



DISTRICT COUNCILS' NETWORK RESPONSE – DCLG Technical Consultation – New Homes

Bonus: Sharpening the Incentive

The District Councils' Network welcomes the opportunity to provide a submission to this consultation. The Network is a cross-party member led network of 201 district councils. We are a Special Interest Group of the Local Government Association (LGA), and provide a single voice for district councils within the LGA.

1. Executive Summary

- a) Given the significant reduction in national funding for the scheme – it will only remain an incentive for the delivery of housing growth if other changes are made alongside it that allow local authorities to become actively involved in 'unlocking' consented schemes that developers are not currently delivering. DCN strongly encourages DCLG to consider what other 'levers' can be introduced to allow local authorities to help unlock consented schemes – by doing so local authorities may be incentivised to help deliver more units even though the NHB reward for each unit will be significantly lower than before.

- b) It is very important that local authorities that have been delivering housing growth over the past few years are not the ones that are disadvantaged through any changes that are introduced. Last year District and Unitary authorities

granted 65% of all planning permissions nationally. The NHB was (and is) an incentive for the delivery of housing growth – those that have the best track records for delivering growth must continue to be proportionately better rewarded for delivery into the future, they certainly should not be penalised!

- c) DCN supports the principle of having some transition measures as a revised system is introduced. DCLG would be wise to consider the legacy impacts that any changes will have upon recently-consented schemes that are currently being built, or are about to commence development. Local Planning Authorities that have voted to accept growth in the knowledge that they would benefit from NHB funding must be considered through transitional arrangements. This is particularly important when one considers the longer lead times and greater ambition needed to deliver large urban extensions.

2. Context

The DCN recognises the need for more resources to be put into Adult Social Care and can appreciate why the Government intends to divert £800m of existing resources into that area.

Having said this – DCN are of the view that there was a better source from which to fund this from than the New Homes Bonus Scheme. Previous Government reviews had concluded that the New Homes Bonus scheme was working well and as an

incentive was making a difference to the delivery of new housing. It is difficult to imagine how the incentive can be 'sharpened' when about two-thirds of the national funding is to be withdrawn!

Given that the Government has been clear that £800m will be transferred from NHB funding to Adult Social Care there is no merit in pursuing the above point any further – the figures are now included in the Autumn Statement and recent discussions with DCLG have confirmed that this will not change. Nevertheless DCN members are of the view that there was a more effective way of doing this without causing such significant impacts on the NHB incentive scheme.

The current NHB was based on the following principles;

- ◆ Powerful
- ◆ Transparent
- ◆ Predictable

The principles were the main reason that the scheme was successful – as such the Government is encouraged to be clear about the principles that any new system is based upon. It may be possible to use some or all of the existing principles (depending on the content of the new scheme), we would suggest that the following could be considered;

<p>Powerful</p>	<p>Reducing the funding by around two thirds is unlikely to result in the incentive remaining a powerful one into the future.</p> <p>However, the introduction of some new levers that allowed local authorities to unlock stalled consented schemes would help to deliver more housing units than would otherwise be possible – and could result in the new NHB scheme still being able to be a strong incentive.</p>
<p>Fair</p>	<p>As a minimum, the revised scheme must do the following;</p> <ul style="list-style-type: none"> ◆ Local authorities that have delivered the most growth in recent years must not be the ones that are disadvantaged most by any changes. ◆ If the funding pot is smaller – for the incentive to be ‘sharper’ and ‘fair’ the payments need to reward those areas for delivering housing growth, whilst also recognising that some authorities are either constrained due to poor demand for housing or geographical restrictions and should not be penalised for the proportional level of growth they can deliver.

	<ul style="list-style-type: none"> ◆ The proportional split of New Homes Bonus between Districts and Counties needs to be maintained.
Transparent	As with the current scheme, it must be simple to understand and operate.
Predictable	Up until the recent Spending Review, the current system benefitted from the certainty that funding would come for every year (for the following six years) for every new house built. The new scheme would benefit from this also. This is particularly important if areas are to embrace larger schemes to deliver more homes – these have the longest build out times and the scheme needs to recognise that.

In the final reckoning, the new scheme will be judged against how well the country delivers against the Government’s ambitious targets for additional new homes.

Presently, there are approaching 500,000 consented housing units in the country that are not being built by private sector developers – in a market that is currently financially buoyant and constantly seeing developers with very strong balance sheets post healthy profits by. It is clear that changes to the NHB scheme (in a

significantly reduced funding envelope) will not in isolation result in the Government's targets being achieved. Other changes need to be considered alongside the NHB scheme to help local authorities unlock stalled sites if positive momentum is to be achieved. DCN would be happy to work with DCLG officials to look at what these levers could be.

The following section looks specifically at the consultation questions.

Consultation Questions

Question 1

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

Taken in isolation, this approach would result in a greater proportion of the £800m coming from those that have done the most to deliver new homes. Surely 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?

It would make more sense to reduce the value of payment per unit rather than reduce the term of the payment – such an approach would allow those who have delivered more housing growth to be rewarded more in cash terms (on the same basis as the current scheme) whilst also allowing the Government to honour its previous commitment to pay NHB for a 6 year period.

Question 2

Should the number of years of payments under the Bonus be reduced further to 3 or 2 years?

The principle answer to this question is the same answer as that provided for question 1.

A mechanism needs to be developed within the remaining funding envelope that provides an incentive to deliver more houses – to help meet the Government's ambitious

housing targets. It is difficult to see that just changing the amount of years that the award is paid for will be a positive influence on behaviour. The system must reward local authorities that deliver the greatest numbers of houses (however that is defined) disproportionately more than the poorer performers.

A more radical suggestion may be that it might be better to consider reducing the payment term for poor performers to say, one year and provide more years' payments to the better performers – e.g. payments are geared for each extra tranche of homes per 1,000 population.

Nonetheless, any new scheme must recognise that some areas are constrained by the amount of housing they can deliver due to wide-ranging factors and continue to reward them for the homes they can deliver.

Question 3

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

DCN strongly believes the Government should maintain a system where payments are solely based on the number of dwellings delivered i.e. there would be no adjustment to reflect the council tax valuation bands of the dwellings delivered. The issue that local and central government are seeking to address is the totality of supply. Rewarding councils that deliver Band H dwellings at three times the rate of councils that deliver Band A dwellings is not welcomed, particularly so when the pressure in supply is mainly in lower banded dwellings.

Subject to the point we have raised earlier (about the option of reducing the value of the payment for each dwelling), we believe that it is appropriate to relate the payments to the national average Band D council tax.

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 arrangement should be in place?

The DCN recognises that the adoption of local plans provides a useful means for the government to measure new homes using a straightforward national indicator. Whilst the DCN is of the view that the New Homes Bonus initiative is perhaps not the most appropriate channel for addressing concerns regarding local plans, if this policy is pursued, it would be fair to give authorities some kind of transitional period so that they are not unfairly penalised. Alternatively, the DCN is confident that the outcomes of the government's panel-led review of the local plan process should provide sufficient incentives to encourage Local Plans to be developed.

Revisions to the plan approval process that embrace the concept of a substantive sound plan with a referral to strengthen any areas that the inspector has identified as weak – would be welcome. That way, local authorities would not spend a disproportionate amount of time trying to get to perfection on every single issue for fear of the binary 'pass' or 'fail' nature of the current plan inspection process.

Question 5

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

Please refer to answer to question 5 – although local authorities that have an adopted local plan should not be financially disadvantaged if the Government decided to do this.

Question 6

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

& 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?

This is a more difficult area to consider. In a straightforward situation where a local authority / community simply did not want housing growth and refused the application – it would not be an unfair proposal to suggest that NHB should not be paid if the planning approval was subsequently granted on appeal.

However, the reasons for an application going for appeal are often not as straightforward and would require further thought.

Perhaps, if costs were awarded this would be a reasonable proxy of whether the local planning authority had acted reasonably (or if the appeal had resulted from a local planning authority ignoring the professional advice of its officers). If costs were not awarded, then perhaps NHB should still be paid.

It is also important to point out that this should not apply to 'technical' new consents – i.e. where the inspector is only considering a condition for not granting the original consent – a condition lifted or changed on appeal is technically a new consent but really should still qualify for NHB payments.

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 3) should the new model also be adopted for this purpose?

We agree that all payments should be related to the national average Band D council tax i.e. no adjustment to take account of the actual banding of dwellings. What should count is the number of additional dwellings delivered (or not being counted, depending on the circumstances).

Question 9

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

Setting any baseline means that the incentive effect of the New Homes Bonus is reduced. DCN recognise that scope for housing growth might vary from area to area for reasons that are not connected with a council's willingness to see such growth – for example, councils covered largely or wholly by national parks, areas of outstanding natural beauty or green belt designations might struggle to achieve even the modest level of baseline growth suggested by the Government. By reducing and in some case removing the incentive and support to build more housing and improve their communities, the task faced in such authorities becomes more difficult.

It is important is that any baseline does not work to penalise those local authorities that have embraced the housing growth agenda and delivered the most new homes in recent years.

To be effective, the incentive payments must be geared so that the more homes that are delivered result in a greater bonus payment. The system should be developed using a delivery curve projection rather than a straight line projection – even if there is a minimum expected starting point (baseline) for qualifying purposes.

Question 10

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

It is difficult to comment whether this is the correct figure (see above comments). Again, DCN would stress that what is important is that;

- *The revised system must recognise and reward housing growth;*
- *In general terms, it should make the greater payments to those that deliver the most houses;*
- *Consideration should be given to ‘geared’ payments;*
- *The establishment of any ‘baseline’ must not penalise those that have embraced the growth agenda and have been successful in delivering more new houses over recent years.*

An alternative approach may be to have payments based on a delivery curve projection. This would ensure that those authorities that are constrained still receive some NHB but those with higher rates of growth benefit more.

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?

DCN would not in principle support any adjustments to the baseline. Councils need as much certainty as possible about their funding and therefore arbitrary adjustments, introduced part way through what had been assumed to be stable arrangements, should be avoided – otherwise the simple principles upon which the original scheme was successfully developed (and delivered) will be cast aside.

If the system proved to be so successful that the number of housing growth did start to result in adjustments, then surely the incentive must be working, and the Government would subsequently consider whether it might be better to put more money into that funding pot, due to the overall national tax yields that new housing growth stimulate.

Question 12

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

Yes; often these organisations do not deliver the same breadth of services as District Councils, and therefore by applying the same adjustments, District Councils would not have to subsidise the difference, at the expense of services for residents.

Question 13

Do you agree that county councils should not be exempted from adjustments to the Bonus payments?

Yes.

With regard to New Home Bonus reforms to improve the incentive to drive housing growth, whilst district councils are engines for growth, county councils also play a key role in the planning system and the delivery of infrastructure, for example through their highways role. They therefore often have a role in the Local Plan process and input into determining whether planning applications are accepted or not. County Councils should, therefore, be subject to the same penalties of planning authorities.

In addition to this, Counties also receive significant funding through Section 106 funding and CIL to incentivise and support growth. They will also benefit financially through the shift of resource from New Homes Bonus to social care, and therefore we see no need for any protection for County Councils.

New Homes Bonus was created to share the benefits of growth with local communities, supporting growth initiatives, productivity and prosperity, initiatives which are commonly delivered at a District Council level. It would seem short-termist to reduce the New Homes Bonus received by Districts, which, as we have demonstrated, commonly invest this in growth initiatives, in order to deliver a short-term solution for County Councils to plug the social care funding gap. Instead we would like to work with local government, health and national government colleagues to develop a coherent and collaborative approach to long-term funding for social care, utilising the potential of the District council role to provide effective early intervention and support for older and vulnerable residents.

Question 14

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

Some form of transitional arrangements would be desirable (as outlined in our Executive Summary).

Government might want to consider if it wishes to design such transitional arrangements to offer greatest protection to those that have delivered the most houses (through the original NHB scheme) and lesser protection to those that have delivered the least.