

Cherwell District Council

Budget Planning Committee

9 March 2021

New Homes Bonus Consultation 2021

Report of Director of Finance

This report is public

Purpose of report

To provide Budget Planning Committee with an overview of the Government's consultation on the future of New Homes Bonus (NHB) and the proposed direction that the Council's response will take.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Note the Government's consultation
- 1.2 Agree the outline principles to be considered in formulating the Council's response to the Consultation at paragraph 3.5.

2.0 Introduction

- 2.1 The Government published its consultation, "The Future of the New Homes Bonus" on 10 February 2021. A number of significant changes to the way NHB operates are proposed within the consultation which could have a significant financial impact on CDC. The consultation closes on 7 April 2021.

3.0 Report Details

- 3.1 New Homes Bonus was introduced by the Government in 2011 as a reward based grant for housing growth and has been a significant source of income to CDC since then. The Government has been highlighting for a number of years that it is looking to review and replace the NHB. This began by reducing the grant period that housing growth was rewarded for from 6 years to 4. Housing growth from 2019/20 was the last 4 year payment, ending in 2022/23. Subsequently, payments were made on a one-off basis in 2020/21 and 2021/22. The current reward mechanism in two tier areas pays Districts:Counties in the ratio of 80:20 so District Councils

benefit significantly more from housing growth rewarded by NHB. The Council's current planning scenario for NHB income is shown in the table below:

New Homes Bonus Grant Funding Assumptions

Year	£m
2021/22	4.423
2022/23	1.764
2023/24	0.000

- 3.2 Until 2020/21, the approach to NHB made it a relatively reliable and stable source of income; as grant payments were known for 4 years (known as legacy payments), there was time to plan for increases and decreases in grant funding. Similarly, as District Councils received 80% of the grant in two-tier areas this makes it a significant source of income. The Government does not intend to include legacy payments as part of the revised NHB scheme.
- 3.3 The Government is now consulting on fundamental changes to the way in which the grant operates including:
- whether the 80:20 allocation of grant between Districts and Counties is still the correct split;
 - whether the threshold of housing growth that must be met before grant is paid should be increased from the current threshold of 0.4%;
 - whether reward grant should be paid based on exceeding historic growth rates;
 - whether affordable homes should receive a premium in reward grant;
 - whether bringing long-term empty properties back into use should continue to be rewarded;
 - whether modern methods of construction should be considered when awarding grant allocations; and
 - whether a council should have a local plan in place in order to qualify for grant.
- 3.4 A briefing note from a council advisor is attached at Appendix 1 giving an overview of the consultation and its implications.
- 3.5 As NHB is such significant proportion of the Council's income it is important that it responds to the consultation. As the consultation was only issued on 10 February 2021 a draft response has not yet been completed. However, there are some general principles to the response that it is proposed the Council adopts in its response:
- NHB is made as stable and certain as possible potentially by paying grant based on an average of the previous three years growth
 - NHB is paid in a way so that it offers a material incentive and can have a material impact on the services councils can provide – and so maintain the 80:20 split between Districts and Counties
 - In order to make the grant provide a realistic incentive to all, support the hybrid option of low growth areas receiving grant based exceeding the lower of the two thresholds of exceeding historic growth and exceeding the current absolute threshold of 0.4% growth before grant is awarded.
 - Reward councils with higher payments where a local plan is in place and housing growth is approved in line with the strategic plan for the area

- Continuing to reward councils that are able to bring long-term empty properties back into use
- Continuing to pay a premium for affordable homes that have been developed

3.6 The Council is still investigating the challenges of being able to collate information around identifying properties that have been built with modern methods of construction.

3.7 It is too early to say what impact the revised NHB will have on the Council's finances as thresholds and scale of reward have not been announced.

4.0 Conclusion and Reasons for Recommendations

4.1 NHB has been a significant income stream to the Council in the past. It is therefore important that the Council responds to the consultation in order to ensure that its opinions are considered as the Government finalises the details of the revised scheme.

5.0 Consultation

None required.

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: The Council could choose not to respond to the consultation. However, then its opinions on how the scheme should operate in the future would not be considered when the Government finalises the new scheme.

7.0 Implications

Financial and Resource Implications

7.1 There are no financial implications associated with this report.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

Legal Implications

7.2 There are no legal implications associated with this report.

Comments checked by:

Chris Mace, Solicitor, 01295 221808, christopher.mace@cherwell-dc.gov.uk

Risk Implications

7.3 There are no risk implications associated with this report.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes 01295 221786
Louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision N/A as not an Executive report

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Document Information

Appendix number and title

- Appendix 1 – LG Futures Briefing Note: The Future of New Homes Bonus Consultation

Background papers

None

Report Author and contact details

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk