



Department for
Communities and
Local Government

New Homes Bonus and the Local Growth Fund

Technical consultation

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Section 1: Consultation Procedure

Scope of the consultation

Topic of this consultation:	This consultation seeks views on the suggested mechanisms for the pooling of £400 million of New Homes Bonus through local enterprise partnerships to support strategic housing and other local economic growth priorities.
Scope of this consultation:	The 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'.
Geographical scope:	This consultation is applicable to England only.
Impact Assessment:	Impact Assessments are required where policies have a potential regulatory impact. This consultation focuses on an existing spending policy - the New Homes Bonus - so is not accompanied by an Impact Assessment.

Basic Information

To:	Local Authorities Housing and Trade Bodies Local Enterprise Partnerships
Body/bodies responsible for the consultation:	Housing Strategy & Markets Team Department for Communities and Local Government
Duration:	8 Weeks
Enquiries:	newhomesbonus@communities.gsi.gov.uk Ralph Cox Housing Strategy & Markets Department for Communities and Local Government Eland House Bressenden Place London SW1E 5DU Tel: 030344 41946
How to respond:	Please send responses electronically to: newhomesbonus@communities.gsi.gov.uk (With attachments in Microsoft Word only)
Additional ways to become involved:	As this is a largely technical issue this will be a written exercise. Copies of this document can be downloaded and responses submitted via e-mail (in Word).
After the consultation:	Comments received on the proposals set out in the consultation will be collated and a formal response document published within three months of the closing date of the consultation.

<p>Compliance with the Consultation Principles:</p>	<p>This consultation document and consultation process adhere to the Government’s consultation principles, these can be found at:</p> <p>https://www.gov.uk/government/publications/consultation-principles-guidance</p> <p>Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).</p> <p>If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.</p> <p>The Department for Communities and Local Government will process your personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that your personal data will not be acknowledged unless specifically requested.</p> <p>Your opinions are valuable to us. Thank you for taking the time to read this document and respond.</p> <p>If you have any observations about how we can improve the process please contact:</p> <p>DCLG Consultation Co-ordinator Department for Communities and Local Government Zone 6/H10 Eland House Bressenden Place London SW1E 5DU</p> <p>Or by email to:</p> <p>Consultationcoordinator@communities.gsi.gov.uk</p>
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Background

<p>Getting to this stage:</p>	<p>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.</p> <p>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.</p>
<p>Previous engagement:</p>	<p>The Department for Communities and Local Government carried out a consultation on the New Homes Bonus in 2010. In 2013 a series of meetings and events were held with Local Enterprise Partnerships, Local Enterprise Partnership chairmen, and local authorities regarding the development of the Growth Deal process, (through which Local Growth Fund resources will be allocated), and on assessment of Strategic Economic Plans and associated guidance.</p>

Section 2: Introduction

Aim

2.1. The aim of the Local Growth Fund is to support investment in economic growth priorities, including housing, identified by Local Enterprise Partnerships and their partners in their Strategic Economic Plans and to stimulate local growth.

Background

2.2 Local authorities have a crucial role to play in supporting housing and wider economic growth, and the Coalition Government has put in place structural reforms to change the incentives for local authorities. From April 2013, local government in England retains half of the business rates that are raised locally. The New Homes Bonus also provides funding for local authorities based on the homes that are built in their area.

2.3 The Government's response to the Heseltine review ("No Stone Unturned in Pursuit of Growth") outlined our plans to empower Local Enterprise Partnerships to drive forward locally-led growth and enterprise. It also recommended the pooling of more financial resources to strengthen incentives for Local Enterprise Partnerships and their partners to generate growth. In the spirit of joint working and greater collaboration, we believe that there is scope for pooling of resources from central and local government.

2.4 As announced in "Investing in Britain's Future", we intend that in 2015-16, £400 million from the New Homes Bonus will be pooled within Local Enterprise Partnership areas to support strategic, locally-led economic growth priorities, including housing. By ensuring that pooling remains within Local Enterprise Partnership areas, authorities can be reassured that these resources will be used for local housing and growth priorities. It also gives local authorities an indirect financial stake in new housing built near but outside their council boundaries; whereas before, there was no mitigation for developments which placed strains or pressures on neighbouring councils.

2.5 Councils' Local Plans will remain as the focus for where development should and should not go. The pooling complements the duty to cooperate and the abolition of Regional Strategies introduced through the Localism Act. In particular, we hope it will encourage local authorities to work together on new developments which might cross council boundaries, and to help unlock the provision of cross-local authority infrastructure.

2.6 This consultation considers how to give effect to the local pooling of the New Homes Bonus.

Consultation 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.

Section 3: Mechanism Design

3.1 This section sets out the Government's views on how the £400 million contribution to the Local Growth Fund could be determined. The following section sets out two possible models and their rationale.

Pooling Mechanism

3.2 In 2015/2016 the New Homes Bonus will be allocated on its current basis for increases in effective housing stock, with funding passing to Local Authorities as at present. We propose that authorities would then be required, via a condition placed on their Section 31 grant, to pool funding within Local Enterprise Partnership areas to a total of £400m nationally, with the lead authority for each Local Enterprise Partnership holding the funding. The proportion to be pooled from each council will be set centrally, to ensure the £400m total is reached.

3.3 The first mechanism is a flat rate percentage of all New Homes Bonus allocations to be pooled at Local Enterprise Partnership level, with all authorities contributing an equal proportion of their New Homes Bonus allocations. Government considers that this mechanism is simple and transparent, and rewards Local Enterprise Partnerships in areas where authorities have delivered housing increases. An example of this can be seen in the following table:

Value of Bonus 2015-16 (NAO forecast)	£1140 million
£400 million as a %age of total New Homes Bonus Value	35.09%
New Homes Bonus paid to authority (example)	£1 million
New Homes Bonus retained by authority	£649,100
New Homes Bonus contribution to local pooling	£350,900

3.4 A second mechanism would operate 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) an alternative distribution mechanism could operate. This is set out overleaf:

Value of Bonus 2015-16 (NAO forecast)	£1140 million
£400 million as a %age of total New Homes Bonus value	35.09%
New Homes Bonus due to authorities (example)	£1 million
<i>Based on current 80/20 tier split:</i>	
Upper tier authority receives	£200,000
Lower tier authority receives	£800,000
<i>Total required contribution:</i>	<i>£350,900</i>
Upper tier authority contributes 100% of their New Homes Bonus allocation	£200,000
Lower tier authority contributes the remainder (18.9% of their allocation)	£150,900

3.5 The Scheme Design Document for the New Homes Bonus set out that the current split in two-tier areas is designed to recognise the role of the upper tier in the provision of services and infrastructure and the contribution they make to strategic planning. Views are sought on whether respondents consider there is some synergy between the role envisaged for Local Enterprise Partnerships in respect of the Local Growth Fund and that of the upper tier authority in respect of the New Homes Bonus.

3.6 The second mechanism also reflects the fact that New Homes Bonus forms a larger proportion of overall Spending Power for shire districts than all other types of authority. Similarly, it is a lower proportion of overall Spending Power for counties than other authorities. Views are sought on whether the second mechanism would be more financially sustainable overall for local authorities.

3.7 Government welcomes views of authorities on the mechanisms outlined above. In particular, the Government is keen to hear views on the relative incentive effect on delivery of both housing and economic growth priorities, co-operation between authorities, and the anticipated impact on service provision of the alternative mechanism.

Consultation 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?

Consultation 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?

Please add any further comments on questions 2 & 3, together with other views on these proposals.

Enforcing Pooling

3.8 The Government proposes to require pooling by attaching a condition to the section 31 grant, ensuring the required proportion is passed to the lead authority of the Local Enterprise Partnership. Local Enterprise Partnerships will then be free to use these resources, as part of the total Local Growth Fund, to fund their strategic economic plan. The resources will not be ring fenced for any particular use. The Government has, however, published guidance for Local Enterprise Partnerships to help them develop their local growth plans, including an expectation that they should involve engagement with all local authorities and other partners.

Consultation 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?

Please add any further comments on question 4.

Accountability

3.9 Each Local Enterprise Partnership has a nominated lead local authority that receives and accounts for funding on behalf of the Local Enterprise Partnership, acting in accordance with long standing statutory rules to ensure regularity, propriety and value for money. Local Enterprise Partnerships are currently drawing up multi-year Strategic Economic Plans now which will identify economic growth investment priorities, including housing ones, for the area which Local Growth Fund Resources and other funding for the area will support. Arrangements for making investment and strategic decisions through the Local Enterprise Partnership are for local business and local authority leaders to determine, but they must support democratic accountability and business rigour/ prioritisation. Government is keen not to impose additional burdens on authorities and Local Enterprise Partnerships through pooling arrangements.

Consultation 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?

Please add any further comments on question 5.

London

3.10 Owing to London's unique governance arrangements, the London Local Enterprise Partnership is an advisory body, working within the framework of the London Plan and other Mayoral strategies. We propose in London that the pooled element of New Homes Bonus funds are transferred to the Greater London Authority, with advice on spending being offered by the London Local Enterprise Partnership under the current framework.

Consultation 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?

Please add any further comments on question 6.

Authorities belonging to more than one Local Enterprise Partnership

3.11 Several Authorities are a member of more than one Local Enterprise Partnership, for example Barnsley who are members of both Leeds City Region and Sheffield City Region Local Enterprise Partnerships, and Redditch who are members of Worcestershire and Greater Birmingham and Solihull. We propose that where this is the case an authority's contribution to local pooling should be split equally between those Local Enterprise Partnerships of which it is a member.

Consultation 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?

Please add any further comments on question 7, including alternative options for dividing a pooling contribution between Local Enterprise Partnerships if applicable.

Committed Expenditure

3.12 The Government is aware of cases where local authorities have entered into commitments based on anticipated New Homes Bonus receipts in future years. Enabling long term investment is a key aim of the Government's policies to support local growth. It is therefore crucial in implementing these changes that commitments to support economic growth are considered appropriately. Local commitments could relate to particular projects or schemes. The following questions seek to understand the extent and impact of this issue with regard to local pooling and to identify ways to mitigate any risks to local investments.

Consultation 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?

Consultation question 8b

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

Consultation question 8c

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

Section 4: Summary of Questions

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?

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?

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?

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?

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?

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?

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?

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?

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

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

Section 5: Next Steps

Next steps

5.1 Your comments should be sent by 19 September 2013, if possible by email, to:
newhomesbonus@communities.gsi.gov.uk
(with attachments in MS Word only)

5.2 Comments received on the proposals set out in the consultation will be collated and a formal response document published within three months of the closing date of the consultation. This consultation adheres to the Government's consultation principles, on which more detail is set out in section one.

