

KETTERING BOROUGH COUNCIL –RESPONSE

DCLG Technical Consultation – New Homes Bonus: Sharpening the Incentive

Kettering Borough Council would like to thank the Government for the opportunity to respond to the New Homes Bonus: Sharpening the Incentive – Technical Consultation.

The response includes an Executive Summary and a specific response to the consultation questions:

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. The Council would strongly encourage 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. 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) The Council 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

Kettering Borough Council 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 - we 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. Being honest, it is difficult to imagine how the incentive can be 'sharpened' when about 2/3rds 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 we are of the view that there was a more effective way that this could have been done that would not have had such significant impacts on the NHB incentive scheme.

The current NHB was based on the following principles;

- ◆ Powerful
- ◆ Fair
- ◆ Transparent
- ◆ Predictable

The principles were the main reason that the scheme was successful – as such the Government are encouraged to be clear about the principles that any new scheme 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;

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|-------------|--|
| Powerful | <p>Reducing the funding by around 2/3rds is unlikely to result in the incentive remaining a powerful one into the future.</p> <p>However, by introducing some new levers that allow 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> |
| Fair | <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 be steeply geared to the highest performers if it is to remain a reward for delivering housing growth. |
| Transparent | <p>As with the current scheme, it must be simple to understand and operate.</p> |
| Predictable | <p>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.</p> |

At the end of the day, the new scheme will be judged against how well the country delivers against the Governments ambitious targets for additional new homes. Presently, there are

approaching 500,000 consented housing units in the Country that are not being built by the private sector developers - in a market that is currently financially buoyant and constantly seeing very healthy profits being posted by developers with very strong balance sheets. It is clear that changes to the NHB scheme (in a significantly reduced funding envelope) will not in isolation result in the Governments targets being achieved. Other changes need to be considered along the NHB scheme to help local authorities unlock stalled sites if positive momentum is to be achieved – we would be happy to work with CLG 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 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, 1 year and provide more years' payments to the better performers – eg, payments are geared for each extra tranche of homes per 1,000 population?

Question 3

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

We strongly believe the Government should operate 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 3 times the rate of councils that deliver Band A dwellings is not equitable, particularly so when the pressure in supply is mainly in lower banded dwellings.

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 is not an unreasonable suggestion however it would be fair to give authorities some kind of transitional period so that they are not unfairly penalised.

Revisions to the planning 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 4 – 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 straight forward 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 straight forward 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. We 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.

Despite our misgivings, we feel that assuming a national baseline of growth to ignore “deadweight” would provide a stronger incentive to seek higher levels of housing growth and therefore we do not

object to the principle of a national baseline, however what 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). We would however 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.*

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?

The Council 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 may 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

Question 13

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

Absolutely, 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?

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.