



Department for
Communities and
Local Government

New Homes Bonus and the Local Growth Fund

New Homes Bonus and London Growth Deal

Summary of Responses to Consultations

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1 Introduction

1. The Government's proposals were first announced in "Investing in Britain's Future", published alongside the 2013 Spending Review. A consultation ran from 25 July to 19 September. The consultation sought views on a number of issues, including the methodology for deriving the £400 million figure to be pooled, enforcing pooling, the accountability arrangements for pooling, and how to handle cases where authorities have entered into commitments based on an expectation of future New Homes Bonus funding. Other questions which did not apply to all authorities concerned pooling where an authority is a member of more than one Local Enterprise Partnership, and arrangements in London.
2. We received 294 responses. Of these, 268 answered the consultation questions directly, while 26 responses took the form of short letters setting out views on the proposal, but not addressing the specific questions asked. These were separately logged, together with an indication of whether the correspondent was broadly supportive of the proposals or not. The numerical analysis presented in this document depicts the views of the 268 responses which addressed the questions, excluding "nil" or "not applicable" responses.
3. The graphical representation of responses is split into 4 categories: outright "yes" and "no" answers, plus yes and no "with reservations" (where nuanced comments were added to the headline response).
4. Responses were received from 145 shire districts, 34 unitary authorities, 27 shire counties, 29 metropolitan authorities, 18 London Boroughs, the Greater London Authority, 10 town or parish councils, 4 local enterprise partnerships, and the remainder from a range of interested parties including: individuals, special interest groups, representative bodies and local and geographic partnerships.

London

5. Following the original consultation, the Autumn Statement 2013 announced that pooling would not proceed outside London, but that in London, £70 million of New Homes Bonus would be pooled in 2015-16 in support of the London Growth Deal prepared by London's Local Enterprise Partnership. A separate further engagement process was undertaken with London bodies, and this response addresses that further engagement as well as the original consultation.
6. The London engagement involved meetings with London Councils and the Greater London Authority. Officials also wrote to Chief Executives of all London Boroughs and the City, inviting their comments on the Autumn Statement announcement. Responses from London bodies to the original consultation were also reconsidered.
7. Further responses were received from London Councils, the Greater London Authority and seven London Boroughs.

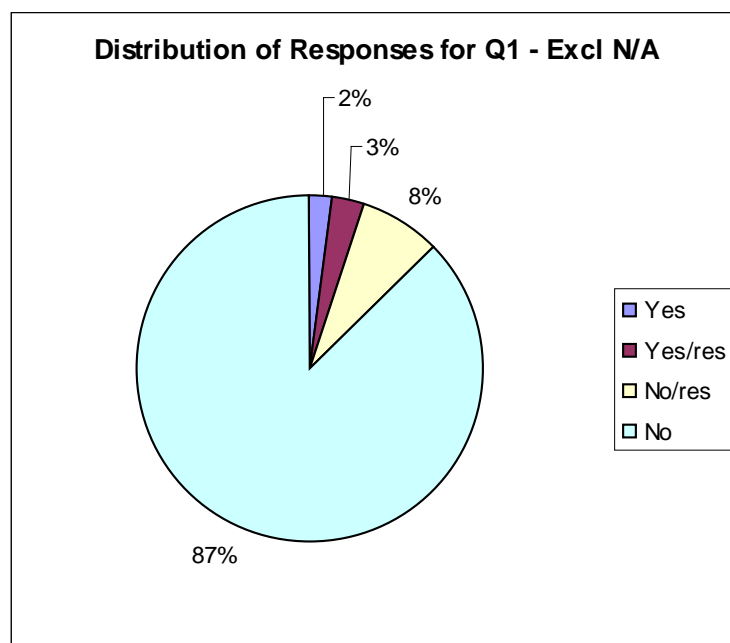
2(i): Summary of responses and the Government's response to the consultations

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.

1. 266 respondents answered this question.

Figure 1: Percentage of respondents to question 1 who agreed/disagreed with the proposal



2. A clear majority of respondents were opposed to the proposals, either outright or with some reservations. Respondents pointed out that the Bonus had previously been stated to be an un-ringfenced grant, and that they saw the pooling proposals as the introduction of a ringfence. They also considered that the proposals undermined the assurance that Bonus payments would be made for six years, as although the funding would pass to authorities, they would lose control over its use.
3. Some responses disputed the use of the term pooling, as they associated this with voluntary approaches to sharing funds. Other respondents suggested that pooling should not be applied to allocations made in the first three years of the Bonus, but only to allocations for years 4 and 5. On current trajectories, this would provide sufficient funding to meet the £400million total. These respondents considered that it would be fairer to only require pooling from allocations made after the Spending review announcement.

4. On the specific issues mentioned in the question, where authorities referred to these in their responses, there was widespread agreement that if pooling were to go ahead there should not be a change to the method of calculating the Bonus, and that pooled amounts should stay within the Local Enterprise Partnership area from which they came.

Government Response

5. The original intent on pooling New Homes Bonus as a part of the Local Growth Fund arose from the Government's response to the Heseltine review ("No Stone Unturned in Pursuit of Growth"). That report set out plans to empower Local Enterprise Partnerships to drive forward locally-led growth and enterprise, and recommended the pooling of more financial resources to strengthen incentives for Local Enterprise Partnerships and their partners to generate growth. The Government considered that there was scope for pooling of resources from central and local government.
6. Having considered the responses to this consultation, the Government has decided not to proceed with pooling of New Homes Bonus funding outside London. In the Autumn Statement of 2013 it set out that it would increase local authority Housing Revenue Account borrowing limits by £150 million in 2015-16 and £150 million in 2016-17 and that this would form part of the Local Growth Fund, alongside £110 million from the Regional Growth Fund, and £50 million from the Large Sites scheme.
7. In London, whilst noting that the majority of respondents were opposed to the principle of pooling New Homes Bonus, the Government has decided to proceed with the pooling of an element of New Homes Bonus in London. The rationale for this decision is set out below.
8. Paragraph 2.4 of the technical consultation "New Homes Bonus and the Local Growth Fund", issued in July 2013, stated that Bonus funds would be pooled:

"to support strategic, locally-led economic growth priorities, including housing."
9. The Greater London Authority, under the Mayor, has strategic roles in the fields of housing, planning, transport and skills. The Mayor is responsible for producing a London Housing Strategy, Transport Strategy and London Plan. Regeneration is being delivered through a strategic regeneration framework for east London, the Outer London Fund, and The Mayor's Regeneration Fund.
10. In addition to his strategic role, the Mayor also directly controls many of the assets, funding and policy programmes that are key to delivering growth. He holds land, fulfils the role of the Homes and Communities Agency in London, and the former London Development Agency, and is responsible for the functional body Transport for London. He therefore brings together housing, transport and skills – the key components of the Local Growth Fund, in a way that is not seen elsewhere in the country.

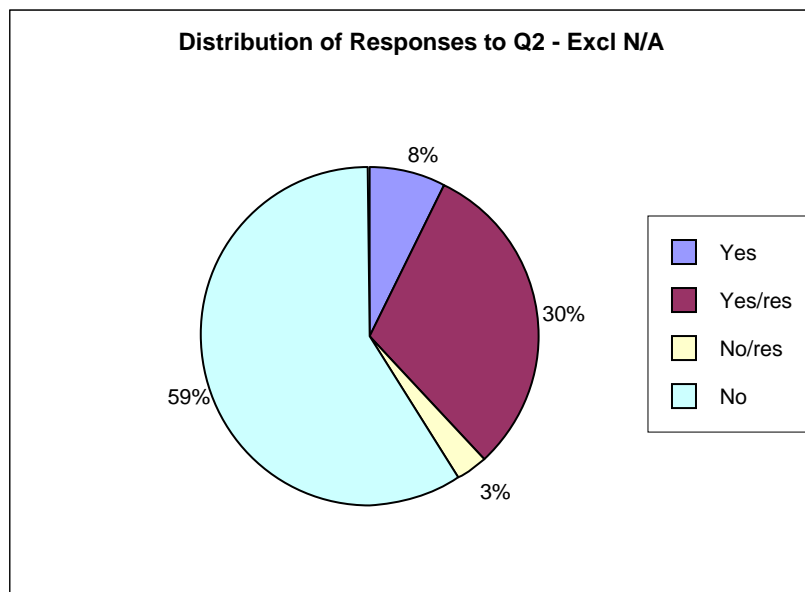
11. The Mayor is democratically accountable to the London electorate in respect of his use of funds. He is also held to account by the London Assembly.
12. These factors mean that the Mayor's cross-cutting strategic role in the major policy areas affecting growth make him uniquely well-placed to make use of pooled New Homes Bonus funds. The Government therefore concludes that pooling of New Homes Bonus, while not the preferred approach outside London, remains viable in the capital.
13. The Government recognises that a number of combined authorities have recently been created. While these also have a strategic role coupled with democratic accountability, the Greater London Authority has 14 years of experience and a track record of delivery. Its powers have been increased gradually and over time (principally via the Greater London Authority Acts 1999 and 2007, and the Localism Act 2011). The Government does not therefore propose to pool New Homes Bonus funds in these other areas at this time.
14. Regarding which years of Bonus allocations pooling should be applied to, in their response to the further London engagement, London Councils argued that pooling contributions should be calculated in proportion to the total cumulative amount of Bonus funding received over the five years of the Bonus. The Government has considered this proposal, but is concerned that the timing of payments could lead to distortions in the amounts an authority might be required to pool. For example, an authority with a strong track record of delivery, and high Bonus rewards in early years, may find themselves with a high amount of pooling to pay in a year when they do less well, and this could place some financial pressures on them.
15. The Government prefers that pooling should be based on a proportion of each authority's 2015-16 allocation only. As each year's Bonus is paid for six years, there is already some cumulative element inherent in the 2015-16 figure. Basing it on that figure alone also ensures that there is an immediate link between funding received and the amount required to be pooled.

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?

16. 250 respondents gave an answer to this question.

Figure 2: Percentage of respondents to question 2 who agreed/disagreed with the proposal



17. Responses to this question, including in London, were reasonably evenly split. Some responses argued from a point of principle that pooling is wrong and therefore it should be for each authority to determine whether, and how much, to contribute to the Local Growth Fund. Others, having already addressed the principle in their response to question 1, considered the mechanism on a narrower basis. These authorities broadly agreed that the proposal set out in the question was simple and transparent.

Government Response

18. The Government has decided that £70m will be pooled in London. This will be achieved via pooling an equal proportion of each London Borough's 2015-16 New Homes Bonus allocation, sufficient to total £70m.

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?

Government Response

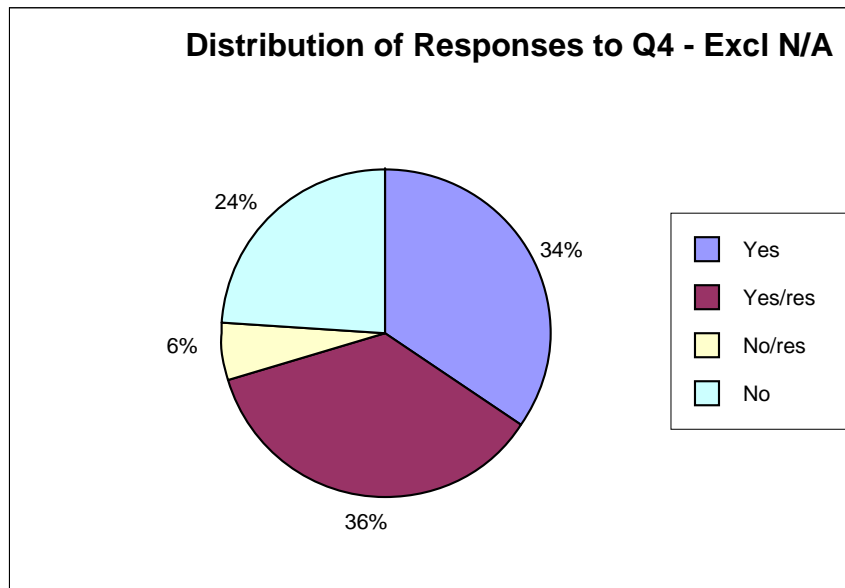
19. As pooling is not being implemented outside London, this question is no longer relevant.

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?

20. 229 respondents gave an answer to this question.

Figure 4: Percentage of respondents to question 4 who agreed/disagreed with the proposal



21. The majority of respondents, including a majority of London respondents, agreed that a condition attached to grant would be sufficient to enforce pooling. A number of authorities opposed the imposition of a condition in principle, as in their view it amounted to the introduction of a ring-fence on previously un-ringfenced grant. Others felt that this was essentially an issue for the Government to satisfy itself on, and chose not to offer a view.

Government Response

22. Government has considered the views of respondents. While noting the objections to the principle of the condition, the majority of those who answered the question as to whether this mechanism would be effective, considered that it would be. The Government considers that the benefits of pooling £70 million in London to support a strategic plan for growth are such that a revision to the normal policy of grant being unringfenced is justified. The Government has also taken into account the content of the London Growth Deal, submitted on 31 March, which sets out principles of how pooled funding will be used, detailed joint working arrangements between London Councils, the London Enterprise Panel and the Greater London Authority, and the criteria to be taken into account when taking decisions on funding allocations.

23. London Councils, while objecting to pooling in principle, expressed a clear preference that if pooling did proceed, authorities should receive their full Bonus allocations, and pass on the required amount for pooling to the GLA. The GLA preferred an approach whereby pooled amounts would be deducted by the Government at source and passed to them.
24. Having determined that the Local Growth Fund should include £70 million of New Homes Bonus funding in London, the Government will work with London Councils and the Greater London Authority on detailed implementation proposals around payments and conditions.
25. The Government is also mindful of the principle that the Bonus should benefit those communities which accept growth. While not wishing to prescribe in detail how pooled funding should be spent in each local authority area, the Government considers that each borough should agree with the Greater London Authority how their contribution to the Local Growth Fund should be spent. This preserves an important principle of the Bonus, that Bonus funds raised in a borough will be spent within that borough. It will of course be open to boroughs to agree to support cross-boundary projects if these coincide with local priorities.

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?

Government Response

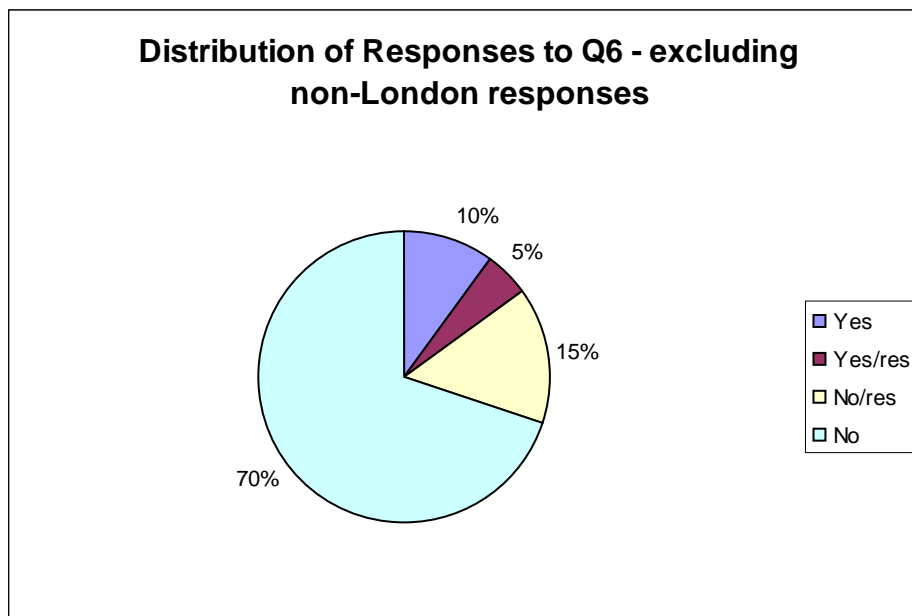
26. As pooling is not being implemented outside London and the role of the LEP and its accountability arrangements are different within London, this question as broadly framed above is no longer relevant. London arrangements are considered under Q6.

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?

27. Most respondents did not reply to this question on the basis that it is specifically for London. The analysis below strips out those non-London respondents who did express a view. This leaves 20 London responses.

Figure 6: Percentage of respondents to question 6 who agreed/disagreed with the proposal



28. Most of the responses were against the principle of pooling, and frequently raised issues in relation to the London Local Enterprise Partnership accountability arrangements (the Local Enterprise Partnership in London is an advisory body to the Mayor, and accountability is via the Mayor's direct democratic mandate rather than, as elsewhere in the country, via the constituent local authorities.)

Government Response

29. As stated in the response to Question 1 above, the Government has decided to proceed with pooling of £70m of the Bonus in London in 2015-16. Based on equivalent forecasts to those in the original consultation, this is likely to be a reduced percentage from the 35% originally quoted.

30. In their submission London Councils considered that the governance of the London Local Enterprise Partnership should be altered to reflect the greater financial input coming from the Boroughs due to pooling. They sought increased representation on the Board of the London Local Enterprise Partnership.

31. It is not for the Government to prescribe the detailed make-up of Local Enterprise Partnership Boards. The key consideration for the Government is that there should be confidence in the arrangements for oversight of decision-making and spending. The Government has taken into account the London Growth Deal which sets out specific arrangements on joint working practices between London Boroughs and the Greater London Authority. It is therefore content that suitable arrangements are in place for pooling to proceed. The Government notes that a review of governance arrangements of the London Enterprise Panel is proposed to take place over the next few months. The Government reserves the right to revisit this conclusion once the results of that review are known.

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?

Government Response

32. As pooling is not being implemented outside London, this issue is no longer relevant. While the London Borough of Croydon is a member of both the London and the Capital to the Coast Local Enterprise Partnership areas, pooling will not be implemented in the latter.

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?

8b

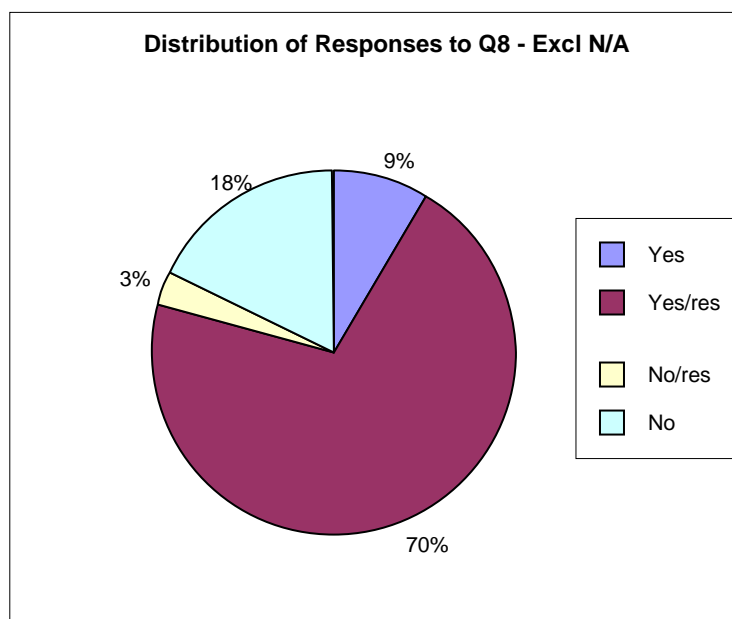
If respondents disagree with question 8a are there alternative approaches for dealing with such commitments?

8c

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

33. 254 respondents answered this question.

Figure 8: Percentage of respondents to question 8a who agreed/disagreed with the proposal in Q8



34. Answers to this question were nuanced. For example, a number of authorities wanted to see more than just contractual commitments recognised. Some authorities taking this position answered yes to question 8a, explaining that they agreed the principle, but wanted the proposals to go further. Other authorities with the same view answered no to the question as they did not believe it went far enough. In the analysis above all authorities who gave this type of reply have been classed as answering yes to the principle of recognising commitments, but with reservations.

35. Some authorities were opposed to the idea that there should be any special protection given to commitments at all. They argued that as an unringfenced grant, authorities have been free to determine the use of the New Homes Bonus, and that those who have used it to support services or to keep council tax levels down were just as entitled to do so as those who used it to support growth, and should not be penalised for doing so.

Government Response

36. The Government was interested in how commitments, particularly contractual commitments, that have been made in relation to expectation of New Homes Bonus could be recognised. In their response to the further engagement, London Councils argued that where local authorities had made public commitments to use the Bonus in particular ways, then these commitments should be discounted from the total Bonus grant when calculating individual borough pooling amounts.
37. This position was taken on the basis that in some boroughs firm and visible public commitments may have been made to spend Bonus grant on specific projects. London Councils went on to say that if individual boroughs listed these public commitments and their value in their individual submissions, they should be discounted as described above.
38. Of the seven London Borough submissions received as part of the further engagement, none listed any specific commitments.
39. Given this, and given the arguments advanced by some boroughs that by taking account of commitments the Government was penalising those authorities who may have used their Bonus allocation to keep council tax down or to support core services, the Government does not propose that commitments of any nature be taken into account when determining boroughs' pooling amounts in 2015-16.

2(ii): Summary of responses and the Government's response to further London consultation

Introduction

1. Following the Autumn Statement announcement, that pooling would proceed only in London, a further round of engagement took place. Separate meetings were held with London Councils and the Greater London Authority. These meetings explained the thinking behind the Autumn Statement announcement, and a rationale for the decision was shared with each body to assist them in producing written responses. Following these initial meetings, letters were sent to each London Borough Chief Executive inviting them to make representations on the proposals.
2. Many of the issues addressed in responses covered similar issues to those in the original consultation, and are addressed above. Other emerging issues which were not directly asked in the original consultation, and the Government's response to each, are set out below.

Pooling capital or revenue funding?

3. New Homes Bonus funding is paid as revenue funding via a grant made under Section 31 of the Local Government Act 2003. A number of authorities sought some flexibility on the type of funding to be paid across to Local Enterprise Partnerships, seeking the ability to switch some or all of the funding to capital.

Government response

4. The Government recognises that this flexibility would prove valuable to London Boroughs. As the Government has concluded that each borough should agree with the Greater London Authority how its contribution to the Local Growth Fund should be spent, this agreement can also look at the balance of capital and revenue funding.

Position beyond 2015-16

5. Some authorities pointed out that the announcement made in the recent Spending Review specified that the bonus would form a part of the Local Growth Fund in 2015-16, but that there was no clear statement on the position of the Bonus beyond that. They were keen that pooling should be a one-year only arrangement, and asked for clarity on the position with regard to future years.

Government Response

6. As announced in the Autumn Statement 2013 (para 1.231), the Government will determine the future composition of the Local Growth Fund at the next Spending Review.

Paying New Homes Bonus in 2015-16

7. New Homes Bonus is currently paid to authorities in 12 equal monthly instalments. Government has considered whether those arrangements would be appropriate in the light of the requirement for London authorities to pool a proportion of their Bonus in 2015-16. It will discuss these issues further with London bodies before reaching a final conclusion.