

# Chapter 14: New Homes Bonus – Alternative Option

## Background

1. At the meeting of the Settlement Working Group on 26 July, an alternative option to removing the full £2 billion amount in each of the 7 years of the reset period was suggested. That would be to remove only sufficient money in each year to fund the cost of the New Homes Bonus within that year.
2. If the Government adopts this option, in order to ensure that the New Homes Bonus is fully funded for each year we will need to use a conservative, and thus high, estimate of the amount actually required. We may therefore need to return any surplus funding to local authorities in the way described under the previous option.
3. We will also need to continue to hold back funding for capitalisation and the safety net.

## Quantum of funding to be removed

4. The amount to be held back for the New Homes Bonus in 2013-14 is £500 million and is £800 million in 2014-15. These represent broad, ballpark estimates of the amount that might be required in each of those years.

## How to return the surplus funding to authorities

5. In each year, as soon as the final allocations of the New Homes Bonus are published, we will return any surplus funding to local authorities in proportion to their start-up funding allocations.

## Funding for capitalisation and the *safety net*

6. As explained in **Chapter 3**, we propose to hold back up to £345 million in order to fund capitalisation and the *safety net*. As the amount of surplus New Homes Bonus money will no longer be sufficient to finance this we will need to remove this from the control totals.
7. If this money is not required for this purpose, or for covering any unexpectedly large New Homes Bonus payments, as much as possible will be returned to local authorities in the January of the financial year, with a small residual retained and released in March. Money will be returned via a section 31 grant in proportion to the start-up funding allocation

**Question 84: Would you prefer that (a) only sufficient funding to finance the New Homes Bonus in each year is removed, as well as funding for capitalisation and the safety net held back, rather than (b) the full £2 billion required for the entire period is removed, and the money held-back for capitalisation and the safety net is funded through the surplus,**

**with the remainder of the surplus being paid back through section 31 grant in proportion to the start-up funding allocation?**