

New Homes Bonus (NHB) Response to DCLG

South Somerset District Council (hereon “the Council”) has delivered 3,541 homes since the New Homes Bonus (NHB) was introduced. This has resulted in substantial NHB payments to the Council.

The Council notes that the current scheme is simple to understand and administer. The council tax charge for each Band D property raises £147.75 for the Council, so the Bonus of 80% (£1,186.86) of the average Band D for 6 years is a substantial incentive. The fundamental fault with the suggested changes is that an incentive for economic regeneration and provision of housing is being redirected into social care which has no direct connection to the incentive.

NHB was put in place to provide a financial incentive to encourage local authorities to respond to the challenge of significantly boosting the supply of housing. All of the proposals being put forward offer mostly disincentives or complications that may serve to reduce the amount of housing delivered.

The calculation should reward local authorities for being positive planners and allowing appropriate development. A suggested alternative would be to give local authorities some credit for full permissions *approved* whether or not the developer actually completes any homes. A way of incentivising local authorities would be to apply a single one-off payment per home on grant of any permission. The proposal to penalise planning authorities (districts) when delays or refusals may arise from taking into account the views of other agencies is unfair.

The Council also requests that the NHB calculated for long term empty dwellings brought back into use should be a gross, not net, figure – netting off others that have become empty (which is very likely in an area of high elderly demography and given the time probate takes) is a disincentive. A longer timeframe for long term empty properties of two years should be used as it more accurately incentivises local authorities for actively bringing those properties into use.

The consultation does not mention or address the affordable housing premium. Given the importance of proving sub-market tenures through the planning system, the Council feel that this premium should be increased. A similar premium should also be awarded for ‘Starter Homes’ in keeping with the Government’s own agenda – they may be exempt from s106/CIL contributions and the premium would help local authorities provide some of the appropriate associated infrastructure required.

Our response to the specific questions asked are as follows:-

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?

Reducing the number of years only serves to reduce the incentive and cut the grant. This could itself lead to more resistance to housing growth, as councils are unable to finance required services and infrastructure associated with new development.

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

Please see the response made above.

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

There is no evidence that the current approach favours higher band homes. In South Somerset 2,744 (77.5%) homes in Bands A to D have been provided compared to 797 (22.5%) in band E to H. It would be acceptable if all properties were assumed to be Band D's for this purpose and would further simplify the NHB mechanism.

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 proposal still runs the risk of not rewarding those councils for homes which are being delivered under extant Local Plans. It would be illogical to penalise local authorities who are successfully discharging planning applications, which facilitate new homes from plans which are say five or more years old. The houses agreed in extant Local Plan may take 5-10 years to be built, which is entirely normal given the housebuilding industry's operating model – especially on larger sites. Given that the Bonus equates to homes completed the proposal for periods of abatement appear overly complicated, unwieldy and subject to change; which appears contrary to the overall proposal to bring clarity to the implementation of the incentive.

Government will also be aware that an emerging Local Plan, prior to publication, submission, examination or adoption gathers weight in terms of being able to be used in statutory decision-making on planning applications. This in turn brings greater certainty to the development industry in choosing to submit planning applications.

The proposal seems to operate on the basis that the development industry waits until a Local Plan is submitted before progressing sites through the planning system. It is this Council's experience that the development industry reacts immediately to the earliest stages of Local Plan-making and begins to deliver homes on those locations identified in emerging Local Plans. So, to withhold the Bonus until a plan reaches a set milestone fails to reflect the way that the development industry utilises the Local Plan and interacts with local planning authorities in terms of positioning their sites in the planning process.

The preferred approach appears to make the incentive overly complicated.

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

The Council does not believe that a period of abatement after the adoption of a Local Plan will be effective.

This option fails to recognise that some sites, especially larger sites, will take a number of years to come forward following the adoption of a local plan. A good site, locally endorsed, allocated within a Local Plan which was approved by the Planning Inspectorate, should be allowed to come forward as and when the development industry chooses to, based upon the unique circumstances of that site. After adoption, the local planning authority has limited ability to force the development industry to bring forward complex large sites sooner than it is able. With little or no additional fiscal support or incentive to the development industry, it is not the case that these sites will come forward quicker. To then ratchet down the amount of Bonus received from said site, purely based upon time, without first appreciating the circumstances which dictate why a sites may take six years or more to come forward, showcases a disconnect between the preferred approach to the amendments to the Bonus and the planning system's function to bring forward sites set out in a Local Plan.

The preferred approach needs to avoid being overly short-termist, and reflect that the fact that substantial numbers of homes come forward in the middle to later years after a Local Plan has been adopted.

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

The preferred approach claims that the Bonus should be withdrawn for decisions "*which do not always reflect positive decisions to allow development...*" and do not "*...reflect the additional costs and delays for applicants arising as a result of the appeal process.*" There are two serious issues which arise from this statement, and which demonstrate a lack of proper consideration of the planning system.

First, the statement does not account for the fact that legally, the starting point for decisions on planning applications is whether or not the application is in accordance with a development plan. If it is not, then the application should be refused (subject to material considerations). Therefore, there will be legitimate reasons for local planning authorities to refuse applications, especially where they are speculative in nature. Therefore any notion of "*not making positive decisions on development*" fails to grapple with the fundamental aspects of decision-making. Furthermore, the inference that refusals of planning applications are not positive decisions is wide of the mark. There must be room in the process for a poor application resulting in poor development to be refused. There is danger that the preferred approach will mean local planning authorities are cowed from making important decisions, and in turn perversely incentivises poor development in locations not agreed with the local community.

Second, as accepted under the terms of the preferred approach, the number of homes stated within a planning application is not always the number of homes actually built. There is also no mechanism set out for dealing with the timing or phasing of delivery. For example, it would be wholly unacceptable to reduce payments of the Bonus based upon a 500-home development in the first year, given that such a development will actually be built out over a 8-10 year period. The intended sanction does not align with the current and future payment schedule of the Bonus and so appears to be unnecessarily severe. The Council has significant concerns over the paucity of detail surrounding this proposal. Each appeal and each subsequent trajectory of homes being built will be different throughout the country. Any notion of a 'one-size fits all' fixed mechanism for rolling out the preferred approach is rejected. The Government's own admission that a more bespoke arrangement would essentially be too complicated is very concerning. Unless this is tailored to the unique circumstances of a local authority it will generate confusion and make the incentive overly complicated. The reduction in the bonus payment could become less than the administration and bureaucracy attached to calculating it.

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 approach may be more workable, but will have to have safeguards in place to ensure that local planning authorities are not overly penalised for making valid planning judgements to refuse planning applications. Furthermore, given the Bonus is intended to provide mitigation for the overall impacts of development it would seem odd to reduce the incentive when the homes will still ultimately be built.

A more workable suggestion would be to temper the percentage reduction linked to the size and scale of the proposed development. For larger schemes the percentage reduction would be lower, for smaller schemes the percentage reduction would be higher. This would reflect the proportional increase in impact felt by communities who are accommodating larger developments.

The Council would expect thresholds and percentages to be clearly defined and consulted upon before any firm proposal was accepted.

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 do not agree that the reductions should be applied but if they are it should be consistent with the approved resolution to question 3.

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

No. The preferred approach again fails to have regard to the required activities during the local plan-making process. The National Planning Policy Framework requires all local authorities to plan the housing numbers to cater for their local area's housing need.

A responsible local authority, taking a Local Plan-led approach to delivering homes, will not be delivering “*new housing regardless*”, nor will they necessarily be “*demonstrating stronger than average commitments to growth*”. They will be delivering the homes that are needed. The formulation of the housing needed in a given area is rigorously tested during the local plan-making process and during the Independent Examination of the Local Plan. Those failing to account for their local area’s housing needs are found unsound and their Local Plan does not progress.

So, the idea of a baseline misunderstands the fact that, for responsible authorities, Local Plan-led housing growth is occurring – not growth regardless. The economic term “*deadweight*” is a slightly alien concept in this field. Housing growth is planned, shaped by the required need for housing, addressing the national and local issues of availability and affordability. The Council strongly rejects any notion that housing is happening in any case, or in spite of local authority efforts.

Later, in discussing the alternative option, the consultation document discusses “*rewarding*” those who have achieved low growth, whilst penalising those who are “*doing well*”. But again this notion is presented as though delivery is arbitrary, and so fails to grapple with the fact that local authorities, such as South Somerset are delivering the number of homes actually required.

The concept of a naturally increasing baseline would erode the significant effort that local authorities, such as South Somerset, have undertaken to properly address the number of homes required to be delivered in their area. Furthermore, given the baseline figure appears un-evidenced, it would subtract an unjustified amount of housing from the Council’s housing delivery figures, when in fact those are the exact amount of homes that are required in the given area.

The preferred approach appears unjustified, is not in alignment with the rest of Government policy to properly account for the true amount of housing needed in a given area, and would appear to be unnecessary.

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

No, see above. There is no logic attached to this percentage, it is not evidenced, and misunderstands the relationship between the proper approach to planning for housing growth and the payment of the Bonus.

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?

This is illogical. The Government’s agenda is to increase housing delivery, yet advocates a larger reduction in the amount paid when housing delivery increases...this would appear to be the opposite of what an “incentive” is meant to achieve.

If the funding envelope is finite why not use the known parameters of the funding envelope for distributing the bonus. Ensure stability for authorities by ensuring the

funding for what is already banked in houses provided is paid at the same level but adjust the provision for the new year with the remaining provision within the envelope.

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?

Not National Parks and the Broads Authority

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

Yes.

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?

Authorities should retain the funding for the six years outlined where there has already been delivery. If the decision is made to reduce the incentive to 5, 4 years or less the amount already banked should not be affected for 6 years.

In conclusion, the consultation only serves to reduce payments of NHB and reduces transparency, rather than offer a simplified approach to the NHB. We are however, grateful to see that the NHB for 2016/17 remains unaffected, and that should NHB reduce in future years, there is consideration of transition arrangements to give authorities time for forward plan their medium term financial planning.