

Response to DCLG Consultation on the New Homes Bonus

Summary

To respond to the Government's consultation on the future of the New Homes Bonus.

Portfolio - Finance

Date Signed Off: 12 February 2016

Wards Affected

All

Recommendation

The Executive is advised to resolve that the Executive Head of Finance submits the response attached to this report and be delegated to make any changes required in consultation with the Portfolio Holder for Finance

1. Resource Implications

- 1.1 New Homes Bonus was introduced in 2011/12 and is paid as a reward for increasing housing delivery. It is calculated by reference to the change in the tax base. Currently the incentive pays Districts 80% and County 20% of the average national Council tax (currently £1,483) for the year after a property comes on to the tax base and for the 5 years after. There is an additional payment of £350 for each affordable home.
- 1.2 Surrey Heath is due to receive £1,418,185 in 2016/17 being for houses built in 2015/16 and the 5 years before that. Each annual payment is made for 6 years. Hence houses built in 2010/11 generate payments in 2011/12, 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17.
- 1.3 The New Homes Bonus is not new money provided by Government nor it is given to pay for infrastructure. It is in fact funded by top slicing business rates and reducing grant. Hence it is money due to local government anyway but redistributed to reward those areas that deliver housing growth.
- 1.4 As the money has effectively been funded this way some of it has been used to support the ongoing revenue budget – in 2016/17 £700k is being used for this purpose. Indeed the Government include the whole New Homes Bonus in their calculations of resources available to Councils to deliver services.
- 1.5 The changes proposed in the consultation will reduce the level of incentive given for new housing and hence reduce the level of bonus paid. This in turn would impact on the Council's budget and its ability to fund services.

2. Key Issues

- 2.1 The New Homes Bonus was put in place to encourage councils to deliver new housing. In this respect it has been successful in that new housing has been delivered and those areas that deliver the most housing get the largest incentive. The Government want to “sharpen” the incentive to especially make it more difficult to achieve it with a view to reducing the overall cost so that the money saved can be transferred in to the “Better Care Fund” to assist with pressures in Adult Social Care.
- 2.2 The Government argues that despite the incentive a lot of this housing would have been built anyway since most of the housing was delivered in economically active areas. This means that the incentive has not operated in exactly the way it was intended.
- 2.3 The reduction of the incentive would appear to go counter to the Government’s stated aim of delivering more housing and economic growth. The use of the NHB to fund Adult Social Care also fails to address the longer term issues of funding these services.
- 2.4 The consultation paper sets out a number of questions which have been responded to in turn in the attached response.
- 2.5 The closing date for the consultation is 10th March 2016.

3. Options

- 3.1 The Executive can accept, reject or amend the response as appropriate.

4. Proposals

- 4.1 The Executive is advised to resolve that the Executive Head of Finance submits the response per this report and be delegated to make any changes required in consultation with the Portfolio Holder for Finance.

5. Supporting Information

- 5.1 Consultation Paper as attached.

6. Corporate Objectives And Key Priorities

- 6.1 The delivery of housing supports Key Priority 2. Loss of significant levels of finance would affect the Council’s ability to deliver against all its key priorities.

7. Risk Management

- 7.1 There is a risk that the council could lose funding under a new NHB scheme. There is also a risk that if the council is unable to continue to deliver new housing that this will have a detrimental effect on the Council’s finances and hence its ability to deliver services.

8. Officer Comments

8.1 The Executive is urged to reasons as set out in the letter.

Annexes	Proposed consultation response
Background Papers	Copy of DCLG Technical Consultation: New Homes Bonus – Sharpening the incentive
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Consultations, Implications And Issues Addressed

Resources	Required	Consulted
Revenue	✓	
Capital		
Human Resources		
Asset Management		
IT		

Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	
Policy Framework		
Legal		
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation		
P R & Marketing		

Review Date:

Version: