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<b>Councils Affected</b>	All	20 <sup>th</sup> January 2016	
<b>Report Title</b>	<b>CONSULTATION ON CHANGES TO NEW HOMES BONUS</b>		

## 1. PURPOSE OF REPORT

To summarise the potential impact of changes to the New Homes Bonus regime, and to seek the Committee's views on whether it wishes to make a response to the consultation paper.

## 2. INFORMATION

- 2.1 The New Homes Bonus (NHB) was introduced by the coalition government in 2011 as a way of rewarding communities which accepted growth and to encourage local authorities to plan for and consent new developments. Whilst it was funded by top slicing the national local government revenue support grant, those areas such as North Northamptonshire, experiencing and planning for high levels of growth, have done proportionately better in total.
- 2.2 NHB is paid for each new home provided, at a rate of £1,000 per year for six years, and at a rate of 125% of that for affordable homes. 80% of the total goes to the relevant Borough or District Council and 20% to the County Council. It was described as a permanent feature of the local government finance system at the time of its introduction. It can be used as each local authority desires, and has been variously used to keep down Council tax, provide new facilities and services, as grants to local communities or to support the delivery of more growth. Most authorities have used some of the NHB to support their revenue budget at a time of sharply reducing grant support.
- 2.3 The government have issued a consultation paper which makes significant changes to the NHB, reducing the total available by a least a third and potentially taking a further third out of the provision, depending on the combination of changes which are eventually selected. The consultation paper is attached.

## 3. POTENTIAL IMPACT OF CHANGES

- 3.1 The Government is proposing changes to the New Homes Bonus scheme from 2017/18 that the Government said would sharpen the incentives: in essence this is a reduction in the incentive. The key findings from the Government review in 2014 included that the policy **was delivering to the key principles** of being "powerful", "simple", "transparent" and "flexible".
- 3.2 Under the proposals, those councils which have supported the most growth stand to lose the most from the changes, so as an incentive this just does not make sense. The Government remains committed to increasing Housing growth but is

removing the incentive by which Housing growth can be delivered – clearly the policy position and the means for delivery are at odds with one another.

- 3.3 Furthermore the scales of the proposed reductions are significant and could result in those that have achieved the highest growth losing the most. This will make it increasingly difficult for Councils to uphold the commitments they gave to communities which accepted growth – and thus the communities’ appetite to accept growth in the future.
- 3.4 Although it is not clear how the scheme will operate, the Government have been clear that it will be looking to take out ‘at least £800m’ from the current funding base to pass over for Adult Social Care funding. The following Table helps to illustrate the level of funding that could be lost by authorities if authorities were to receive reductions of 2/3 in NHB funding.

<b>Summary analysis of Shire Districts</b>			
<b>Rank</b>	<b>Authority</b>	<b>Total NHB £'000</b>	<b>2/3 Reduction £'000</b>
1	Aylesbury Vale	8,272	5,515
10	Northampton	4,895	3,263
51	Corby	3,136	2,091
	East		
70	Northamptonshire	2,626	1,750
71	Kettering	2,617	1,745
	South		
73	Northamptonshire	2,489	1,659
138	Daventry	1,729	1,152
156	Wellingborough	1,457	971
201	Oadby & Wigston	442	295

- 3.5 Aylesbury Vale has delivered the greatest housing growth and Oadby & Wigston have delivered the lowest housing growth over the past six years. This could see Aylesbury Vale lose £5.5m and Oadby and Wigston lose only £295,000. Clearly such fundamental changes would create significant financial pressures for those who have delivered most.

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3.6 The amount of New Homes Bonus to be paid at a national level by authority type in 2016/17 is summarised in the following Table:

Authority Type	Total Payment Years 1 to 6  £'000	Total Payment Years 1 to 6  %
Shire Districts	484,108	33
Unitary Authorities	320,438	22
Metropolitan Districts	227,686	16
Inner London Boroughs	163,818	11
Outer London Boroughs	143,690	10
Shire Counties	121,027	8
<b>Total</b>	<b>1,460,768</b>	<b>100</b>

3.7 In essence the Shire Districts receive funding of £484m. If this was to be reduced by 2/3 this would see the Shire Districts receive £166m a reduction of £322m. The remaining NHB is already been paid to authorities who provide Social Care – which results in a redistribution of NHB between provides of Social Care. These clearly only results in a financial impact to the Shire Districts.

A summary of the amount of NHB to be paid to the Shire Districts in 2016/17 by amount is shown in the following table

NHB - Ranges	Total NHB Years 1 to 6 £'000	Total NHB Years 1 to 6 %	No of Authorities	No of Authorities %
> £5,000,000	46,354	9.6	8	4.0
> £4,000,000 < £5,000,000	62,437	12.9	14	7.0
> £3,000,000 < £4,000,000	115,308	23.8	33	16.4
> £2,000,000 < £3,000,000	137,643	28.4	58	28.9
> £1,000,000 < £2,000,000	106,593	22.0	68	33.8
< £1,000,000	15,771	3.3	20	10.0
<b>Total</b>	<b>484,108</b>	<b>100.0</b>	<b>201</b>	<b>100.0</b>

This proposal dilutes the incentive for housing growth, which could result in reduced housing delivery and lower funding for CLG as the 'tax take' from delivering new houses would be reduced, if the delivery of New Homes reduces.

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**4. RECOMMENDATION**

The Joint Delivery Committee is asked whether it wishes to make a joint response along the lines set out above, which is essentially that changes to New Home Bonus threaten to disproportionately punish those authorities which have done the most to support growth over the last five years, and will therefore have a negative impact on the delivery of new housing and the appetite for further housing growth in the future