

New Homes Bonus and the Local Growth Fund

Consultation Response from Sevenoaks District Council

Sevenoaks District Council welcomes the opportunity to respond to the New Homes Bonus and the Local Growth Fund technical consultation.

However, we strongly believe that the consultation should be focussed on the Government's intention to pool New Homes Bonus monies at LEP level rather than the mechanisms for any distribution.

We are disappointed that the Government has chosen not to open the initial decision to partially fund the Local Growth Fund through the use of New Homes Bonus to consultation with local authorities as it will have significant consequences for the sector.

We would therefore ask that Government take note of the following section of our consultation response that reflects back on the initial intentions of the New Homes Bonus schemes and asks serious questions of the rationale to pool monies to support the Government's local growth fund initiative.

The introduction of New Homes Bonus (NHB) has provided an incentive to support the acceptance of increased local housing development and re-energised efforts to secure the return of empty housing into beneficial use.

Key to the success of NHB has been the guarantees the Government gave when it was launched and which were set out in the February 2011 document "New Homes Bonus: final scheme design."

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6004/1846530.pdf

In this document the Government committed to the following:

"The New Home Bonus will have localism at its heart. It will re-energise communities"

"The scheme has been designed in line with the following key principles:

- *Powerful – the grant will be payable for the following six years, so the total will rise for at least the first six years.*
- *Transparent – it will be easy for councillors, the community and developers to calculate and to see the early benefits of growth.*
- *Predictable – the scheme is intended to be a permanent feature of local government funding and will therefore continue beyond the six-year cycle. The design features have been kept simple and stable to ensure that expected rewards for growth are delivered."*

"The grant has been designed to be stable and predictable"

The document also went on to say *"local authorities will be able to decide how to spend the funding in line with local community wishes. The Government expects local councillors to work closely with their communities – and in particular the neighbourhoods most affected by housing growth – to understand their priorities for investment and to communicate how the money will be spent and the benefits it will bring. This may relate specifically to the new development or more widely to the local community. For example, they may wish to offer council tax discounts to local residents, support frontline services like bin collections, or improve local facilities like playgrounds and parks. This will enable local councillors to lead a more mature debate with local people about the benefits of growth, not just the costs. The Bonus will be paid through section 31 of the Local Government Act 2003 as an unringfenced grant."*

Sevenoaks District Council is therefore strongly disagrees with the Governments intention to top slice £400 million from the NHB allocation (which itself has been top sliced from the overall pot of funding for local government) which clearly both contradicts and breaches the principles the Government set out of ensuring stability and predictability.

Many Council's have believed in and placed reliance on these principles and made assumptions within their financial plans based on the Governments promises. These assumptions have been predicated on the assurances contained in the NHB final scheme design. Research carried out by the District Councils Network shows that some districts will face extreme financial difficulty as a result of the reductions in NHB they will be facing.

The design of HNB with its very clear focus on rewarding the specific districts and localities in which new housing development has taken place has been instrumental in unlocking certain developments and supporting activities to secure new housing and that this is likely to be weakened through the dilution that the allocation to LEPs necessarily implies.

We would also point out that top slicing the allocation of NHB to local authorities conflicts with what the Government has stated in its publication "Understanding the Community Right to Build" where it described the benefits in the following terms:

"Any revenue directly generated from the development through a Community Right to Build order is retained by the community, whether or not the community organisation owns the development. If it is built by a developer, for example, the community benefits through either a Community Infrastructure Levy (which is a charge on developers to pay towards the cost of local infrastructure that the local authority, or local community, have identified) or the New Homes Bonus (money that the government pay to local authorities where for six years they will match the council tax raised from new homes, with a bonus if those homes are affordable)."

We are also concerned that the proposals relate only to 2015/16 and therefore further uncertainty exists on what will happen in the following years thus making it difficult for authorities to plan for the future effectively.

For the reasons set out above Sevenoaks District Council would ask the Government to review its decision to top slice £400m of NHB in 2015/16 for the Local Growth Fund with a view to finding alternative sources of funding. The decision to create the Local Growth Fund rests solely with Government and the decisions made to fund it should not detrimentally impact on the financial commitments made to local authorities.

District councils have demonstrated considerable leadership in taking forward the Governments policy initiative and accepted in good faith the assurances that NHB was to be a permanent, stable and predictable feature of local government funding. We strongly believe that the Government should honour its original commitments and seek to identify alternative funding sources for the Local Growth Fund.

