

Report to the Resources Select Committee



Date of meeting: 9 February 2016

SCRUTINY

 Epping Forest District Council

Portfolio: Finance

Subject: Government Consultation on New Homes Bonus

Responsible Officer: Bob Palmer (01992 564279).

Democratic Services: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

To consider and amend where necessary the proposed responses to the Government consultation.

Executive Summary:

In late December as part of the draft financial settlement for local authorities the Government issued a technical consultation on the New Homes Bonus entitled "Sharpening the Incentive". The consultation runs for twelve weeks to 10 March.

A brief summary of the consultation paper is provided in the report below, with the draft responses attached as a separate appendix. No detailed authority specific exemplifications have been provided to support the various proposals so it is not clear in some instances if this Council will benefit from a given change or alternative. The full consultation document has also been provided as it is relatively short for a technical consultation.

A number of the issues covered by the consultation relate to planning matters but in order to produce this report for this agenda it has not been possible to consult colleagues in planning on the draft responses. The draft responses have been shared with colleagues in planning and a verbal update will be provided on any amendments or comments forthcoming.

Reasons for Proposed Decision:

To determine the responses to be made to the consultation.

Other Options for Action:

Members could decide to not respond, to respond in part or to respond in full to each of the fourteen questions.

Report:

Technical Consultation – Sharpening the Incentive

1. This consultation seeks views on a number of significant changes to the New Homes Bonus. The stated intention of the proposed changes to the scheme is to save £800 million which can then be used to fund adult social care.

2. Prior to the launch of the consultation there was speculation that the current district/county split of 80/20 would be reversed to favour county councils. There is no proposal to formally change the shares but the removal of £800 million and the re-allocation of this amount has the overall effect of changing the distribution so two thirds will now go to counties and only a third to districts.

3. The first proposal is to reduce the cost by cutting the number of years that the bonus remains in payment for. Currently the bonus relating to a particular year is payable for the six years following that year but the Government's preferred option is to reduce this to four years. This reduction from six to four may or may not include a transition year to five. The consultation also includes the possibility of reducing the number of years of payment to three or two. The option that would have the smallest impact on this Council would be a reduction to four with a transition year of five included.

4. Another proposed mechanism to reduce payments is to cut New Homes Bonus by either 50% or 100% for authorities who do not have a Local Plan in place. Clearly there is the potential for this proposal to greatly reduce our income from the Bonus.

5. A further proposal to reduce payments is to limit the Bonus where planning approval has only been given on appeal. It is difficult to envisage how this could work in practice without there being a huge administrative burden. It is also difficult to predict the exact effect on this council, although it is unlikely to be positive.

6. There is then a proposal to introduce a baseline so the first 0.25% of new homes would not qualify for the Bonus. This is intended to stop the rewarding of growth that would occur naturally without positive decisions by an authority. However, the introduction of such a baseline would significantly reduce or remove the incentive for low growth authorities.

7. The final question in the consultation asks whether there should be protection for those facing adverse impacts from the proposals. As an authority that currently receives £2.7 million of New Homes Bonus but does not have a Local Plan we could be one of the authorities who might benefit from some form of floor to limit reductions. Unfortunately there is no detail to the proposal in terms of the level of reduction at which any protection would become effective and whether this would be funded by greater reductions for authorities that are initially above the floor.

8. The appendix lists the fourteen questions and provides a draft response for each question. Member's views are requested.

Resource Implications:

As the consultation sets out different options the resource implications are unclear but in constructing the MTFs a prudent view has been taken on each issue.

Legal and Governance Implications:

Changes following the consultation will be included in subsequent Local Government Finance Bills and will come into effect from 1 April 2017.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The draft responses have been shared with colleagues in planning and any comments from them will be reported at the meeting.

Background Papers:

None.

Risk Management:

There is a risk that if insufficient responses are made to consultations the Government will either stop consulting or will not act on the responses they receive.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
26/01/16 Director of Resources	The report is about responding to a Government consultation. Whilst the response is aimed at reducing the overall reduction in resources it does not deal with the use of those resources and so has no equalities implications.