fund to invest in local communities and strengthen civic society.

4 Conclusions

4.1 Regular reports to both Cabinet and Overview and Scrutiny Committee have kept Members informed of the changing landscape in respect of legislation and proposed legislation as it impacts on our community and the finances of the Council.

4.2 In transferring these sums to earmarked reserves the Council is being transparent in dealing not only with the receipt of this income but also in how it is to be deployed.

4.3 The Big Society framework, for example, is supported by a set of principles agreed by Cabinet on 28th November 2011 and attached as appendix 1 to this paper.

4.4 Also attached at appendix 2 are a set of frequently asked questions about the New Homes Bonus prepared by the Department for Communities and Local Government (DCLG).

Links to further documents;

The following reports may also be of interest;

Cabinet 28 - November 2011

Localism and Big Society report

<http://www.northnorfolk.org/minutes/Cabinet/28%20Nov%202011/Localism%20and%20big%20society.pdf>

<http://www.northnorfolk.org/minutes/Cabinet/28%20Nov%202011/Appendix%20L%20%20-%20Big%20Society%20Fund.pdf>

Overview & Scrutiny – 31 January 2012

Big Society Fund Report

<http://www.northnorfolk.org/minutes/Scrutiny%20Committee/31%20Jan%202012/Big%20Society%20Fund%20Report.pdf>

http://www.northnorfolk.org/minutes/Scrutiny%20Committee/31%20Jan%202012/BSF%20Report%20Appendix%20A%20_Appendices%201-4_.pdf

Big Society Fund

1. Funding Pot

Bring together grants / relief into one funding pot for the following;

- National non-domestic discretionary rate relief - discount on business rates
- Notional rental – discount on rent for tenants of Council property
- Community Cash grants – for one-off projects and running costs for year 1
- Community Capital grants/loans – for improvements to buildings and equipment purchases

A policy already exists for discretionary rate relief. No policy currently exists for rental discounts. A policy for the Big Society Fund would establish the principles upon which the community grants would be made and would cover the following points, amongst others.

2. What type of projects would the fund support?

The policy will determine the criteria by which grant applications will be assessed and awarded.

There will be an emphasis on supporting projects which have a strong economic and/or social benefit but criteria will not be overly prescriptive.

Most importantly grants will be awarded to organisations or community groups where they can demonstrate that the project has the support of the local community.

3. Who would be eligible to apply?

Local voluntary organisations, charities and community groups would be encouraged to make applications.

Larger regional and national charities/organisations if the funding is to deliver a specific project in North Norfolk

4. Funding commitment

There will be no limit on the number of times that an organisation, charity or community group can apply but the expectation is that only one application will be made in any one year.

A 2 year funding commitment could be made to any organisation but only if certain grant criteria are met and the organisation has more than 50% of its funding committed from other sources for the equivalent period.

5. Awards of Grant

Grants of up to £5,000 – To be agreed by a Member / Officer delegation

Grants of over £5,000 – Cabinet decision

6. Audit / Evaluation of Grant

In agreeing the award of grant there would need to be an evaluation form that is to be completed at the end of the financial year for grants over £5,000.

DCLG Frequently Asked Questions – New Homes Bonus

Frequently asked questions about the New Homes Bonus - Updated 1 December 2011

How does the New Homes Bonus work?

The Bonus is based on the council tax of additional homes and those brought back into use, with a premium for affordable homes and paid for the following six years. Details including scheme design can be found on the [New Homes Bonus](#) homepage.

What funding is available for the New Homes Bonus?

The Bonus commenced in financial year 2011-12. We set aside almost £1 billion over the Spending Review period with the Bonus fully funded in year 1. For each of the years 2012-13, 2013-14 and 2014-15, £250m has been allocated to the New Homes Bonus from this Department's funding, and funding beyond these levels comes from formula grant.

The first £250m was allocated through the spending review. We also topsliced £176m from 2012-13 formula grant, based on a central estimate of housing supply. The provisional allocations have exceeded our initial budget estimates by around £6m. In order to manage the cashflow, the Bonus will therefore be paid in 13 monthly installments commencing in March 2012. The additional £6m will be recouped from local government resource in 2013 - 14

A provisional formula grant settlement for 2012-13 can be found at: www.local.communities.gov.uk/finance/1112/grant.htm (external link) - this already takes account of the funding set aside for the New Homes Bonus - £176m.

What funding has been provisionally allocated for 2012-13 (Year 2) for the New Homes Bonus?

In 2012-13 (year 2) the New Homes Bonus provisional allocations will total £431m for English local authorities - some £200m for the second year 1 installments and £231m for the first year 2 installments.

When will local authorities receive their payments?

We wrote to local authorities Leaders, English members of Parliament and chief executives on 1 December 2011 to notify them of their provisional allocations for 2012-13. Once final allocations are announced in early 2012 payments will be made monthly across 13 months direct to English local authorities. The first monthly payment will be made in March 2012.

Final allocations will be issued alongside the Local Government Finance Settlement. This will enable local authorities to include the grant in their annual budget setting process.

Where can I see my local authority's provisional allocation for New Homes Bonus?

Local authorities can view provisional allocations on the 'Written Ministerial Statement' or alternatively on the calculator download which is also on the [New Homes Bonus](#) homepage.

Local authority Leaders, all English Members of Parliament and Local Authority Chief Executives have been written to on 29 November 2011 with their provisional allocations. Copies of these letters can also be found on the [New Homes Bonus](#) homepage.

How is the provisional allocations made up?

The 2012-13 provisional total allocation is made up of some £200m for the second year 1 installments and £231m for the first year 2 installments.

The First Year 2 provisional installment is based on an increase of 159k in properties on the valuation list, a decrease of 22k long-term empty properties and 61k new affordable homes (including additional traveller site pitches). The first year 2 installments will be paid for the following six years.

Who can I contact if I have a query?

Queries on specific data or any other New Homes Bonus issue should be emailed to the New Homes Bonus team at : newhomesbonus@communities.gsi.gov.uk. The deadline for representations on the provisional allocations is 30 December 2011.

How does my local authority make a representation on the allocations announced or data used?

A: We have written to local authority Chief Executives with details of making representations (download data protocol). Otherwise please email the New Homes Bonus Team at Newhomesbonus@communities.gsi.gov.uk

Will the funding be ring-fenced for housing?

No, the New Homes Bonus will be paid through section 31 of the Local Government Act 2003 as an unringfenced grant. Local authorities and their communities will have the freedom to spend New Homes Bonus revenues according to local wishes. There are already good examples of authorities using the Bonus in a variety of ways. For example in consultation with local communities, Wychavon have developed a protocol for spending the New Homes Bonus, The aim of which was "...to ensure that the economic benefits of growth are returned to the local authorities and communities where that growth takes place". For further examples of how the benefit can be used to promote growth see the new Bonus Bulletin - will be made available from [New Homes Bonus](#) homepage shortly.

Why is the funding not ring-fenced?

Local authorities are best placed to understand the barriers to housing and the needs of their local communities. They decide how to spend the funding, taking into account local priorities.

The Spending Review 2010 set out that the Government are ending ring-fencing of all revenue grants from 2011-12, except simplified school grants, and a new public health grant from 2013.

The removal of ring-fencing from local government grants - gives councils freedom over the money they receive - provides significant financial autonomy. This allows local authorities to work with their residents to decide how best to make their spending decisions. By lifting the restrictions on how local government spends its money the Government have facilitated a major step towards devolving greater power.

Taking money from Formula Grant is unfair to disadvantaged areas

Under the provisional 2012-13 Local Government Finance Settlement we transferred £176m from formula grant to fund the New Homes Bonus, but we have ensured protection for councils through the Transition Grant, which guarantees that no authority will receive a reduction in its spending power of more than 8.8 per cent in both 2011-12 and 2012-13.

How long will the New Homes Bonus last?

New Homes Bonus is intended to be a permanent feature of the local government finance system.

How will the local government resource review impact on the New Homes Bonus scheme?

The Government introduced the New Homes Bonus to incentivise housing supply in April 2011. We have also been developing proposals to deliver effective incentives for local authorities to promote business growth. We have set out proposals this summer that will replace the existing Formula Grant arrangements to move to a process whereby local authorities keep at least a proportion of their business rates. Our proposals make clear that we will continue to fully fund commitments arising from the New Homes Bonus through a top slice of the business rates income.

Will affordable homes be included?

It is crucial that we ensure that there is a good balance of market and affordable homes so we want to incentivise the role that local authorities can play in providing the right balance to meet the needs of local people. For the first time this year we will pay a premium of £350 (£2,100 over 6 years) for each new affordable home. This is in addition to the Government's commitment in the Spending Review to invest £4.5bn in affordable housing over the next four years, which will deliver up to 170,000 new affordable homes.

How have the number of affordable homes be calculated?

We have used the Department for Communities and Local Government statistics on gross affordable housing supply, which are published annually, to calculate the affordable homes enhancement. Allocations for 2012/13 are based on 2010/11 data which was published on 5 October 2011. This data is in line with the scope of [Planning Policy Statement 3 \(PPS3\)](#). The Statistical Release is available at

<http://www.communities.gov.uk/publications/corporate/statistics/affordablehousing201011>

and detailed tables at

<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/affordablehousingsupply/livetables/> .

The affordable supply statistics have been updated for some authorities to reflect subsequent revisions to their Housing Strategy Statistical Appendix return.

The affordable supply figures are supplemented by data on additional affordable residential traveller pitches constructed between July 2010 and July 2011. This data was published on 17 November 2011 at

<http://www.communities.gov.uk/publications/corporate/statistics/caravancountjul2011>

A technical note *Gross supply of affordable homes: Data sources and methods* can be found on the [New Homes Bonus](#) homepage.

What happens if council tax levels change?

The [scheme design paper](#) sets out how the national average council tax rate is calculated for each band. The grant is then payable on each eligible property for the following six years at the same rate. We will review the rate of council tax annually in respect of eligible properties completed in future years. There was a small increase this year of 11p due to parish precepts which were not included in the council tax freeze.

How long is a property empty before it becomes eligible for new homes bonus?

As set down in the Council Tax (Exempt Dwellings) Order 1992, SI 1992/558), properties that are 'unoccupied and substantially unfurnished' are exempt from council tax for up to six months

www.legislation.gov.uk/ukxi/1992/558/contents/made (external link).

'Substantially unfurnished' is not defined in the legislation; many local authorities regard a dwelling as substantially unfurnished if there are insufficient furnishings to enable someone to live in the dwelling, but in any case judgment has to be made on each individual case.

After six months the property becomes defined as 'long term empty' and therefore subject to council tax. See [Council Tax: discounts and exemptions](#) (external link).

We have a number of empty homes awaiting demolition. Will this affect us?

Authorities will not be penalised for demolishing long term empty properties. Where there is a long term property recorded on the council tax base form which is subsequently demolished and replaced with a new property. Grant will be paid on the new property.

How are demolitions treated in the New Homes Bonus?

Local authorities will be paid a bonus for an increase in net effective stock - either new property or empties brought back into use. Therefore if an authority demolishes a property and rebuilds it, then the authority has no net change in effective stock.

What happens if we demolish more homes than we build in any given year. Will this count against us the following year?

No. Negative changes in effective stock will not be carried forward. Each authority will start from a zero base in each subsequent year.

Will traveller sites be included?

Under New Homes Bonus, traveller sites will receive equal treatment. They will be subject to the same planning rules that everyone else must abide by and will receive the Bonus where they are valued for council tax. Additionally, publicly funded or managed pitches and other

appropriate products offered at below-market prices attract the additional affordable homes premium. Data on affordable traveller pitches can be found at <http://www.communities.gov.uk/corporate/publications/statistics>

How will New Homes Bonus work in two tier areas?

For the incentive to be powerful, it must be strongest where the planning decision sits - the lower tier in two tier areas. However, in two tier areas, we recognise the role of the upper tier in the provision of services and infrastructure and the contribution they make to strategic planning. The bonus is therefore split 80 per cent to the lower tier and 20 per cent to the upper tier.

However, this is a starting point for local negotiation. Every development is different and will need different services to support it. Local authorities and local communities are best placed to negotiate these to meet the needs of local neighbourhoods. In many cases this will involve advanced planning with local authorities.

In London 100 per cent will go to the London borough.

Will the New Homes Bonus be paid on purpose built student accommodation or similar types of purpose built clustered accommodation?

Any new homes built and properties brought back into use which are recorded in line 1 of the Council Tax Base form will be included in the bonus calculations. This data will include student or other purpose built accommodation as reported by the Valuation Office. At this stage the Government does not propose to exclude student accommodation or similar purpose clustered accommodation including sheltered homes for the elderly.

When will a new home or property trigger the award?

Once a new home is recorded on the Council Tax Base form it will become eligible for New Homes Bonus grant awarded the Bonus. A snapshot of this data is taken in October each year and the Bonus is paid in the following financial year. The Bonus does not take into account planning permissions or other planning processes.

Will homes built after a planning appeal be eligible for the New Homes Bonus award?

Yes - all new homes or properties recorded in the council tax base form and which come under the New Homes Bonus grant calculation will be eligible for the bonus. Therefore all new homes or properties eligible for New Homes Bonus would have gone through the planning process including appeals.

Will district and parish councils benefit from the New Homes Bonus proposals?

For the incentive to be most powerful, it must be strongest where the planning decision sits. In two tier areas this is the lower tier. The bonus will therefore be split 80 per cent to the lower tier and 20 per cent to the upper tier.

However, this is a starting point for local negotiation. Every development is different and will need different services to support it. Local authorities and local communities are best placed to negotiate these to meet the needs of local neighbourhoods. Parish and town councils are encouraged to negotiate with local authorities to ensure that the benefits of growth are reaped by the communities themselves.