

New Homes Bonus consultation response

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?

We believe that the current system works well and should remain as it is. The proposal to revise the system penalises authorities that have delivered the most housing. This seems inequitable and is certainly not *sharpening* the incentive.

We have embraced the Government's growth agenda and, as a result, have seen significant housing growth and the bringing back into use of empty properties.

The New Homes Funding associated with this type of growth has been incorporated into our financial plans and medium term financial strategy. Any changes to the period of payment will have a detrimental impact on the Council's finances.

The money has been used primarily for Economic Development activity (including the accelerated roll out of Superfast Broadband across the District). Some payments have also been made to Communities that have had housing growth on projects for the Community promoted by the Community.

The Government made it clear when the original scheme was launched that they would expect communities that faced housing growth to receive some of the funding and we have delivered on that commitment.

If funding is pared back as proposed all of this investment in the economy and the Communities that have faced growth will also have to be pared back or stopped completely in order to ensure we continue to have a balanced budget.

Clearly, if the Government is determined to change the payment period then the preference of this Council would be to move to a four year scheme with an interim five year payment period.

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

Based on the comments given in Question 1 this Council is clearly against watering down or weakening the incentive by moving to just a three or two year scheme. Taking this approach does not give any real incentive to pursue the growth agenda as the additional cost burden that comes with increased housing is only compensated for a relatively short period of time compared to the current scheme.

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

It is the view of this Council that the current calculation used is the most equitable.

Using band D equivalent growth is easy to understand and is also consistent with how the taxbase is calculated.

Generally larger houses will be banded at the higher rate and will have more occupants than lower banded properties. The costs of providing services to these houses will therefore be greater and therefore taking a Band D equivalent approach is a sound rationale to use and should not be altered.

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?

This Council has an adopted local plan and therefore supports the methodology which retains payments for a six year period and penalises authorities that do not have an adopted local plan.

This is consistent with our response to question 1.

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

This authority does not believe there is merit in such a mechanism.

It is accepted that the Government is trying to 'sharpen the incentive' but the scheme should also remain easy to understand and implement and should not become overly complicated or administratively burdensome.

For these reasons the Council is against this mechanism for abatement. Payments should be made as long as the Council has an adopted local plan. This makes the incentive sharper and clearer and avoids confusion.

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

The consultation document is not clear in relation to this issue. We believe that the government's preferred option as set out in paragraph 3.21 is to use the detail on successful planning appeals to make a New Homes Bonus deduction in the year of the appeal success rather than when the houses are built out.

This is not justifiable as we would be having a deduction from our new homes bonus payment for houses (where planning permission was granted at appeal) for which we are yet to receive new homes bonus payments on.

The position set out in paragraph 3.23, whilst not being the Government's preferred option, is more equitable.

This would ensure that when a new house is built which was subject to a planning permission granted on appeal the new homes bonus for that particular house would not be received upon completion and occupation of the house.

Appendix 2

This has to be the right approach rather than make an arbitrary deduction on houses where planning permission is granted on appeal but for which the NHB has not yet been (and may never be) received.

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?

We do not believe any reduction is appropriate and oppose this approach. There are many reasons for houses to be allowed on appeal, if built, the houses still have local service consequences that the New Homes Bonus contribute to addressing.

As an example, if you have a local plan and you follow it and you get an application outside the allocated areas which is refused for good reason, to have the threat of loss of £1m as well renders the local plan useless. The loss of cash will always play heavily in members minds. The government must be resolute in getting inspectors to support the local plan.

However, should the Government insist on financially penalising new houses where the permission was granted on appeal then we would wish for this penalty to be as low as possible.

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.

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?

Again, it is not clear what the question being asked here is.

If it is just asking that the Band D equivalent is the appropriate calculation method then we support that as set out in question 3 (not question 2 as stated in the consultation paper).

However, we do not think that this should be used as a 'broadbrush' estimate of how much NHB to deduct because the data isn't available to do anything else.

In fact, and in line with our responses to questions 6 and 7, we do not support the deduction being taken ahead of the houses being completed and occupied as we would be having deductions of NHB being taken on payments not being received which is patently wrong.

Making the deduction ahead of completion and occupation using a proxy or estimate (if this is what the question is asking) just unnecessarily complicates the matter further.

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

No. 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 are growing at the greatest rate as their baseline position will increase by the greatest relative amount on which the % baseline will be applied and therefore they are penalised the most. Authorities that grow at the greatest rate will actually have a bigger reduction in NHB which is nonsensical.

This Council thinks that setting a national baseline provides no incentive at all for growth.

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

See response to question 9. This Council does not believe that the setting of a baseline provides any incentive at all and cannot understand the rationale behind this approach. The right level should therefore be 0%.

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?

No we do not believe there should be a reduction to reflect significant and unexpected housing growth. Significant and unexpected housing growth is not defined but it is assumed that it means the cost of the scheme exceeds the Government's budget set for the scheme.

This consultation paper is supposed to be about sharpening the incentive, making the financial incentive greater for those authorities embracing the Government's growth agenda.

It would be wrong if the scheme sharpened the incentive so much that Government then had to use artificial baselines to bring back Government spend within available budget. The additional economic benefit of increased housing growth and regeneration are well known and if local authorities deliver and exceed the Government's agenda (and deliver all the benefits that go with that) they should not be financially penalised.

This Council is against the setting of baselines as set out in our response to questions 9 and 10 and certainly do not agree that baselines should then be adjusted to restrict payments made to local authorities in the event that Councils exceed the expectation of housing delivery and growth set by the Government.

Appendix 2

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?

We believe that our comments made throughout this consultation exercise should be considered in the formulation of the revised scheme.

However, once the scheme is finalised we believe that it should be applied consistently across all areas including those covered by the National Parks Authorities and the Broads Authority.

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

We agree that County Councils should not be exempted from adjustments to the bonus payments. In line with the response to question 12 the revised scheme, once determined, should be applied consistently to all the local and public authorities it affects.

Moreover, we think that the split between the District Council and County Council should be amended so that 100% is retained by the planning authority (the District or Borough Council in two tier areas). Particularly in the light that funding is being diverted away from New Homes Bonus allocations and into Social Care pressures which will therefore be received solely by County Councils in two tier areas.

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?

We believe that there is merit in considering protection but it should not disproportionately penalise those authorities that have delivered against the Government's growth agenda.

The scheme should be designed so that authorities that have delivered the greatest housing growth gain the greatest financial reward.