

Summary of consultation questions

Pre-amble and Headline Response from Tonbridge & Malling Borough Council

Both the Local Government Finance Settlement (LGFS) and the proposed changes to New Homes Bonus (NHB) are designed in the context of the particular pressures experienced by councils with responsibility for social care. Effectively, taking resources from one part of local government (district councils) and giving it those authorities with responsibility for social care. As such the combined impact of both the Settlement and proposed changes to NHB needs to be considered in order to determine the scale of the added funding pressure placed on district councils and the services they provide. **It is vital that the government continues to work closely with us to ensure the views of all councils are heard and understood in order to deliver sustainable financing of local government services.**

Using the illustrative figure set out in the Settlement, in 2019/20 our NHB allocation is projected to be £2,332,185, a reduction of £1,510,898 compared to £3,843,083 in 2016/17. In addition, in 2019/20 our Settlement Funding Assessment is projected to be £1,283,705, a reduction of £2,394,894 or 65.1% including loss of RSG from 2017/18 and the introduction of a 'tariff adjustment thereafter despite the Council continuing to suffer after its highest business ratepayer went into administration in early 2015 (a matter taken up with the then Minister for Local Government).

The Council has done what was asked and encouraged growth in house building. We are one of the best performing district Councils in the south east in this respect. As a consequence we have seen NHB allocations help to mitigate in part what can only be described as projected **devastating reductions in its core funding of more than 80%** between 2010/11 and 2019/20. The Council now finds the size of this funding also at risk. In short, district council services will be severely curtailed or even discontinued as a result of the combined impact of the Settlement and the proposed changes to NHB with some at risk of going out of business depending on what happens to this funding stream in the future. Ironically, those services that have worked to achieve the high house building performance could be amongst those affected which would have a perverse effect of reducing performance in housebuilding.

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.

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%).

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'**.

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**.

Responses to the 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?

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.

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%).

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

No. To move from 6 years of payments to 4 years will itself require services (district council services) we provide to be seriously curtailed or discontinued. 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 for some **financial sustainability is at risk**.

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

Support the current approach in the interests of simplicity and transparency.

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?

We disagree. The NHB scheme in its current form is seen to be simple and transparent. It seems entirely inappropriate 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. Changes to national planning policy and legislation are already providing a basis for efficiency in local planning and it is fundamentally wrong for these areas of public policy to be mixed other than in measuring the outcome of new homes delivered on the ground. NHB should continue to be awarded irrespective of the Local Plan progress. Introducing further layers would only complicate matters unnecessarily whilst adding little to 'sharpen the incentive'.

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

No. We are of the view that NHB should continue to be awarded irrespective of the Local Plan progress as set out in our response to question 4.

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

We disagree. Introducing a mechanism for payments to be reduced in part or in full where residential development is allowed on appeal would only complicate matters unnecessarily whilst adding little to 'sharpen the incentive' and could see a reduction in payments where the original decision may have been made on legitimate grounds. It is entirely 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 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. Directly linking decision making on specific planning matters and cases with financial reward is inappropriate.

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 disagree with the proposal that NHB payments should be reduced where homes are allowed on appeal as set out in 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 3) should the new model also be adopted for this purpose?

We disagree with the proposal that NHB payments should be reduced where homes are allowed on appeal as set out in our response to question 6.

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

We disagree. The NHB scheme in its current form is seen to be simple and transparent. Why over complicate matters? NHB should continue to be awarded for overall performance on housebuilding. To set a national baseline only complicates matters unnecessarily whilst adding little to 'sharpen the incentive'.

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

We disagree with the proposal to set a national baseline as set out in our response to question 9.

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?

We disagree. 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.

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 authorities with responsibility for social care can levy additional council tax (up to 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 do **not** support the proposed adjustments to the NHB scheme as set out in our response to the specific questions above.

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

We do **not** support the proposed adjustments to the NHB scheme as set out in our response to the specific questions above.

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?

Clearly, there is need for protection, as some authorities, particularly district councils, will experience a sharp fall in core spending power as a result of these proposals. During the last Parliament **no council had a reduction in spending power below a floor and the same or similar arrangement should continue.**