



REPORT OF: CHIEF EXECUTIVE

TO: POLICY AND RESOURCES COMMITTEE

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Contact Details: Dean Langton
Tel. No: 01282 661602
E-mail: dean.langton@pendle.gov.uk

THE FUTURE OF THE NEW HOMES BONUS DRAFT RESPONSE TO CONSULTATION

PURPOSE OF REPORT

1. The purpose of this report is to seek the Committee's approval for a response to the Government's consultation on the future of the New Homes Bonus Scheme.

RECOMMENDATION

2. The Policy and Resources Committee is recommended to agree the draft response to the consultation on the reform of New Homes Bonus as set out at **Appendix B**.

REASON FOR RECOMMENDATION

3. To agree the Council's response to proposals for the reform of New Homes Bonus.

ISSUE

Background

4. The New Homes Bonus was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. The aim of the Bonus is to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth.
5. From a financing perspective, the Bonus is paid annually from a top slice of the Revenue Support Grant (which is money that would otherwise be distributed to local authorities on a 'needs' basis) and forms part of the Local Government Finance Settlement. The funding is un-ringfenced so that councils can choose how to allocate the funding to meet local priorities, and, in Two-Tier areas like Pendle, allocations are split 80/20 between District and County Councils.

6. Following the outcome of the 2015 Spending Review, in December 2015 the government consulted on making changes to the way the Bonus is calculated to improve the incentive effect and make savings of at least £800 million to support authorities with specific pressures, such as adult social care. Following the consultation, in 2017/18 the following changes to the Scheme were implemented:-
 - reduction in the number of years the Bonus is paid to 5 years in 2017/18 and 4 years from 2018/19; and
 - introduction of a baseline of 0.4% growth of housing stock below which the Bonus would not be paid (and retained the option of adjusting the baseline to ensure allocations remained within the funding envelope).
7. For 2020/21, as part of the one-year Spending Round, the Government announced that it would make a new round of allocations for 2020/21 but that these allocations would not attract new legacy payments. At the same, the Government indicated that it would undertake a review of the Scheme to ensure that the New Homes Bonus remained focused on incentivising homes where they are needed most. The intention was to move to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the new homes.
8. As a consequence of Covid-19, the Government was not able to undertake the planned review of the New Homes Bonus Scheme during 2020 and again, as part of the one-year Spending Round for 2021/22, it has announced new allocations of the Bonus which, as in 2020/21, will not attract legacy payments. And in announcing the funding allocations for 2021/22, the Government opened a consultation on the future of the New Homes Bonus Scheme.

New Homes Bonus – Payments to Pendle

9. Since its introduction in 2011, the Council has received £5.996m from the New Homes Bonus. A full analysis of payments is provided in Table 1 below (and at **Appendix A**) which also shows the numbers of new homes built and empty properties that have been brought back into use that have resulted in the Council's share of the Bonus payment:-

Table 1: New Homes Bonus Payments 2011/12 to date

Year	Empty Properties Occupied No.	New Properties Built No.	Band D Equivalent No.	Baseline Growth *1 No.	Net Band D Equivalent No	In-Year NHB *2 £000	Legacy NHB *2 £000	Total NHB *2 £000
2011/12	100	7	88	-	88	101	-	101
2012/13	66	48	77	-	77	92	101	193
2013/14	195	1	149	-	149	179	193	373
2014/15	369	46	283	-	283	341	373	714
2015/16	184	39	191	-	191	238	714	952
2016/17	(9)	126	95	-	95	137	952	1,089
2017/18	131	111	192	(123)	69	100	988	1,088
2018/19	(44)	108	66	(124)	(58)	13	475	488
2019/20	82	183	224	(124)	100	142	250	391
2020/21	154	152	255	(125)	130	184	254	439
2021/22	(57)	170	95	(125)	(30)	13	155	168
								5,996

*1 – Baseline Growth is 0.4% of the Borough's housing stock

*2 – NHB is New Homes Bonus

10. In the context of the reforms of the Scheme to date, it is worth noting that:-
- the introduction of the 0.4% baseline for housing growth in 2017/18 results in £1.932m less income to the Council than if the Government had not implemented the baseline (as was the majority (80%) view when this matter was last the subject of consultation;
 - the shortening of the period of legacy payments (from six down to four years and currently with only single year payments) from 2013/14 has resulted in £1.861m less income to the Council than if the legacy period had remained at six years.
11. Taken together, since they were implemented, these changes have resulted in £3.793m less income to the Council than would otherwise have been the case.

The Future of New Homes Bonus - Consultation

12. As indicated above, the Government opened the consultation on the Future of the New Homes Bonus Scheme in February 2021. The deadline for responding to the consultation is 7th April 2021. The consultation sets out a variety of options for reforming the Scheme which would take effect in 2022/23. The broad options on which views are sought (and whether there are beneficial to the Council in financial terms) are set out below:
- ***raising the baseline (growth) percentage*** – in broad terms, any proposal to increase the baseline growth percentage is unlikely to be of benefit to Pendle and is likely to result in less or no New Homes Bonus payable given the trajectory on new build properties in the Borough;
 - ***rewarding the improvement on average past housing growth*** – the Council's housing growth has been modest and so, depending on the extent of future housing growth, this may be beneficial;
 - ***rewarding improvement on high housing growth*** – again, given there is generally little aspiration in the Borough to have high housing growth, changing the Scheme in this way will not benefit the Council;
 - ***introducing a premium for modern methods of construction (MMC)*** – rather than be a simple method of incentivising housing growth, the introduction of a premium related to MMC is likely to introduce further complexity to the Scheme this is unnecessary;
 - ***introducing an MMC condition on receipt of funding*** – as above, to include an MMC condition will introduce complexity to the Scheme that goes against the principles of the original scheme design;
 - ***requiring an up-to-date local plan*** – again, the New Homes Bonus should not be used as a device to make Councils have an up to date local plan.
13. The draft response to each of the consultation questions is provided at [Appendix B](#). The Committee is asked to approve this as the Council's response to the consultation.

IMPLICATIONS

Policy

14. There are no policy implications arising from the contents of this report.

Financial

15. In the financial year 2021/22, the Council will receive £163k from the New Homes Bonus. The options considered in the consultation will be considered for implementation from the financial year 2022/23 (but will, in any event, be based on data from 2021/22) and it would appear that the Bonus will continue to be part of the overall funding for local government going forward.
16. It is not possible from the consultation to determine exactly what the impact of any of the changes will mean for the Council in financial terms. But, for example, if the Government chooses to increase the Baseline Growth, it is likely that the Council will not benefit from any New Homes Bonus payments unless its net new homes exceeds the current annual target for new homes (298) in the Council's Core Strategy.

Legal

17. There are no legal implications arising directly from the contents of this report.

Risk Management

18. The Council's Medium Term Financial Plan assumes only legacy payments of New Homes Bonus in the period to 2023/24. No additional payments of New Homes Bonus are assumed (largely because it was thought the Government will end the Scheme).
19. The changes to the Scheme since its introduction have rewarded areas of high housing growth and given the Government's stated policy of continuing to increase the number of homes built (the plan is to build 300,000 net new homes a year), it is anticipated that the Government will continue to focus the Scheme in already active housing markets. The risk to the Council is that on the basis of the current aspiration of the number of new housing units, it will not be sufficient to attract any New Homes Bonus.

Health and Safety

20. There are no health and safety implications arising directly from the recommendations within this report.

Climate Change

21. There are no climate change or sustainability implications arising directly from the recommendations within this report.

Community Safety

22. There are no community safety issues arising directly from the recommendations within this report.

Equality and Diversity

23. There are no equality and diversity implications arising directly from the contents of this report.

APPENDICES

Appendix A New Homes Bonus Payments since 2011/12

Appendix B Draft Response to the Consultation: The Future of the New Homes Bonus

LIST OF BACKGROUND PAPERS

None