Report To:	Greater Cambridge City Deal Executive Board	3 March 2016
Lead Officer:	Chris Malyon, Chief Finance Officer, Cambridgeshire County Council	

Greater Cambridge City Deal Partnership Budget 2016/17

1. Purpose

To agree the programme and operational budgets for 2016/17 financial year and to agree the continued pooling of New Homes Bonus (NHB) for 2016/17 and to consider how the unallocated resources should be utilised.

2. Recommendations

It is recommended that: -

a) The briefing note appertaining to the future of NHB be noted.

b) The budgetary provision for the 2016/17 operational budget be approved.

c) Subject to approval of recommendation b) more detailed proposals be brought forward in respect of the additional investment in Housing and Intelligent Mobility.

d) The provisional profiling of the remainder of Phase1 of the programme be approved.

e) That the unallocated NHB pooled resource be retained to facilitate the successful delivery of Phase 1 of the programme.

f) A further report on the strategy for the distribution of unallocated monies be considered by the Board before the end of the year.

3. Reasons for Recommendations

Financial governance plays an important role in ensuring that resources are allocated effectively in order to deliver the anticipated outcomes of any programme. The City Deal Partnership is a large and complex programme that will support the successful delivery of a major growth programme in the Greater Cambridge area. It is therefore essential that appropriate resources are allocated to both the programme itself and the activities that are required to successfully support its delivery. The recommendations contained in this report will provide the resources necessary to support the delivery of Phase 1 of the programme and place the Partnership in the optimum position to secure further funding for Phase 2.

4. Background

The Greater Cambridge City Deal Partnership will be incurring significant costs in the delivery of a number of major transport improvement schemes for the area. Individual projects will be supported through grant but the programme requires additional funding from locally derived sources as the level of grant is insufficient to cover the costs of the agreed programme of infrastructure investments. At this stage the 2016/17 spend can be predicted with a reasonable level of confidence however as the timeline extends towards beyond the next financial year the projections are subject to a numerous issues that could affect the expenditure profile. Any changes to the projected profile will therefore be subject to the annual budget process but should it be necessary, requests for variations to the budget will be brought to the Board for their approval within the year.

This report also provides clarification on the NHB resource that is being contributed by the three local authorities, through a pooling arrangement, to support the delivery of the programme. The report covers the announcement in the Provisional Grant Settlement that was published in mid-December and sets out a set of budget proposals for both the operational budget and a revised profiling of Phase 1 of the programme.

5. Programme Expenditure

The Executive Board of 28 January 2015 agreed a programme of priority capital schemes for the first five years of the Greater Cambridge City Deal partnership. The programme is significantly in excess of the grant that is available. This reflects that the grant resources will be supplemented by additional funding from developer contributions, resources and other funding streams many of which are yet to be identified. Furthermore there is a possibility that some of the projects within the programme will not progress either to the level outlined or within the originally anticipated timeline.

Officers have made an effort to refine the costs associated with the programme and to create a realistic profile of the likely expenditure of the individual projects. The Board is asked to consider the programme. Whilst there is clearly a direct link between expenditure and activity the two will not exactly mirror each other and therefore this should not be seen as a reflection of the actual work that will be delivered on the ground. Contractual payments associated with works of this nature often take months and sometimes years to be fully finalised after the actual work has been completed.

The proposed programme for the current financial year and the remaining four financial years of phase 1 of the City Deal is set out in Appendix A to this report. The resources required to support the delivery of the projects in the programme significantly exceed the grant funding available through the City Deal Programme. This was a conscious decision as it has always been known that City Deal grant funding would need to be supplemented through local resources including Section 106 monies, New Homes Bonus, Growth Funds etc.

Given the time lag from project conception to actual spend this is not an issue in cash terms until 2019. However over the coming two financial years if it is not possible to identify when, or whether, additional funding is likely to materialise the Board will need to consider whether to re-balance the phasing between tranche 1 and tranche 2, to seek contributions from other sources, or to reduce the overall programme.

5.1 Match funding

A key source of generating the aforementioned additional funding for schemes is developer contributions. These are routinely sought in order to mitigate the impacts of development through Section 106 contributions from those undertaking those developments. Therefore where the impacts of these developments can be mitigated by City Deal schemes, contributions are being sought and will be allocated to the City Deal programme. It is not possible to say exactly how much match funding this will yield, as this depends on the nature and scale of developments and when they come forward. Also, it is important not to prejudice negotiations with developers through the specific inclusion of our assumptions appertaining to these developments.

Table 1 below summarises contributions received in signed or engrossed S106s, or for which heads of terms are agreed and we can say with reasonable confidence will be secured shortly.

Development	**Contribution (£'000)**	**City Deal scheme**
ARM	400	Fulbourn Road
ARM	200	Fulbourn Road / Cherry Hinton High Street
Science Park applications	1,300	Milton Road North
Capella	88	Long Road / Hills Road
CB1	500	Chisholm Trail (Station to Mill Road)
Granta Park	100	A1307 cycle crossing / route improvement
Total	**2,588**	-

5.2 New Homes Bonus

2016-17 NHB Allocations – National Picture

When setting the 2015/16 operational budget it was agreed by the three local authorities that a proportion of the NHB appertaining to the Greater Cambridge area would be pooled in order to support the delivery of the Programme. For 2015/16 this was 40% of the total received and for 2016/17 and beyond this increased to 50%.

At the time there was significant doubt that NHB would survive, at least in its current form, the 2015 Comprehensive Spending Review and therefore the Board were prudent in the allocation of the funds at their disposal. The future of NHB is set out below in more detail.

The Provisional Grant Settlement that was published in December set out the Government's position for the forthcoming financial year and also included a consultation document regarding the potential future shape and size of the funding stream for 2017 and beyond.

The DCLG has published provisional allocations for 2016/17, the sixth year of the scheme. The provisional total NHB grant for 2016/17 is £1.461bn. Payments include the grant awarded in years 1 to 5 as well as year 6. DCLG has also published their own NHB gross payment calculator based on the provisional 2016/17 allocations which can be found on their website.

NHB from 2017-18 Onwards

In his statement, Mr Clark said the New Homes Bonus would be retained 'indefinitely, but with some changes, on which I am consulting'. DCLG has published a consultation paper on options for reforms, setting out a number of proposals, as follows:

- Withholding the Bonus from areas where an authority does not have a Local Plan in place
- Abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal
- Adjusting the Bonus to reflect estimates of deadweight
- A reduction in the number of years for which the Bonus is paid from the current 6 years to 4 years

A note summarising the content of the consultation is attached as an Appendix B to this report.

City Deal and Pooled Resources

In January 2015 the City Deal Board considered the proposal to pool NHB derived within the City Deal area. This was to provide some financial capacity to support the delivery of the programme and to provide a resource to support initiatives that could not be funded from within the programme budget. The basis of the pooling arrangement was that each Council would contribute 40% of their NHB appertaining to the City Deal area for 2015/16 and 50% of sums from 2016/17. The provisional forecast of the sums identified at that point are set out below.

Authority	**2015/16 £000**	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**
Cambridge City Council	1,986	3,009	3,085	3,352
South Cambridgeshire District Council	1,683	2,727	2,960	3,219
Cambridgeshire County Council	917	1,434	1,511	1,643

Leading in to the CSR there was significant speculation that NHB would not survive. Although a consultation document has been published that could lead to significant changes in the future the funding and distribution methodology remains untouched for 2016/17. This does therefore give a window of opportunity for the City Deal Partnership to continue with the policy that it adopted a year ago. Given the potential future changes it would be prudent at this stage to plan on the availability of this resource for the forthcoming financial year only. This could be reviewed once the outcome of the NHB consultation process is known.

Given the financial challenges facing all the local authority partners, this level of commitment should not be understated.

The NHB figures contained within the provisional Grant Settlement would create contributions from the three local authorities for 2016/17 as follows.

Authority	**2016/17 £000**
Cambridge City Council	3,162
South Cambridgeshire District Council	2,630
Cambridgeshire County Council	1,448

The Board will recall that having made provision for the operational costs for the five years of phase 1 of the programme, a residual sum of £2.2m remained available for other purposes from the NHB pooled in 2015/16. When added to the 2016/17 resource this would create a potential resource of nearly £9.5m.

6. Operational Budget

There are a number of activities that play a supportive, but important, role in the long term success of the overall City Deal Programme. The level of investment in these activities will however be significantly influenced by the Board's appetite for promotion and engagement in the broader issues that will contribute to the wider success of the City Deal programme.

The 2015/16 budget to support these functions was as follows:-

Activity	**Cost £000**
Programme Central Co-ordination Function	150
Strategic Communications	60
Skills	131
Economic Assessment	10
Smarter Greater Cambridge	20
Cambridge Promotions Agency	60
Housing	200
Total	**631**

Although provision was made for a full year this was against the backcloth that job descriptions had to be written, evaluated, and recruited to, which would lead to delays in the utilisation of those budgets that were staffing related. One of the posts in particular has required a couple of recruitment campaigns and therefore will result in a favourable variance in the operational budget at the year end.

It should also be noted that budgetary provision was only agreed for the above functions for two years, at this point last year, albeit the Board did recognise that there was a need for support throughout the duration of the Programme.

The Programme Director has now been in post for around three months and has had an opportunity to review the resources that she feels are necessary to effectively support the successful delivery of the Programme. As a consequence it is proposed to increase the programme management and strategic communications budgets in order to enable better communication and coordination of the programme, outreach work, programme assurance and support for the Board and Assembly.

Additional provision is also requested in respect of legal advice. There is a risk that given the nature of the decisions that the Board will be taking that at least some may provoke a legal challenge. It would therefore be prudent to make provision for legal advice as part of the management of the risk of successful challenge.

A small contingency budget of about £20k is also requested in order to cover a plethora of potential issues that may arise in any particular financial year. This would cover activities such as ad-hoc consultancy, and items of provision for ad-hoc pieces of research that may be required.

In addition the Programme Board has been assessing areas of activity it is believed will facilitate the overarching objectives of the City deal Programme. As a consequence of this work some provisional proposals are set out below for the Board's consideration. Work is still on-going defining some of these activities and more detailed proposals will be brought forward if the Board believes these proposals should be developed further.

Housing – there are significant stresses in the Greater Cambridge housing market. A small amount of funding is sought to better understand the demands and to, collectively with City Deal partners, define distinct housing products that could potentially meet this need. Funding is also sought to develop new partnership models to tackle these issues. Once these studies have reported, they may indicate opportunities for further work and/or investment to tackle housing market issues and to create an improved supply chain.

Intelligent mobility – running in parallel with the existing hard infrastructure schemes which form part of the City deal programme there is an opportunity to establish a workstream which will deliver the first steps towards "Intelligent Mobility" with four interlinked work packages. These are in addition to and complementary to the "Smart City Platform" proposal which is currently being submitted to the Executive Board:

1) Research, data based modelling & visualisation
2) Integrated ticketing
3) Digital Wayfinding
4) Exploring the potential of autonomous vehicles

Although City Deal funding would be required to establish these workstreams it is likely as the work progresses that central government and/or EU funding opportunities would be available to bid for.

Were the Board to agree to the above proposals the operational budget for the remaining four years of Phase 1 would be as set out in the table below:-

	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £
Programme Central Co-ordination & Communications - Staffing - Legal advice including programme assurance Other costs: - General - Communications Hired Services Total	281,200 25,000 20,000 80,000 406,200	284,800 25,400 20,000 80,000 410,200	285,800 25,900 20,000 80,000 411,700	286,600 26,400 20,000 80,000 413,000
Skills	131,000	131,000	131,000	131,000
Economic Assessment	10,000	10,000	10,000	10,000
Smarter Greater Cambridge	200,000	80,000	0	0
Cambridge Promotions Agency	90,000	10,000	10,000	10,000
Housing Delivery Agency	200,000	200,000	0	0
Affordable Housing	50,000	0	0	0
Intelligent mobility	200,000	130,000	0	0
Housing & Transport Enabling Fund	0	0	0	0
	1,287,200	**971,200**	**562,700**	**564,000**

7. Pooled Resource

As highlighted earlier in this report although the NHB position has been clarified for the 2016/17 financial year there is uncertainty over the future of the funding stream. What has been made clear in the Provisional Grant Settlement is that an element of the quantum is to be redistributed to support the growing demands on health and social care. It would therefore be inappropriate for the Board, at this point, to make commitments beyond the resource envelope that is has at its disposal. This does however still provide the Board with significant flexibility.

If the Board agree the projected operational budget set out in section 6 above a sum of £7.8m would remain uncommitted by the end of Phase 1 of the Programme. This is summarised in the table below.

Activity	**15/16 £000**	**16/17 £000**	**17/18 £000**	**18/19 £000**	**19/20 £000**
NHB Pooled Contributions	4,586	7,240	0	0	0
Resources Brought Forward	0	3,880	9,863	8,917	8,371
Total Resources Available	4,586	11,120	9,863	8,917	8,371
Expenditure	706	1,257	946	546	557
Funding Carried Forward	3,880	9,863	8,917	8,371	7,814

8. Investment Resources

If the additional requests for funding as set out in this report are approved it will result in a relatively significant resource that is available for other purposes. The Programme Board, having discussed the matter, would propose a cautious approach to the allocation of this resource given the uncertainties that have been highlighted in this report. This would result in funds not being fully allocated but being retained in reserve, to manage the risk of the NHB funding stream significantly reducing in future years and creating some capacity for funds to be used as match funding and if necessary to deliver the agreed programme. Further investment opportunities may arise in addition to those outlined above which would provide the ability to take additional action to tackle the housing and transport related barriers to growth.

In addition this budget report does also highlight that the overall programme still requires additional funding to be identified. When first discussing the City Deal with Government local resources that were available to support delivery of the Programme did include New Homes Bonus and therefore the sum could be used to support the delivery of the Programme. Alternatively any unallocated funds could be returned to the local authorities proportionate to their contributions that they have made.

10. Implications

In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

Financial
The financial implications are set out in body of the report.

Legal
The agreement of a funding methodology does not set a legally binding agreement. This position can therefore be reviewed at any point.

Staffing
Funding has been made available to support the staffing implications of managing the operational functions to support the delivery of the Programme.

Risk Management
There is a risk that insufficient funds will be identified in order to cover the current shortfall in the resources required to deliver the Programme as highlighted in the report. This will be monitored on an on-going basis and reported to the Board as the position gains greater clarity.

11. Consultation responses

The three local authorities that are pooling their New Homes Bonus have been fully engaged in the development of the proposals contained in this report.

11. Background Papers

January 2015 – 2015-20 prioritised infrastructure investment programme
January 2015 – Funding of City Deal non-project costs
March 2015 – Greater Cambridge City Deal Partnership Budget

Report Author: Chris Malyon – Chief Finance Officer
Cambridgeshire County Council
01223 699796

City Deal Programme – Phase 1 **Appendix A**

PROJECT	Total Cost	Forecast Spend 2015/16	Forecast Spend 2016/17	Forecast Spend 2017/18	Forecast Spend 2018/19	Forecast Spend 2019/20	Later Years
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Years 1-5 Delivery							
Milton Road bus priority	23,040	203	297	3,000	7,540	12,000	
Madingley Road bus priority	34,560						
Histon Road bus priority	4,280	184	280	954	2,516	346	
A428 to M11 segregated bus route/A428 corridor Park & Ride	24,480	350	500	750	10,000	35,000	12,440
Cross-city cycle improvements	4,000	194	900	2,100	706	100	
City centre capacity improvements	3,000	194	300	700	856	950	
A1307 corridor to include bus priority / A1307 additional Park & Ride	39,000	262	500	2,000	1,000	10,000	25,238
Chisholm Trail cycle links	8,400	160	1,040	2,500	4,100	600	
Year 6-10 programme development	9,000	160	1,090	1,600	3,000	3,150	
Programme management and early scheme development-*Note 2	9,500	*	2,000	3,000	3,000	1,500	
Year 1 to 5 reserve scheme development	5,000	100	500	1,300	1,500	1,600	
Total	**164,260**	**1,808**	**7,407**	**17,904**	**34,218**	**65,246**	**37,678**

Note: Madingley Road bus priority/A428 to M11 segregated bus route/A428 Corridor are combined.
Note: First year Programme Management and early scheme development budget included within Tranche 1 approved scheme costs.

New Homes Bonus: Sharpening the Incentive Consultation **Appendix B**
Start Date: 17 December 2015
End Date: 10 March 2016

Background

The New Homes Bonus was first introduced in 2011/12. For each newly built house or conversion in their area local authorities are rewarded with the national average council tax for the relevant band. Long-term empty properties which have been brought back into use have also been included in the reward and there is a premium for affordable homes. Each year's grant is paid for 6 years.

In two-tier areas the New Homes Bonus (NHB) grant is split 20% upper tier/80% lower tier. In 2016/17, the sixth year of the scheme, payments are expected to be in the region of £1.4bn – £1.275bn is top-sliced off the local government settlement, the remainder is from DCLG.

In 2014 the Government reviewed the incentive and found that half of planners saw it as a powerful incentive and that 75% of authorities are "net gainers". This is unsurprising since the funding is removed pro rata to grant funding (i.e. the funding came primarily from upper tier authorities) but that 80% of the upside is allocated towards planning authorities (lower tiers).

The 2015 Spending Review announced that the Government wanted to move £800m by the end of the parliament from the New Homes Bonus to support adult social care. The proposed changes would not be introduced until 2017-18. This is to ensure that local authorities have sufficient time to reflect the proposed changes in their forward planning.

Headlines

The consultation seeks views on options on changes to the New Homes Bonus in order to better reflect authorities' delivery of new housing. It also seeks views on reducing the number of years for which NHB is allocated. The consultation runs for 12 weeks from 17 December 2015 to 10 March 2016.

The options are broadly:

- Withholding the NHB from areas where an authority does not have a Local Plan;
- Abating the NHB in circumstances where planning permission for a new development was only granted on appeal;
- Adjusting the NHB to reflect estimates of deadweight; and
- Reducing the number of years that NHB is paid from 6 to 4 years.

There are no plans to change the split between upper and lower tiers in two-tier areas.

Options for Change

1. Reduction in the number of years for which the NHB is paid

The current scheme makes payments for 6 years. The Government's preferred option is for this to reduce to 4 but they are also considering reducing it further to just 3 or 2 years.

One option to reduce the number of years would be to pay 5 years' worth of NHB in 2017/18 and then 4 years in 2018/19 onwards. The following tables demonstrate the potential savings (based on the total provisional 2016/17 NHB amount being a good indication of all future years).

Current Scheme					
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Year 1 – 2011/12	£ 199				
Year 2 – 2012/13	£ 233	£ 233			
Year 3 – 2013/14	£ 236	£ 236	£ 236		
Year 4 – 2014/15	£ 249	£ 249	£ 249	£ 249	
Year 5 – 2015/16	£ 251	£ 251	£ 251	£ 251	£ 251
Year 6 – 2016/17	£ 293	£ 293	£ 293	£ 293	£ 293
Year 7 – 2017/18		£ 293	£ 293	£ 293	£ 293
Year 8 – 2018/19			£ 293	£ 293	£ 293
Year 9 – 2019/20				£ 293	£ 293
Year 10 – 2020/21					£ 293
Net Cost	**£ 1,461**	**£ 1,555**	**£ 1,615**	**£ 1,672**	**£ 1,716**

Transition - 5 years, then 4 years

	2016/17	2017/18	2018/19	2019/20	2020/21
Year 1 – 2011/12	£ 199				
Year 2 – 2012/13	£ 233				
Year 3 – 2013/14	£ 236	£ 236			
Year 4 – 2014/15	£ 249	£ 249			
Year 5 – 2015/16	£ 251	£ 251	£ 251		
Year 6 – 2016/17	£ 293	£ 293	£ 293	£ 293	
Year 7 – 2017/18		£ 293	£ 293	£ 293	£ 293
Year 8 – 2018/19			£ 293	£ 293	£ 293
Year 9 – 2019/20				£ 293	£ 293
Year 10 – 2020/21					£ 293
Net Cost	**£ 1,461**	**£ 1,322**	**£ 1,130**	**£ 1,172**	**£ 1,172**
SAVING	**£ -**	**£ 233**	**£ 485**	**£ 500**	**£ 544**

No Interim - Straight to 4 years

	2016/17	2017/18	2018/19	2019/20	2020/21
Year 1 – 2011/12	£ 199				
Year 2 – 2012/13	£ 233				
Year 3 – 2013/14	£ 236				
Year 4 – 2014/15	£ 249	£ 249			
Year 5 – 2015/16	£ 251	£ 251	£ 251		
Year 6 – 2016/17	£ 293	£ 293	£ 293	£ 293	
Year 7 – 2017/18		£ 293	£ 293	£ 293	£ 293
Year 8 – 2018/19			£ 293	£ 293	£ 293
Year 9 – 2019/20				£ 293	£ 293
Year 10 – 2020/21					£ 293
Net Cost	£ 1,461	£ 1,086	£ 1,130	£ 1,172	£ 1,172
SAVING	**£ -**	**£ 469**	**£ 485**	**£ 500**	**£ 544**

The following tables show the savings to be made of moving to 3 years and 2 years, each with no transitional arrangements.

3 Years					
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Year 1 – 2011/12	£ 199				
Year 2 – 2012/13	£ 233				
Year 3 – 2013/14	£ 236				
Year 4 – 2014/15	£ 249				
Year 5 – 2015/16	£ 251	£ 251			
Year 6 – 2016/17	£ 293	£ 293	£ 293		
Year 7 – 2017/18		£ 293	£ 293	£ 293	
Year 8 – 2018/19			£ 293	£ 293	£ 293
Year 9 – 2019/20				£ 293	£ 293
Year 10 – 2020/21					£ 293
Net Cost	£ 1,461	£ 837	£ 879	£ 879	£ 879
SAVING	**£ -**	**£ 718**	**£ 736**	**£ 793**	**£ 837**

2 Years					
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Year 1 – 2011/12	£ 199				
Year 2 – 2012/13	£ 233				
Year 3 – 2013/14	£ 236				
Year 4 – 2014/15	£ 249				
Year 5 – 2015/16	£ 251				
Year 6 – 2016/17	£ 293	£ 293			
Year 7 – 2017/18		£ 293	£ 293		
Year 8 – 2018/19			£ 293	£ 293	
Year 9 – 2019/20				£ 293	£ 293
Year 10 – 2020/21					£ 293
Net Cost	£ 1,461	£ 586	£ 586	£ 586	£ 586
SAVING	**£ -**	**£ 969**	**£ 1,029**	**£ 1,086**	**£ 1,130**

***Consultation Question 1**: What are your views on moving from 6 years of payments under the Bonus to 4 years, with an interim period of 5 year payments?*

***Consultation Question 2**: Should the number of years of payments under the Bonus be reduced further to 3 or 2 years.*

Currently the allocations are calculated in terms of Band D – there have been some concerns that by favouring higher band homes above those falling into lower bands (i.e. a band H home is worth 2 band D homes, whilst 3 band A homes would be equivalent to a Band D) could result in some skewing of allocations in favour of areas with high house prices.

It is not clear in the consultation but the assumption must be that rather than use Band D equivalent some areas would like the distribute NHB on the basis of the absolute number of houses. This change would be to the detriment of many county areas with northern metropolitan districts being the prime beneficiaries.

Consultation Question 3*: Should the Government continue to use this approach? If not, what alternatives would work better?*

2. Reforms to the incentive

The consultation paper suggests 3 ways in which the “incentive impact” could be improved:

- Withholding some or all of NHB allocations in areas where no Local Plan has been produced in accordance with the Planning and Compulsory Purchase Act 2004[1];
- Reducing payments for homes built on appeal;
- Only making payments for delivery above a baseline representing deadweight.

It could also be an option for the DCLG to only use the improved incentives whilst keeping the current 6 year payments. The DCLG estimate that in-year payments of NHB could fall from £293m to £168m by sharpening the incentives.

Local Plans

The Government’s preferred option is that from 2017/18 onwards local authorities with no Local Plan in place will not receive NHB payments for the years under which that remains the case. Previous years’ NHB payments will be unaffected. In 2016/17 DCLG estimate this change alone could have freed up £34m for other priorities.

Once a plan was put in place and adopted then the authority would become eligible for NHB payments for the current year in addition to any previous years which had been withheld due to the Local Plan not being in place.

Another option would be for a share (50%) of payments to be made in situations where the plan is published but has not yet been submitted to the Secretary of State.

Consultation Question 4: *Do you agree that local authorities should lose their Bonus allocation in the years during which their Local Plan has not been submitted? If not, what alternative arrangements should be in place?*

The Government are also considering reflecting the need for Local Plans to remain up to date by abating (reducing) payments of NHB depending on how old the current plan is. The DCLG recognise the additional complexity that this would bring.

Consultation Question 5*: Is there merit in a mechanism for abatement which reflects the date of the adopted plan?*

The Government is not proposing to link the NHB payments to plans prepared by County Councils in two-tier areas. They do however assert that in their role to deliver essential infrastructure the County Council could impact on the ability of the District Council to produce their Local Plan. The Government are consulting on whether, in two-tier areas, where a plan has not been published, there should be a corresponding percentage reduction in the payment available to County Councils.

[1] 83% of local planning authorities have a published Local Plan and 66% of planning authorities have an adopted Local Plan. Such documents are often referred to as a “Core Strategy” or a “Local Plan”

Reducing Payments where Developments were Granted Permission on Appeal

The Governments' preferred approach is to use existing data collected by the Planning Inspectorate as the basis for these adjustments.

Consultation Question 6*: Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?*

The proposal is for the NHB to be reduced in these situations but not entirely withheld; for two reasons.

1) not all refusals of permission are the result of authorities opposing development and;
2) NHB is intended as a benefit to the community and they should not be penalised for poor decisions made by their local planning authority

Any reduction would be applied for the whole 6 years of the NHB payment (or however long the term ends up being). The consultation asks whether payments should be reduced by half or totally …or some other percentage.

The DCLG predict that this option would have saved £17m in 2016/17.

Consultation Question 7*: Do you agree that New Homes Bonus payments should be reduced by 50%, or 100%, where homes are allowed on appeal? If not, what other adjustment would you propose, and why?*

Any reduction will need to be based on a proxy value until it is known what bands the houses will fall into. The preferred option is to use the standardised flat rate reduction in payments – e.g. the national average NHB figure for Band D properties. Another option considered, and later rejected for simplicity, was to use the average council tax for the existing housing stock to avoid over-penalising authorities with high percentages of stock in lower bands.

Consultation Question 8*: Do you agree that reductions should be based on the national average Band D council tax? If this were to change (see question 2) should the new model also be adopted for this purpose?*

Removing Deadweight

The NHB is currently paid on all new housing regardless of whether or not it would have been built without an incentive. Removing this deadweight from the calculation of NHB would allow payments to be more focussed on local authorities demonstrating a stronger commitment to growth. The DCLG do not provide an estimate of the potential savings these proposals could have saved.

The proposal is to set a baseline of 0.25% - set because it is lower than the average housing growth over the years prior to the introduction of the NHB to ensure that not too many authorities fall outside of the NHB.

Consultation Question 9: *Do you agree that setting a national baseline offers the best incentive for the Bonus?*

Consultation Question 10: *Do you agree that the right level for the baseline is 0.25%?*

The alternative is to set varying baselines based on local historic growth but the DCLG say that this could reward those authorities who had previously only achieved low growth whilst penalising those that had done well.

Under the current proposals there is a risk that a sudden surge in house building could push the NHB over budget. In a situation such as this the DCLG could increase the threshold to allow the NHB to be brought back in budget. Changes to the baseline would only be implemented where there was concern that budgets would be breached and would be included in the annual consultation on provisional allocations.

Consultation Question 11: *Do you agree that adjustments to the baseline should be used to reflect significant and unexpected housing growth? If not, what other mechanism could be used to ensure that the costs of the Bonus stay within the funding envelope and ensure that we have the necessary resources for adult social care?*

Consultation Question 13: *Do you agree that county councils should not be exempted from adjustments to the Bonus payments?*