

 <b>Executive – 11 September 2013</b>		<b>Agenda Item No.</b>  <b>8</b>
<b>Title</b>	New Homes Bonus – Government Consultation	
<b>For further information about this report please contact</b>	Mike Snow – 01926 456800	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	N/A	
<b>Background Papers</b>	Consultation Paper issued 25 July 2013	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	28/8/13	Chris Elliott
Head of Service	28/8/13	Mike Snow
CMT	28/8/13	
Section 151 Officer	28/8/13	Mike Snow
Monitoring Officer	28/8/13	Andrew Jones
Finance	28/8/13	Mike Snow
Portfolio Holder(s)	28/8/13	Andrew Mobbs
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
<b>Final Decision?</b>		Yes/No
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. SUMMARY

- 1.1 As part of the 2013 Spending Round the Chancellor announced a £400 million top-slice of New Homes Bonus funding to provide some of the money for the Local Growth Fund. They followed this up in July by issuing a technical consultation as to how this funding would be transferred to the Local Enterprise Partnership (LEP). The consultation closes on 19 September and this report proposes a response.

## 2. RECOMMENDATION

- 2.1 That the Executive agree the response to the New Homes Bonus consultation set out in Section 7.

## 3. REASONS FOR THE RECOMMENDATION

- 3.1 New Homes bonus has been an important source of funding for local authorities for the last 3 years. The financial plans for this council, as with all other councils, currently assume NHB funding is to continue. Any changes to the allocation of this funding will impact upon the Council's plans. It is therefore important that the Council uses this opportunity to respond to the recent Consultation paper, which can be found in full at [NHB consultation](#).

## 4. POLICY FRAMEWORK

- 4.1 **Fit for the Future** – New Homes bonus is being used to support the Council's Fit for the Future Programme. Any reduction in funding will therefore impact upon the Council's aspirations.

## 5. BUDGETARY FRAMEWORK

- 5.1 New Homes Bonus has been awarded since April 2011. The amounts awarded to this Council, the future projections from 2014/15 and possible allocation to the LEP are showed below:-

	<b>Total NHB</b>	<b>Reduced NHB</b>	<b>Allocation to LEP</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
2011/12	292		
2012/13	818		
2013/14	1,009		
2014/15 (projected)	1,309	851	458
2015/16 (projected)	1,609	1,046	563
2016/17 (projected)	1,916	1,245	671
2017/18 (projected)	1,691	1,099	592

- 5.2 NHB is calculated based on the number of net new additional properties within the area, based on the average national council tax (£1,444.13 for 2012/13),

with an additional premium of £350 for new affordable homes. In two tier areas, 20% of the calculated NHB is allocated to the county council, and 80% to the districts.

- 5.3 Each year's allocation is paid for 6 years. It is awarded as part of the local Government Revenue Support grant Settlement each year. In order to fund the scheme, the government top-slices funding from the overall funding available for Revenue Support Grant and Business Rates. Concerns have been expressed as to the sustainability of the scheme in terms of funding continuing to be able to fund it without having detrimental impact upon other local government funding sources.
- 5.4 The Government has not been prescriptive over the use of NHB. One of the principles of the bonus is flexibility on how to spend funding in line with community wishes and the bonus is an unringfenced grant.
- 5.5 Each local authority has adopted its own approach to the use of NHB. Examples include the following:-
- Using NHB to support revenue spending to support the provision of services.
  - Agreeing a formal protocol on the use of the NHB, these often including an element being re-invested in local communities, and a proportion supporting revenue expenditure.
  - Using NHB to support 1off projects
  - The funding can be used to support the timely delivery of infrastructure and local authorities can pool funding to deliver infrastructure.
- 5.6 Warwick District Council, acknowledging the time limited element of the funding (6 years for any one year's allocation), and the concern about the future funding of the scheme, has been careful to avoid using the funding to support recurring revenue expenditure. Accordingly, the funding has been used for:-
- Appropriation to the Service Transformation Reserve which has been used for funding Fit for the Future projects, including service transformation and locality projects.
  - As part of the Joint Venture with Waterloo Housing Group, NHB relating to properties from the partnership will be re-invested in the Joint Venture.
  - Funding for Rural and Urban Capital Investment Schemes
  - Community Forum Grants
  - Community Centre development
  - Helping ensure that the District's Play Areas and Green Space are improved.
- 5.7 As reported to the August Executive the impact of the proposed changes on the Council's financial projections is that NHB may reduce by 35% from 2015/16. NHB is not currently used to directly support service provision, however any reductions in NHB will impact upon the Council's plans and projects as part of Fit For the Future.
- 5.8 If a proportion of the NHB is to be passed to the LEP, arrangements need to be in place to ensure there is accountability and transparency. Guidance recently provided to LEPs on producing their local growth plans does include an expectation of engagement with local authorities.

## 6. **ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 The Executive could choose not to respond to the consultation, or to make changes to the proposed response.

## 7. **BACKGROUND**

- 7.1 As part of the 2013 Spending Round the Chancellor announced a £400 million top-slice of New Homes Bonus funding to provide some of the money for the Local Growth Fund. They followed this up in July by issuing a technical consultation as to how this transfer of funding would be managed. It is proposed that the £400m will be passed to Local Enterprise Partnerships (LEPs), with the intention that it is used for housing and local growth priorities. The changes to the allocation of NHB are proposed to be in place for 2015/16. The consultation closes in mid-September.
- 7.2 The questions asked in the consultation paper, and the proposed responses from this Council are set out below.

*Question 1: We would welcome views on the underlying principles of pooling the New Homes Bonus in this way, with specific regard to ensuring that pooled funding remains in the Local Enterprise Area where it originates and that the method of calculating the Bonus remains unchanged?*

The bonus should stay calculated and allocated as it is currently and not used to fund the LEPs. The impact of withdrawing a significant proportion upon the local areas will make an impact on local authorities' medium term planning (which has been based upon the assumption that 100% of monies earned would be re-invested in their local area), increasing the substantial pressures already existing. The majority of New Homes Bonus was previously included in RSG Settlement, by reducing the New Homes Bonus it is effectively a further reduction in RSG. Authorities have always had discretion how and where RSG is spent, so as to reflect what local people want. If funding is to be passed to LEPs, it should be ring-fenced to the area the funding originated from.

*Question 2: The first mechanism is that an equal percentage of all New Homes Bonus allocations will be pooled to the lead authority of their Local Enterprise Partnership, the precise percentage to be determined, but will be that necessary to make £400m nationally. Do respondents consider this to be an appropriate method?*

No, the second mechanism is preferred. Authorities that have accrued more growth would have to put a greater amount into the Pool, however they would need more infrastructure to support their growth. LEPs should consider this when determining how the pooled money should be spent.

*Question 3: The second mechanism would act as described above for all areas with a single tier of local government (unitary authorities, metropolitan boroughs, etc). Where areas have two tiers of local government (lower tier district councils and upper tier counties) the alternative distribution mechanism would operate whereby upper tier authorities would surrender all of their New Homes Bonus, with the balance coming from the lower tier. Do respondents consider this to be a preferable method of pooling for two tier areas?*

Agree with this preferred method of allocation, this being preferable over the proposal in question 2. As district councils are the local planning authority, and hence the body with more direct responsibility to encourage growth, it has always been questionable as to why 20% of the NHB has been paid to county councils. However, both methods mean that the rewards from growth are not retained locally and so reduce the incentive for local growth.

*Question 4: Do respondents consider that the content of the proposed condition placed on the section 31 grant will be sufficient to enforce the local pooling of the New Homes Bonus funds?*

If it is Government intention for the element of NHB to go to the LEP, legislation should be put in place to enforce this, rather than treating LEP funding as a local authority grant. If Authorities had greater incentive to pool, e.g. pooled funding could be more efficiently spent to be greater benefit.

*Question 5: The government considers that the existing accountability arrangements for Local Enterprise Partnership should apply to pooled funding as these are considered to provide sufficient safeguards for the protection of spending. Do recipients agree?*

Whatever arrangements are introduced they should be robust and transparent. LEP should be required to engage with local authorities who should be able to challenge any LEP proposals. Recent guidance provided to LEPs on producing their local growth plans does not include an expectation of engagement with local authorities – this is not acceptable.

*Question 6: Do recipients agree that locally pooled New Homes Bonus in London should pass to the Greater London Authority to be spent under existing arrangements?*

No Comment

*Question 7: Do you agree that where an authority is a member of more than one Local Enterprise Partnership, then the proportion to be pooled should be divided equally amongst the Local Enterprise Partnerships?*

It should be for the local authority to determine an appropriate basis for dividing the funding as equal shares may potentially be unfair depending on the local circumstances.

*Question 8a: The Government proposes that where local authorities can demonstrate that they have committed contractually to use future bonus allocations on local growth priorities, Local Enterprise Partnerships should take this into account when determining their local growth plan and their priorities for using pooled funding. Do respondents agree with this proposal?*

Any existing commitments for future NHB need to be allowed for. Ideally these should be deducted ahead of allocating NHB to LEPs. Alternatively, a proportionate share of the commitment should transfer to the LEP.

*Question 8b: If respondents disagree with question 8a are there alternative approaches for dealing with such commitments?*

Authorities will be legally contracted to support existing commitments which have promoted developments in their area. This should be deducted before considering the amount that is then top sliced. Alternatively the responsibility for the commitment should transfer to the LEP.

*Question 8c: Are there other circumstances in which a spending commitment should be taken into account by the Local Enterprise Partnership?*

As NHB is top sliced from Revenue Support Grant, and the use of RSG is subject to each local authorities' individual prioritisation, all spending commitments relating to NHB should be reflected ahead of LEP allocations, whether these specifically relate to growth or other priorities.