



Proposed changes to the Growth Fund for 2010-11 **Summary of responses**



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The Growth Fund and the proposed changes for 2010-11

The Growth Fund

1. The Growth programme is a long term programme to tackle the imbalance of housing supply and demand, and the problems of affordability, and it supports Government's ambition of building 240,000 additional homes a year by 2016.
2. The Growth Fund provides capital and revenue funding to the 75 growth partnerships across 163 local authorities in England to support their planned housing growth, enabling housing development to be brought forward, tackling barriers to delivery, and ensuring that new development is planned as sustainable communities. The 2007 comprehensive spending review provided £833m over the period 2008 and 2011.
3. From 2007-08, in line with the development of local area agreements and the local performance framework, Government has published provisional multi-year Growth Fund allocations, with payment of an annual unring-fenced block grant directly to local authorities. In line with the local government finance settlement, Government has a policy of only changing these provisional allocations in exceptional circumstances.
4. Funding allocations were made on the basis of programmes of development that set out the local plans for growth, the housing trajectory and infrastructure schemes required to support planned growth. Following the first funding allocations under this approach in 2007 a consultation was undertaken on the mechanism by which allocations for 2009-10 and 2010-11 would be made. With support for the new approach to funding, provisional allocations for 2009-10 and 2010-11 were announced in December 2008.

Housing pledge

5. The exceptional economic circumstances and global recession has affected the availability of finance, credit and mortgages. The Government has taken action to help people stay in their homes, stay in work and to help firms stay in business. The Government has also continued to focus on providing the affordable homes that people need. The Government is clear that getting housebuilding across the country started, and providing the affordable homes that people need, is a priority during the current exceptional economic circumstances.
6. The Government set out the housing pledge as part of *Building Britain's Future* on 29 June: a £1.5bn package of measures to build an extra 20,000 new affordable homes in 2009-10 and 2010-11, of which over 13,000 will be for social rent, and 10,000 open market homes. As a result,

the Government is now investing £7.5bn in 2009-10 and 2010-11 to deliver up to 112,000 affordable homes and around 15,000 private homes.

Proposed changes

7. While the majority of funding for the pledge is planned to come from other Government departments, given the importance attached to stimulating the housing market, Communities and Local Government has also reviewed its own departmental investment programmes to support the pledge and as part of this ministers have decided to reduce capital funding from the Growth Fund by £128m in 2010-11.
8. Given the impact of the exceptional economic circumstances on the delivery of homes and infrastructure, there is uncertainty that it will be possible to use Growth Funds in the way envisaged when multi-year allocations were made. Switching grant money from the Growth Fund will mean it is still used for housing purposes and that the fundamental aims of the Growth Fund – to support housing growth – will still be met. The Government considers that the economic circumstances, and the need to fund policies to address the consequences of those circumstances, amount to exceptional circumstances in relation to the Government's policy for allocation of grant from the Growth Fund.
9. The consultation was about the means by which the capital Growth Fund allocations in 2010-11 would be reduced by £128m.

Stakeholder consultation

10. The Minister for Housing and Planning wrote to each growth location on 17 July setting out the measures in the housing pledge, the planned adjustment to the Growth Fund, and what the proposed reduction to their Growth Fund allocation in 2010-11 would be, and that these changes would be subject to consultation.
11. The consultation was launched on 2 October and lasted six weeks until 13 November. Two of the options in the consultation would have required a process for local authorities to submit further information to Communities and Local Government to be assessed for allocating grant in 2010-11. In order that these options could be implemented before or around the time of the finalisation of the *Local Government Finance Report* for 2010-11, the consultation was shorter than the usual 12 weeks.
12. The consultation was primarily aimed at local authorities covered by Growth Areas and Growth Points, local delivery vehicles and delivery partnerships where they exist and regional delivery partners, including regional forums. The consultation was also published on the Communities and Local Government website and open to anyone to make representations. Overall 79 responses were received. A breakdown of respondents is at Annex A.

Summary of responses

Question 1

Do you agree that, in order that no growth location is unduly affected and in order to confirm funding allocations at the time of the provisional local government settlement for 2010-11, the proposed funding adjustments should not be on the basis of updated programmes of development?

13. Eighty-four per cent of respondents agreed that the proposed funding adjustments should not be on the basis of updated programmes of development. Only one per cent of respondents did not agree. The remainder did not give a response.
14. Those who agreed that funding adjustments should not be on the basis of updated programmes of development highlighted the time and work this would require when the focus should be on delivery and the delay this would cause to confirming funding allocations.

Question 2

Do you agree that a formulaic approach should be taken to making the adjustments to Growth Fund allocations?

15. Sixty-seven per cent of respondents agreed that a formulaic approach should be taken to adjusting allocations. Twenty per cent of respondents did not support a formulaic approach. The remainder did not give a response.
16. Those who believed that a formulaic approach should be taken believed that such an approach would be fair, transparent, provide certainty and an early decision on revised allocations. Those who did not support a formulaic approach believed that it did not recognise the different circumstances of each location and that each place should be individually assessed, or account should be made of scale of growth, challenge and record of delivery, with funding targeted where it was most likely to support growth.

Question 3

Do you agree that the Government's proposed approach for reducing funding allocations is fair and transparent?

17. Forty-one per cent of respondents agreed that the Government's approach was fair and transparent, with a further 27 per cent indicating they partially supported this. Thirteen per cent did not believe it was fair and transparent. The remainder did not give a response.

18. Those who did not believe the proposed approach was fair and transparent thought that it was not fair as no account was being made for individual local circumstances, and that the decision to reduce funding to support the housing pledge had already been made.

Question 4

Would you support a more streamlined programme of development approach, with a shortened timetable, as an alternative approach for adjusting Growth Fund allocations?

19. Fifteen per cent of respondents supported a streamlined programme of development approach. However, 66 per cent of respondents did not support this. The remainder did not give a response.

20. Those who did not support a streamlined programme of development approach believed that it would be wrong to make funding allocations based on fewer indicators, and that this approach would favour longer established growth locations, and as with question 1, were concerned about the time and resources required to produce a programme of development, and the delay in confirming funding and whether it would be any quicker than a full programme of development process. Those who supported a streamlined programme of development believed such an approach would assist those locations which had clear business plans, was the fairest approach, maintained the link between growth and investment, and that an emphasis could be placed on deliverability of schemes within a set timetable.

Other options

21. The consultation said that Government would welcome other options that stakeholders wished to put forward for adjusting Growth Fund allocations to provide the planned contribution to the housing pledge, and which fit with the principles by which Government was seeking to make adjustments: timeliness, transparency and fairness. Government has considered the suggestions put forward (in bold below), but does not believe they fit the criteria, for the reasons set out below, or in light of the responses to the consultation does not believe that they would receive broader support, and does not propose to take them forward:

- **Some form of consideration of the local impacts and what can be delivered locally.**
- **The reduction should take account of other investment and fit with strategic priorities.**
- **Consideration should be given to scale of housing growth, the scale of challenge to meet that, track record of delivery and the impact of cuts on their programme of delivery.**

- **Funding should be focused on those locations of strategic importance in their appropriate region/sub-region.**
- **Government has sufficient detail in the previously submitted programmes of development to take a view on the individual circumstances surrounding certain areas.**

22. The Government believes that these options would require local authorities to provide further information or for some sort of assessment process to be carried out. The Government believes such a process would delay when revised funding allocations could be confirmed. Government believes it is important to provide certainty of funding decisions in a timely manner and these options may possibly mean that revised funding allocations could not be announced until after the *Local Government Finance Report* for 2010-11 is confirmed, causing delays to planning budgets and uncertainty on the ground and potentially disrupting provision of infrastructure and supporting housebuilding. The Government also believes this approach would move away from the assessments of programmes of development carried out in 2008 which formed the basis of the multi-year settlement approach, which Government still considers the most appropriate way of providing central funding to support the Growth programme.

- **Funding should be focused on Growth Areas, with them receiving a much lower proportion reduction in funding.**
- **Any formulaic approach should be applied to the two year allocations (2009-10 and 2010-11), reflecting that Growth Points needed a greater proportion of funding in 2010-11. Taking account of allocations in 2009-10 would result in a smaller reduction in 2010-11 for Growth Points.**
- **The formula for apportioning cuts should take account of other agreements, with account taken of the existence of multi-area agreements and that Growth Fund allocations to Growth Points with MAAs should be protected as far as possible.**
- **Recognise regional imbalance and allow regions to come up with their own means for distributing the reductions.**

23. The Government believes it would not be fair to treat growth locations differently. To do so could have implications for delivery of their long term strategic growth plans, and could mean that places suffer significantly relative to other locations purely on the basis of when they were brought into the Growth programme. This could mean that those places find that their ability to support housing growth in their area as the economy and housing market stabilise is severely affected, and Government believes this would not be in the best interests of the Growth programme.

24. The Government believes that any such regional process for implementing reductions would mean growth locations being treated differently in different parts of the country. As set out above, the Government does not believe this would be fair. In order to avoid a lack of transparency it would be necessary for Government to set out how such a process might operate and any criteria to use and final decisions would still rest with ministers. Such a process would delay when revised funding allocations would be confirmed, which the Government does not believe is sensible.

A more complex formula rather than a uniform reduction

25. The Government believes the proposed formulaic approach is fair and transparent. The Government believes that if more factors were added this would move away from the assessments of programmes of development carried out in 2008 which formed the basis of the multi-year settlement approach, which, as set out above, Government still considers the most appropriate way of providing central funding to support the Growth programme. This could also result in some locations having their provisional 2010-11 funding allocations reduced much more significantly than others, perhaps much less than the amount each area would receive under the Government's preferred approach, and which would not be in the interests of the Growth programme as a whole.

Locations unable to spend their full allocation could have funding re-distributed to support other locations.

26. Growth Funds are unring-fenced with no conditions on their use. The Government does not believe that it would be fair to now impose conditions on in-year use of funding or introduce claw back provisions. The Government believes it is important that in dealing with the current economic circumstances, local authorities should have the flexibility to prioritise funding so as to best meet local needs.

The reduction in funding should be shared between the Growth Fund and the Thames Gateway programme.

27. There have always been separate funding streams for the Thames Gateway and the other Growth Areas and Growth Points. The reduction in Growth Funds therefore only covers the other Growth Areas and Growth Points. However, the Government has previously switched £70m Thames Gateway funding to support other stimulus measures, prior to the housing pledge. For this reason, the Government does not propose further reductions to the Thames Gateway programme.

The proposed reduction in growth funding should only be a short term measure, with full allocations restored as soon as circumstances allow.

Should delivery of initiatives being funded as part of the housing pledge show signs of slippage, then the allocation of monies that this consultation proposes should be reinstated in whole or part.

28. We cannot make any decisions at this stage about how we would address any possible slippage in the housing pledge, but if any decisions of this type need to be made in the future as part of those decisions we will have regard to the position of the Growth Fund at that time.
29. The Government is unable to make any funding commitments beyond the current Spending Review period.

Conclusion and next steps

30. The Government recognises the disappointment from growth locations at the proposed reduction in funding, but is clear that getting housebuilding across the country re-started, and providing the affordable homes that people need, is a priority during the current exceptional economic circumstances.
31. The Government believes that the reasons set out in the consultation document for switching Growth Funds to support the housing pledge still remain, and that the economic circumstances, and the need to fund policies to address the consequences of those circumstances, amount to exceptional circumstances in relation to the Government's policy for allocation of grant from the Growth Fund.
32. Having considered the consultation responses and the other options put forward, and given the general support for the Government's preferred approach, the Government will proceed with the planned reductions as set out in the Minister for Housing and Planning's letter of 17 July. Revised funding allocations for 2010-11 for each growth location are listed at Annex B.
33. Revised funding allocations will be paid as normal by the Homes and Communities Agency to the nominated accountable body for each Growth Area and Growth Point in the first quarter of 2010-11. Local authorities continue to have the flexibility to prioritise how funding is used to best meet local priorities.

Annex A – List of consultation respondents

4NW
6Cs Growth Partnership
Advantage West Midlands
Ashford's Future
Association of Greater Manchester Authorities
Aylesbury Vale Advantage
Basingstoke and Deane Borough Council
Bedford and Marston Vale
Birmingham City Council
Borough of Poole
Breckland District Council
Bridging Newcastle Gateshead
Cambridgeshire Horizons
Central Bedfordshire Council
Chelmsford and Braintree
Cheshire West and Chester
Coventry City Council
Dacorum Borough Council
Dover District Council
Durham County Council
East Midlands Regional Assembly
East Midlands Regional Assembly
East of England Regional Assembly
East Staffordshire Borough Council
English Heritage
Environment Agency
Essex County Council
Exeter and East Devon
Exeter City Council
Fenland District Council
Greater Norwich Development Partnership
Halton Borough Council
Hampshire County Council
Harlow Council
Harlow Renaissance
Haven Gateway
Huntingdonshire District Council
Interim Nottinghamshire Economic Development Partnership
Lancashire County Council
Leeds City Region
Lincolnshire County Council
London Borough of Brent
London Borough of Enfield
London Borough of Hackney
London Borough of Haringey
London Borough of Islington
London Borough of Redbridge
Luton Borough Council

Maidstone Borough Council
Mersey Heartlands
Milton Keynes Council
Milton Keynes South Midlands
Milton Keynes South Midlands Emergency Services Group
Newark and Sherwood District Council
Norfolk County Council
North London Strategic Alliance
North Northants Development Company
North Tyneside Council
Northumberland County Council
Oldham Council
Oxford City Council
Partnership for Urban South Hampshire
Peterborough City Council
Plymouth City Council
Reigate and Banstead Borough Council
South East England Partnership Board
Stafford Borough Council
Stevenage Borough Council
Swindon Borough Council
Taunton Deane Borough Council
Tees Valley Living
Teingbridge District Council
Tendring District Council
Torbay Development Agency
Welwyn Hatfield Borough Council
West Northamptonshire
West of England Partnership
Worcestershire County Council

Annex B – Revised funding allocations for 2010-11

Location	Provisional 2010-11 Revenue Allocations	Revised 2010-11 Provisional Capital Allocation	Total 2010- 11 Provisional Capital and Revenue Allocation
3 Cities & 3 Counties	£1,341,120	£9,964,960	£11,306,081
Ashford	£258,001	£4,253,886	£4,511,886
Aylesbury Vale	£271,015	£2,533,043	£2,804,059
Barnet	£346,424	£3,380,042	£3,726,467
Basingstoke	£216,799	£1,622,164	£1,838,962
Bedford & Marston Vale	£309,886	£4,444,963	£4,754,849
Birmingham & Solihull	£256,535	£2,284,936	£2,541,471
Black Country & Sandwell	£344,478	£2,686,479	£3,030,957
Brent	£110,000	£1,456,989	£1,566,989
Cambridgeshire	£637,032	£7,794,623	£8,431,655
Carlisle *	£74,908	£0	£74,908
Central Lancashire and Blackpool	£215,786	£1,700,011	£1,915,797
Chelmsford & Braintree	£192,110	£2,378,579	£2,570,689
Coventry	£194,010	£1,452,356	£1,646,366
Croydon	£211,429	£1,794,982	£2,006,411
Dacorum	£123,908	£1,229,128	£1,353,036
Didcot	£168,753	£905,527	£1,074,280
Doncaster & South Yorkshire	£404,100	£3,129,181	£3,533,280
Dover	£103,339	£856,916	£960,255
East Staffs	£198,155	£1,484,527	£1,682,682
Enfield	£171,057	£1,155,370	£1,326,427
Exeter & East Devon	£273,956	£2,048,414	£2,322,370
Gainsborough	£124,500	£481,061	£605,561
Grantham	£197,335	£1,477,741	£1,675,077
Greater Manchester	£508,781	£3,948,235	£4,457,017
Hackney	£200,456	£1,518,731	£1,719,187
Haringey	£0	£1,963,083	£1,963,083
Haven Gateway	£414,888	£3,464,424	£3,879,311
Hereford *	£171,034	£0	£171,034
Islington	£150,000	£1,925,129	£2,075,129
Kerrier & Restormel	£164,031	£1,327,041	£1,491,072
Kings Lynn	£107,915	£888,670	£996,586
Leeds City Region	£259,887	£2,049,795	£2,309,682
Lincoln	£251,634	£1,881,362	£2,132,996
London Harlow Stansted	£346,262	£3,851,751	£4,198,013
Luton & South Beds	£285,000	£2,856,541	£3,141,541
Maidstone	£193,349	£1,451,698	£1,645,046
Mersey Heartlands	£259,208	£2,041,401	£2,300,609

Mid Mersey	£164,241	£1,302,980	£1,467,221
Milton Keynes	£250,000	£5,026,841	£5,276,841
Newark on Trent	£204,756	£1,533,510	£1,738,266
Newcastle & Gateshead	£191,795	£1,519,924	£1,711,720
North Northamptonshire	£437,503	£6,313,783	£6,751,285
North Tyneside	£97,506	£802,724	£900,230
Norwich	£427,825	£3,191,580	£3,619,404
Oxford	£190,830	£1,283,616	£1,474,446
Partnership for Urban South Hampshire	£578,000	£5,336,386	£5,914,386
Peterborough	£15,000	£3,866,918	£3,881,918
Plymouth	£415,915	£3,101,084	£3,516,999
Poole	£188,300	£1,411,407	£1,599,708
Reading	£200,000	£1,568,080	£1,768,080
Redbridge	£100,568	£1,640,605	£1,741,173
Reigate & Banstead	£184,701	£1,384,701	£1,569,402
Shoreham	£129,435	£1,043,467	£1,172,902
Shrewsbury & Atcham	£140,000	£1,134,930	£1,274,930
South and East Durham	£133,638	£1,030,603	£1,164,241
South East Northumberland	£105,891	£869,999	£975,890
St Albans	£58,233	£717,195	£775,428
St Edmundsbury	£102,312	£1,033,373	£1,135,685
Stafford	£109,436	£897,083	£1,006,519
Stevenage & North Hertfordshire	£166,522	£1,384,958	£1,551,480
Swindon	£378,881	£2,826,281	£3,205,163
Taunton	£300,698	£2,248,263	£2,548,962
Tees Valley	£255,289	£1,992,209	£2,247,498
Teignbridge	£107,930	£885,575	£993,504
Telford	£264,010	£1,970,358	£2,234,368
Thetford	£235,191	£1,760,762	£1,995,953
Torbay	£176,232	£1,319,024	£1,495,257
Truro	£174,457	£1,308,685	£1,483,142
Waltham Forest	£166,707	£1,445,180	£1,611,887
Welwyn Hatfield	£90,576	£845,142	£935,718
West Cheshire	£137,906	£1,108,192	£1,246,099
West Northamptonshire	£0	£7,065,393	£7,065,393
West of England	£392,637	£3,721,661	£4,114,298
Worcester	£170,000	£1,323,785	£1,493,785

* Did not bid for capital funding in 2010-11 as part of their programme of development.