

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 2 September 2013

Portfolio: Policy and Resources
Subject: **New Homes Bonus and the Local Growth Fund: Response to Consultation**
Report of: Director of Finance and Resources
Strategy/Policy:
Corporate Objective:

Purpose:
To allow the Council to respond to the Government's consultation paper concerning New Homes Bonus and the Local Growth Fund.

Executive summary:

In July 2013, the Government published a consultation paper entitled: "New Homes Bonus and the Local Growth Fund".

The consultation seeks views on the suggested mechanisms for pooling £400 million of New Homes Bonus through local enterprise partnerships to support strategic housing and other local economic growth priorities.

Attached as appendix A to this report is a draft response to the consultation.

Recommendation:

The Executive considers the draft response, attached as Appendix A, and asks the Director of Finance and Resources to make the submission to the Department for Communities and Local Government prior to the closing date.

Reason:

To influence the Government in their determination of regulations for the use of New Homes Bonus.

Cost of proposals:

None.

Appendix A: Consultation Questions and proposed response

Background papers: None

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Executive Briefing Paper

Date: 2 September 2013

Subject: New Homes Bonus and the Local Growth Fund: Response to Consultation

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. In July 2013, the Government published a consultation paper entitled: “New Homes Bonus and the Local Growth Fund”.
2. The consultation seeks views on the suggested mechanisms for pooling £400 million of New Homes Bonus through local enterprise partnerships to support strategic housing and other local economic growth priorities.
3. The New Homes Bonus was introduced in 2011 to provide an incentive for local authorities to welcome growth. In the three years of its operation, the Bonus has allocated £1.3 billion, recognising delivery of over 400,000 homes and bringing over 55,000 long term empty homes back into use.
4. In Autumn 2012 Lord Heseltine published his report ‘No Stone Unturned in Pursuit of Growth’ which set out the case for a reconfiguration of responsibilities for economic development between central government and Local Enterprise Partnerships, and between government and the private sector. The report recommended the creation of a single funding pot. The recent spending round announced the creation of a £2 billion Local Growth Fund and that it would contain £400 million of New Homes Bonus funding, pooled locally at the Local Enterprise Partnership level to support economic growth priorities, including housing.

PROPOSAL

5. The Government consultation sets out options for how a pooling mechanism might work. It also considers how pooling should be enforced, what accountability arrangements should apply, and seeks views on specific points of detail. It also sets out how the scheme sits within the wider context of the Government’s spending review, in which Ministers have committed to the Local Growth Fund in response to Lord Heseltine’s report ‘No Stone Unturned in Pursuit of Growth’.

FAREHAM BC RESPONSE

6. A response to the consultation has been drafted, and is attached as Appendix A. In broad terms, the response explains that the Council is strongly supportive of incentivising locally-led growth, and also recognises the importance of Local Enterprise Partnerships in the delivery of this agenda.
7. Recognising the importance of New Homes Bonus as a funding source for local authorities, the response indicates that in the event that funding is redirected, then this should be done in a way that minimises the impact on the resources to encourage such growth. By taking an approach which protects resources at the most local level as far as possible, it is felt that this should enable the Council to continue to promote growth effectively within the borough.
8. Of specific importance to Fareham are questions 4 and 8. The Council has previously agreed to reinvest New Homes Bonus derived from homes in Welborne to help fund the supporting infrastructure required to serve the development. This is expected to form an important and sizeable element of the Infrastructure Funding Strategy for Welborne, which is currently being developed. To this end, the response encourages Government to take this into account in developing the grant conditions for New Homes Bonus, so that they do not undermine the commitments previously made, particularly where these commitments relate directly to delivering on the “growth” agenda.

RISK ASSESSMENT

9. There are no risks associated with this response.

FINANCIAL IMPLICATIONS

10. There are no financial implications arising directly from the response.
11. However, Members should note that the New Homes Bonus represents a significant source of funding for the Council (£1m in 2013/14 and estimated £1.5m in 2014/15). The proposal to top-slice NHB funding for pooling would represent a reduction of around 35% for local authorities and if this is applied to all tiers (rather than just the upper tier Authorities), it would limit the Council’s ability to rely upon this income to fund day to day services, future capital investment and project related expenditure in Welborne.

CONCLUSION

12. The government is consulting on changes to the distribution of New Homes Bonus, which would be effective from 2015/16. The report sets out a draft response to the consultation, and Members are asked to consider this so that a submission can be made to the Department of Communities and Local Government.

Reference Papers:

[DCLG New Homes Bonus and the Local Growth Fund Technical consultation](#)

Consultation Questions and Proposed Response

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 Council supports the Government's agenda for locally-led economic growth. The Council also welcomes and supports the principle of increasing the funding available to Local Enterprise Partnerships in delivering on this agenda.

The Council strongly supports the principle that growth-related funding should be directed to those areas which actually deliver, and recognise that the proposals in the consultation paper seek to achieve this.

Finally, we believe that the mechanism for calculating New Homes Bonus is simple and transparent and does not warrant a fundamental review. We would, however, encourage the Government to consider enhancing the incentives for delivering affordable housing, as part of this process.

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?

In the event that the pooling proposal is introduced, the Council recognises the equal share approach as one which is transparent and understandable. However, we feel that this would not necessarily be representative of the scale of resources used at the respective tiers to achieve the housing growth in areas and is likely to leave Borough and District Councils under-funded. In this scenario, it could give rise to a slower housing growth pattern in future years.

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?

The Council would support this approach to pooling in two-tier areas. Resources deployed at district council level have a more immediate impact on stimulating housing growth and the Council would not want to see this eroded, as it could have negative implications for future housing growth within the area.

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?

The Council believes that the condition upon local authorities is sufficient to enable pooling.

However, we would ask the Government to place the condition only upon New Homes Bonus awards which have not previously been formally committed to be spent in supporting growth objectives. This is important in Fareham, where a decision has been taken to reinvest NHB arising from the Welborne new town back into the development site to assist in funding the provision of supporting infrastructure. At a scale of around 6,000 homes, the pooling regime could undermine the infrastructure funding strategy for the new town.

We would also encourage the Government to strengthen the following aspects:-

1. Ring-fencing – we would encourage the Government to require any pooled funds to be ring-fenced, such that the resources can only be used for the delivery of the LEP Growth Plan, and not be used to meet normal operating costs.
2. Developing Growth Plans – While the Council has developed a strong working relationship with the LEP, we would encourage the Government to make it an obligation upon the LEP to formally consult with the local authorities in its area (and relevant to its growth plan), before it can adopt the plan and access the pooled funds.

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?

Subject to the response made in Q4, the Council agrees that administrative burdens should be kept to a minimum providing that there is sufficient transparency in the decision-making process. The Government may wish to consider issuing guidance to LEP's surrounding appropriate arrangements for publicising the use of the pooled funds (perhaps through an Annual Report), to demonstrate the value obtained from the resource and uphold the Government's commitment to transparency.

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?

While this does not affect Fareham Borough Council directly, in the interests of fairness, we would consider it more appropriate to divide the pooled amount in a proportion which relates to the level of housing growth within each respective LEP area. This proportion could be achieved with relative ease from Council tax billing information.

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?

Yes.

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

N/A

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

Yes. It is important that where a local authority has previously and formally committed to use New Homes Bonus receipts for a specific purpose, then the Council feels that this should be exempt from pooling.

If exempting these receipts is not possible, then we feel that the LEP should be obliged to take these commitments into account in preparing their growth plan.

This is of specific importance where the commitment to use NHB receipts directly relates to the Government's growth ambitions. In Fareham, for example, the Executive have previously agreed to reinvest NHB receipts derived from homes within the new, strategic development area of Welborne (one of the largest planned single development areas in the country), for the purposes of funding the supporting infrastructure in the new town. Without this commitment being fulfilled, the infrastructure funding strategy (valued in excess of £300m) will be undermined and could have an impact on the speed of delivery of homes and homes in the area.