**DCLG Technical Consultation on New Homes Bonus:**

**Sharpening the Incentive – March 2016**

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?**

Our view is that New Homes Bonus (NHB) should remain at 6 years, however, as a minimum the transition to 4 years with a step change is required. The proposed reduction in NHB will have a consequent impact on services, communities and economic development activity.

The arguments for reducing the payment period are understood but it can hardly be argued that this is an unforeseen consequence of the scheme. Many local authorities have been working either individually or jointly to deliver housing growth and should not be penalised by reducing NHB payments.

This approach would also result in a greater proportion of the £800m coming from those that have done the most to deliver new homes. Some of our members have suggested that it would be better to take an average sum from each authority adjusted for population so that the highest performers see a smaller percentage loss than those who have resisted housing growth.

NHB has been one of the few elements of the local government finance system where the connection between delivery and reward has been clear and unambiguous, easily understood by councillors, officers and the public. It has therefore had a clear and beneficial impact on bringing forward delivery of housing growth, as the rewards for doing so have been clear and of a significant scale. If the reward or incentive is reduced by a third, this may well have a consequent effect on the readiness of local communities to accept and welcome and bring forward further housing growth, which would be counter-productive to the Government’s policy objectives.

1. **Should the number of payments under the bonus be reduced further to a 3 or 2 years?**

No, this would seem to be grossly unfair to the Local Planning Authorities (LPA) that have been proactively approaching the delivery of new housing to both meet needs and work jointly under the Duty to Co-operate.

It would also effectively reduce any reward or incentive for authorities and communities to accept any further housing growth to negligible levels, meaning that it would confound the government’s policy objectives of delivering further much needed housing.

1. **Should the Government continue to use this approach? If not, what alternatives would work better?**

The approach of basing allocations on council tax returns is well established and easily understood. It is a transparent method that requires no additional collection or manipulation of data. A Band D approach has a sound rationale.

An alternative is to base the payments on the number of dwellings and not reflect the valuation bands. This will focus on the total housing supply rather than the value of the housing supply.

1. **Do you agree that local authorities should lose their Bonus allocation in the years which their Local Plan has not been submitted? If not, what alternative arrangement should be in place?**

Development plans are a significant investment by local authorities and have a significant preparation period. The time periods associated with plan preparation can be lengthy, in part because of the requirement to meet the Duty to Co-operate required under the Localism Act. Authorities should not be penalised because the process makes them dependant on other Councils’ decision making procedures which are outside their control.

There are many reasons why a Local Plan is not submitted, many outside the local authority’s control such as changes to Government policy and legislation which have been numerous over recent years. It is also notable that many authorities who do not have a post 2004 Local Plan in place have continued to deliver high levels of housing. Removing New Homes Bonus from these authorities will not remove the barriers that are preventing the submission of up to date Local Plans and will discourage the delivery of housing in the meantime. It is hoped the Government’s panel-led review of the local plan process will provide sufficient incentives to encourage Local Plans to be developed.

The question is based on a false premise as not having a Local Plan in place is not a significant cause of delays in building. Therefore local authorities should not lose their allocation in years during which their Local Plan has not been submitted. The real cause of delay in building is developers banking land and the arrangement that should be put in place should deal with this genuine cause of delay in the provision of new homes.

1. **Is there merit in a mechanism for abatement which reflects the date of the adopted plan?**

If the Government is to persist with a scheme to penalise authorities who do not have a Local Plan then there should be a mechanism for abatement. The consultation is called “Sharpening the Incentive” and without a mechanism for abatement an important incentive is lost.

1. **Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?**

No. The proposal would be a retrograde step as this would interfere with the obligation of a council (as LPA) to carry out its required quasi-judicial duties in an impartial manner.

If the Government did implement such a scheme, this should only occur when new homes granted on appeal are actually completed. Many outline permissions take years to commence, let alone complete. It would be unfair to reduce NHB in any given year by the number of dwellings allowed on appeal in that year, as there is no guarantee that the homes allowed on appeal would ever be built.

It is hard to see how any mechanism to reduce New Homes Bonus where homes are only allowed on appeal can be accurate without a considerable bureaucratic burden. The logic here seems flawed as well. On one hand authorities are being incentivised to put Local Plans in place but then if approval is refused, in accordance with the Local Plan, authorities will be penalised by a reduction in payments if approval is then given on appeal.

As the reasons for an application going for appeal are often not straight forward, some of our members have suggested that if the Government is minded to introduce this option, the issue of whether costs are awarded may be a measure of whether the authority has acted reasonably. If costs were awarded this would be a reasonable test of whether the LPA had acted reasonably (or if the appeal had resulted from an LPA ignoring the professional advice of its officers). If costs were not awarded then NHB should still be paid.

1. **Do you agree that NHB payments should be reduced by 50%, or 100% where homes are allowed on appeal? If not, what other adjustment would you propose and why?**

See response above – it is not agreed that payments should be reduced where homes are allowed on appeal.

In the event that there is a reduction in New Homes Bonus for homes allowed on appeal, this should be a maximum of 50% to reflect the fact that some appeals result from technical problems with applications which are resolved through the appeals process. An example of this is where a planning application is refused on highway grounds but an applicant does further work ahead of the appeal hearing to demonstrate how they can overcome these concerns.

It is also important that any deduction is taken when the houses are completed and occupied and therefore when the NHB payment would have been made on those houses. This is consistent with our response to question 6.

**8. Do you agree that reductions should be based on the national average (Band D) council tax?**

See responses above – it is not agreed that reductions should be made but if they are, the use of Band D is appropriate. In line with our response to question 3, if a flat Band D rate is applied to payments then reductions should be at the same rate.

**9. Do you agree that setting a new national baseline offers the best incentive effect for the Bonus?**

No. This proposal would be detrimental to those LPAs that have historically performed well, but are now running out of space or faced with hard to deliver brownfield regeneration sites as their land supply runs out.

This proposal seemingly ties local government income through the NHB to the performance of the wider economy and not the performance of the LPA. It therefore reduces the clear incentive effect of the current reward mechanism, and will eventually discourage housing growth as a result.

The concept of ‘deadweight’ is misplaced. Planning permission is granted for housing for a number of reasons, the most important being meeting the established needs of the area. The incentive of New Homes Bonus is a contributing factor in helping to mitigate the impacts of new housing on local infrastructure, but it will never be the only reason for a housing development to be granted planning permission.

The bonus should be paid in relation to numbers of houses that are built come what may. It is an incentive to reward housing growth and therefore all housing growth should count. To bring in an arbitrary baseline is simply a mechanism to reduce payments and actually penalises authorities that have been growing at the greatest rate during the recession. Authorities that grow at the greatest rate would have the biggest reduction in NHB, which is nonsensical. For authorities with low growth setting a national baseline will significantly reduce or remove the incentive

**10. Do you agree that the right level for the baseline is 0.25%?**

No. See answer above.

**11. Do you agree that adjustments to the baseline should be used to reflect significant and unexpected housing growth?**

No, see responses above, it is not agreed that there should be a baseline. NHB is intended to incentivise and reward housing delivery. Councils, as LPAs, should not be penalised where higher than anticipated growth is delivered through planning policies and development management.

Increasing the baseline if there was a significant housing growth would have the effect of penalising local authorities for doing what the Government wants them to do – i.e. delivering a step change in the amount of housing.

**12.** **Do you agree that the same adjustments as elsewhere should apply in areas covered by National Parks, the Broads Authority and development corporations?**

No. The same concerns raised under questions 4-7 are even more applicable where the local planning authority for the area is not the Council that receives the New Homes Bonus.

**13. Do you agree that County Councils should not be exempted from adjustments to the Bonus payments?**

Yes, we agree that County Councils should not be exempted from adjustments to the bonus payments. The revised scheme, once determined, should be applied consistently to all the local and public authorities it affects.

**14. What are your views on whether there is merit in considering protection for those who may face an adverse impact from these proposals?**

It is our view that protection must be put in place if any of these proposals to reduce NHB payments are imposed. As has been highlighted through the responses above, a number of Councils have strived to deliver new homes in line with government expectations. The amount of bonus payments will have been used, not only to support further housing growth but also to support additional service costs incurred as a result of this growth.

Some form of protection should be used to assist the authorities suffering the largest adverse impacts from these proposals. To impose changes without protection would put the welfare of residents who are reliant on council services at risk.