

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

11 February 2016

### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Executive Non Key Decisions

#### 1 NEW HOMES BONUS: SHARPENING THE INCENTIVE

Alongside the provisional local government finance settlement, the Department for Communities and Local Government published the consultation paper 'New Homes Bonus: Sharpening the Incentive'.

##### 1.1 Introduction

1.1.1 The return date for responses to the consultation paper 'New Homes Bonus: Sharpening the Incentive' is 10 March 2016 and a copy of our proposed response is attached at **[Annex 1]**. The paper can be found at the following link:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/487095/151217\\_-\\_nhb\\_draft\\_condoc\\_published\\_version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487095/151217_-_nhb_draft_condoc_published_version.pdf)

1.1.2 The New Homes Bonus (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. NHB rewards local authorities for each additional new build and conversion using the national average council tax in each band. Long-term empty properties brought back into use are also included and there is a premium for affordable homes. Each year's grant is paid for six years and is not ring-fenced. In two-tier areas payments are split between both county (20%) and district (80%) authorities. In 2016/17 the Council's NHB grant award is £3,843,083.

##### 1.2 Overview

1.2.1 The NHB is intended to be a powerful incentive to support housing growth; and is seen to be simple, transparent and flexible.

1.2.2 Not only is the Local Government Finance Settlement (LGFS) designed in the context of the particular pressures experienced by councils with responsibility for social care, but the proposed changes to NHB are also designed to deliver savings of at least £800 million, which can be used for social care. As such the consultation could be seen to be more about redistributing resources to support authorities with responsibility for social care than it is to do with 'sharpening the incentive' for continued housing growth.

1.2.3 The Government is not proposing changes for 2016/17 payments, but makes reference in the consultation paper that reductions in payments will be necessary in order to stay within the funding available from 2017/18 onwards. It is, therefore, puzzling as to why the indicative figure in respect of NHB included in the provisional settlement for the year 2017/18 is £3,868,836 (more than the figure for 2016/17)? If in 2017/18 the only change is to move from 6 years of payments to 5 years we estimate our NHB allocation to be in the order of £3.4 million. Again, the indicative figure in respect of NHB included in the provisional settlement for the year 2019/20 is £2,332,185. We estimate our NHB allocation from the combined impact of the proposed adjustments and payments for 4 years to be in the order of £2 million. This is not only misleading, but does not aid financial planning.

1.2.4 The paper sets out proposals for:

- Reductions in the number of years for which NHB is paid from the current six to four years.
- Withholding NHB in areas where no Local Plan has been produced in accordance with the Planning and Compulsory Purchase Act 2004.
- Reducing payments for homes built on appeal.
- Only making payments for delivery above a baseline representing deadweight (0.25% suggested).

### 1.3 Conclusions

1.3.1 NHB was intended to be a powerful, permanent incentive to deliver new houses. The proposed changes undermine the original objective of NHB and as such our preference is **for the scheme to continue in its current form**. The funding pressures facing social care is a national issue and should be addressed nationally, not by diverting funding from other parts of local government.

1.3.2 However, **if this is to be ruled out then we would strongly urge that the only change made to the scheme is to move from 6 years of payments to 4 years with an interim period for 5 year payments, and that sufficient funding is made available to fund the scheme in full** (this would in itself deliver £500 million of savings). Not forgetting that the LGFS has also been designed in the context of the particular pressures experienced by councils with responsibility for social care, and in addition to this shift in funding, those councils can levy additional council tax (up to 2%).

1.3.3 To reduce the number of years of payments to less than 4 years would exacerbate the funding pressure placed on district councils and the services they provide to the point where **financial sustainability is at risk**. Furthermore, a floor should be introduced to guard against a sharp fall in core spending power as in previous years.

- 1.3.4 The NHB scheme in its current form is a powerful incentive to encourage growth in house building; and **is seen to be simple and transparent** being based on a simple calculation of housing supply performance. Other proposed legislation and policy changes in respect of planning, not least those contained in the emerging Housing and Planning Bill, are bringing forward changes to encourage local planning authorities to be more efficient in their approach to planning and development. Introducing further layers of measurement such as local plan progress, houses built on appeal and deadweight into the NHB regime would **only complicate matters unnecessarily whilst adding little to ‘sharpen the incentive’**.
- 1.3.5 As far as this Council is concerned, we have a local plan produced in accordance with the 2004 Act and we are working towards a new local plan, although it has to be said that progress on this is hampered by the constantly changing landscape of national planning policy and guidance. Happily we have not lost any major appeals for housing development in recent times. Nevertheless, it seems entirely wrong to directly link these specific matters of decision making on planning to financial reward, when there is a straight forward performance measure already in place. Insofar as appeals are concerned it is possible for refusals of planning permission to be based on matters other than the principle of development (such as design, layout, accessibility and so forth) that might be important locally but could be vulnerable at appeal. The NHB proposals in this regard could have the perverse incentive of encouraging local planning authorities to drop standards of sustainable development which is a priority in national planning and development policy.

## **1.4 Legal Implications**

- 1.4.1 None.

## **1.5 Financial and Value for Money Considerations**

- 1.5.1 As set out in the response to the consultation.

## **1.6 Risk Assessment**

- 1.6.1 There is a risk that the indicative figures in respect of NHB included in the provisional settlement are overstated which is not only misleading, but does not aid financial planning; and would add to the savings target currently reflected in the Medium Term Financial Strategy.
- 1.6.2 The combined impact of the Settlement and the proposed changes to NHB places additional funding pressures on district councils with financial sustainability at risk depending on what happens to this funding stream and on the introduction of the 100% business rates retention scheme.

## 1.7 Equality Impact Assessment

1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## 1.8 Recommendations

1.8.1 Cabinet is asked to **approve** the proposed response to the consultation paper, 'New Homes Bonus: Sharpening the Incentive' attached at **[Annex 1]**.

Background papers:

Nil

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