

Report to Cabinet
9 October 2013
Report of Chief finance officer
Subject New Homes Bonus consultation response

Item

9

Purpose

To present the council's response to the Department of Communities and Local Government (DCLG) New Homes Bonus and the Local Growth Fund: technical consultation.

Recommendation

To endorse the response to the consultation.

Corporate and service priorities

The report helps to meet the corporate priority "Value for money services" and the service plan priority to maximise council income.

Financial implications

These are set out in the body of the report.

Ward/s: All Wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Caroline Ryba

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Background documents

None

Report

Introduction

1. In the Chancellor's 2013 Spending Round he announced a transfer in 2015/16 of £400m from the New Homes Bonus (NHB) pot to the Single Local Growth Fund to support investment in economic growth priorities. This is forecast to represent approximately a third of the total NHB pot in 2015/16.
2. The DCLG are not planning to change the way New Homes Bonus allocations are calculated but there will be an additional final step requiring authorities receiving NHB to pass on a proportion of their allocation to the Single Local Growth Fund.
3. If all types of authority pass a uniform proportion of their NHB allocation to the Single Local Growth Fund, this proportion would be approximately 35%.
4. The £400m would be pooled at the Local Enterprise Partnership (LEP) level, with the lead authority for each LEP holding the funding. The funding would then be allocated in accordance with the priorities of the LEP and under the LEP's governance arrangements.
5. The council received £1.6m NHB in 2013/14, and is predicting this to rise to £2.0m in 2015/16. Pooling as proposed in this consultation would result in £700,000 (Option 1) or £350,000 (Option 2) being transferred to the LEP in that year for onward allocation to growth priorities. This funding is currently included within the council's Medium Term Financial Strategy, so pooling would increase savings targets by the pooled amount.
6. NHB funding pooled by Norwich City Council would be allocated by the New Anglia LEP, whose local area comprises Norfolk and Suffolk.

The consultation

7. The consultation asks respondents to comment on:
 - a) The principle of local pooling
 - b) Whether NHB funding should be pooled proportionately between upper and lower tier authorities (ie all authorities pool approximately 35% of their allocation) or whether upper tier authorities should pool all their allocation, with the balance of the £400m being taken from lower tier authorities
 - c) The regulations under which pooling would be enforced
 - d) Accountability arrangements within the LEPs for the allocation of the funding
 - e) How existing committed expenditure should be dealt with.

The council's response

8. The response is attached at Appendix 1.

9. It does not support the pooling proposals on the basis that the council uses this funding stream to support and incentivise housing and employment growth in Norwich and will no longer be able to ensure that this money is used within Norwich for the benefit of local residents.
10. It also expresses concerns about the current accountability and transparency of LEPs when it comes to decisions about allocating public funds that were previously subject to open democratic scrutiny.
11. Finally, if pooling is to be required, it argues that the second option, which minimises the amount of funding that lower tier authorities would be asked to contribute, is preferable. This is based on the expectation that lower tier authorities will suffer higher levels of reduction in other funding streams than upper tier authorities.

Consultation response

Ralph Cox
Housing Strategy & Markets
Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU

19 September 2013

New Homes Bonus and the Local Growth Fund Consultation

Dear Mr Cox,

The council welcomes this opportunity to respond to the above consultation.

The government introduced the New Homes Bonus (NHB) in 2011/12, stating that it was to encourage local authorities to progress housing development and bring back empty properties into occupation, by giving a financial incentive to do so. Initially funding was provided by government, but since 2012/13 additional funding has been provided by top slicing local government's Revenue Support grant (RSG) settlement.

We were surprised by the announcement in the "Investing in Britain" paper of a transfer of £400m from NHB in 2015/16 to the Single Growth Fund. It is clear that the £400m in 2015/16 is a fixed sum; however, it is still unclear what will happen after 2015/16. The government has committed to fund the Single Growth Fund until at least 2020/21, so not announcing how this significant transfer of resources may be handled in the future places additional uncertainty on years where councils are already facing further grant reductions.

This letter addresses each consultation question posed in the DCLG paper.

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 Partnership Area where it originates and that the method of calculating the Bonus remains unchanged.

The council considers that the proposals as stated are a funding transfer not pooling as set out in the consultation. The allocation of the Single Growth Fund will be decided on by the Local Enterprise Partnership (LEP), the local authorities who have contributed funds into it will only have limited influence on how it is spent, therefore this cannot be called pooling.

The council has significant concerns that the proposed changes will lead to monies generated from development in Norwich being reinvested outside the city in areas covered by the LEP. It is also concerned the priorities of the LEP may not be aligned to those of the council. Such a difference may adversely affect the work currently being done by the council and that planned in the future, to support economic growth. This could lead to a reduced incentive to continue to promote growth in the same manner.

Norwich City Council welcomed the introduction of NHB and has worked effectively to use this funding stream to support and incentivise housing and employment growth. It is a simple, straightforward and flexible source of funding that has been advantageous to the development of clear and deliverable medium to long term plans, providing financial funding certainty.

Therefore, we do not support the principle of pooling NHB and we are concerned and disappointed that this proposal adds complexity, delay and risk to existing plans for supporting growth and changes the goal posts and terms mid way through an agreed and understood process. It is an example of national government adding bureaucracy and dictating the use of previously flexible funding.

Recent government decisions to remove ringfencing have helped us to tailor our services and manage the current climate of deficit reduction. The proposed changes remove part of this flexibility.

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?

As stated in the response to Question 1 the council is not supportive of the principle of pooling as proposed.

We also note that district councils are set to take an increasing proportion of the future reductions to RSG. The proposals outlined in this mechanism could penalise lower tier councils even further and leave them with a disproportionate cut compared to other local authority groups. District councils' spending power is already reducing at a higher rate than other local authority groups and this mechanism only increases this.

If NHB monies are to be pooled by whichever mechanism is eventually agreed, the notification of the decision and the amounts of NHB to be passed to the LEP need to be made in enough time to allow councils to include this new pressure on their revenue budgets within their Medium Term Financial Plans and to look for compensating budget reductions in a time of already difficult service delivery decisions.

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?

As noted in the answer to Question 2 it is felt that district councils are likely to see a greater reduction proportionally of their government funding through RSG than other groups of councils. Therefore, if these proposals are to be taken forward, this mechanism would be the preferred option as this would help to even the level of reductions in funding across all areas of local government.

Whilst we agree that upper tier authorities should take on the weight of the NHB contribution, we are concerned that these pooling proposals, which we do not support, may create disagreement between the two tiers of local government in an area and might compromise collaborative working in some cases.

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?

No, we do not support this grant condition – which effectively amounts to the re-introduction of ringfencing. Also much of the spending of the Single Growth Fund by LEPs is likely to be for capital purposes, whereas the funding being transferred is revenue funding.

As stated in the response to Question 1 the council considers the proposal to be a transfer of funding, rather than pooling. If it is to go ahead, we consider that changes are needed to

ensure there is a clear link between where NHB is generated and where the monies are spent, leading to the council and the LEP working closely together. To facilitate this there needs to be clear and robust governance around the agreement of spending to ensure that the Council's priorities are reflected.

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

We have concerns about the current accountability and transparency of LEPs when it comes to decisions about allocating public funds that were previously subject to open democratic scrutiny. Accountability in this context can only come through an arrangement that requires spending priorities within the LEP growth plan to be subject to agreement by the local authorities collectively.

If these proposals are implemented, the role of the LEP will change substantially and accountability and governance arrangements may need to be reviewed and revised, but these should all be local decisions and not centrally imposed. There will be an expectation of much more robust governance and accountability structures which the LEP will have to engage with because they are spending public money. Council may require LEP representatives to attend scrutiny committee meetings, make presentations to council, send reports to cabinet etc.

The capacity and experience of many LEPs will need to increase to take on such significant new responsibilities.

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?

Not applicable to Norwich City Council.

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?

Not applicable to Norwich City Council.

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?

Where specific contracts exist and there are council minutes stating that future NHB monies would fund these, then these should be honoured.

However, we have used NHB monies as an additional source of funds to support growth related activities and increased service demands as a result of growth. There is no direct link between our spending on growth related activities and the receipt of NHB. However, the removal of any NHB monies will add to the savings targets that we have to achieve, and may lead to cuts in non statutory spend (investing in growth enabling projects is one area of non statutory spend).

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

See 8a above.

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

Spending commitments should also be taken into account when current projects or plans have started but are not yet fully contractually committed. Additionally spending commitments should be taken into account where investment has previously been made to create future NHB resources.

This is based on the principal that authorities should not be disadvantaged from the reallocation of previously expected resources. LEPs will therefore need to fully understand the plans authorities had made for NHB funding, the local and strategic requirements for infrastructure and the impact of plans when considering how to reallocate pooled NHB.

Yours sincerely,

Caroline Ryba
Chief Finance Officer
Norwich City Council

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	9 th October 2013
Head of service:	
Report subject:	New Homes Bonus and Growth Fund: technical consultation
Date assessed:	24 th September 2013
Description:	

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The response to the consultation seeks to minimise the impact on funding available for economic development activities in Norwich.
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The response seeks to minimise the risk of funding reductions arising from the pooling of New Homes Bonus.

Recommendations from impact assessment	
Positive	
Negative	
Neutral	
Issues	