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New Homes Bonus: sharpening the incentive – technical consultation

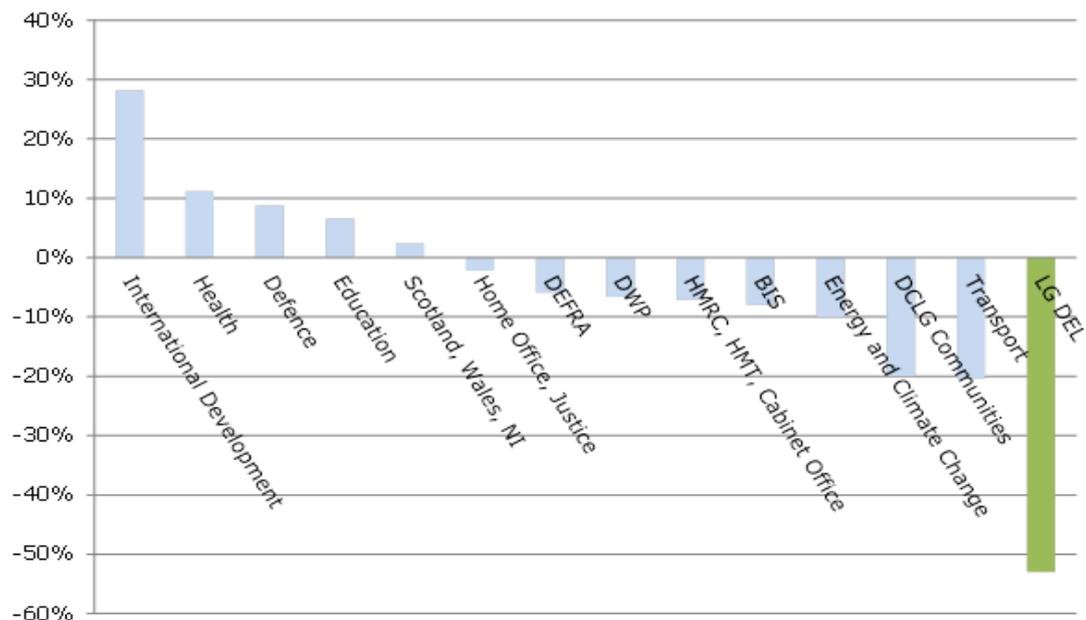
Cornwall Council welcomes the opportunity to submit a response to the above consultation.

Whilst Cornwall Council recognises the Government's commitment to make much needed additional resource available for Adult Social Care, we are disappointed that it proposes to make significant cuts to the New Homes Bonus in order to fund this.

Housing growth is vitally important to the economy and should be supported. In the chancellor's own words, he described the housing crisis as one of the "great social failures of our age" and we consider that the reforms proposed within this consultation will severely impact on the incentive for future housing growth. To that end, and though not referred to explicitly in the consultation document, we would also like to stress the need to retain within the NHB that element which incentivises and recognises the development of new affordable housing, a key objective of this authority.

Along with other local authorities across the country, Cornwall Council faces severe pressures due to increasing demand for Adult Social Care; these pressures are not within the control of local authorities and we believe should be funded in full by Central Government. Local Government has been the hardest hit of all Government departments in recent years and will continue to be so for the next four years:

Diagram 1: Movement in Departmental Expenditure Limits 2015/16 to 2019/20



In order to free up resources for Adult Social Care we strongly believe that the level of cuts in funding to Local Government should be reduced and found from elsewhere.

It is also disappointing that this consultation does not provide any further details regarding how the money saved by reform of the New Homes Bonus might be redistributed back to local authorities. The NHB is an unringfenced grant and as such is already used to support our overall budget including Adult Social Care services; we would suggest therefore that any 'pot' this money is diverted into for Adult Social Care is also kept unringfenced to maximise flexibility.

Our responses to the specific consultation questions are detailed below.

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 fully recognise that there is a significant financial commitment by the Government under the current NHB scheme leading to a build-up of costs if it is allowed to continue unaltered.

That, however, was clearly evident from the outset of the scheme and a principle that was accepted by all parties. This is a sign of poor financial planning by the Government if it has now come as a surprise and there is seen to be the need to withdraw from this offer.

The consultation argues that to continue with an unchanged scheme "would reduce the impact of the proposals to increase the incentive effect of the Bonus" – we strongly dispute this argument and cannot see any situation where a '4 year legacy payment' could provide greater incentive than a '6 year legacy payment' offer.

We would suggest that perhaps a 'weighted' calculation over 6 years would be a better approach. This would recognise more significantly the most recent years, but does not ignore altogether earlier years.

It would reward those Councils that took immediate action to improve housing provision up front and factored into their forward planning. Under the Government's proposals, those that delayed action will, perversely, gain from this reform.

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

No. We would strongly argue against this proposal as such a reduction would have the effect of critically damaging the incentives for housing growth.

However we believe, as an alternative, that it would not be unreasonable to implement a transition process on the basis of 5 years payments in 2017/18 and 4 years payments from 2018/19.

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

The current methodology for calculating the NHB payments is not a perfect system as it does favour those areas with a greater number of higher band homes. However this has a relatively insignificant impact and it would be difficult to introduce a revised model that provides a more accurate outcome for all.

The current modelling methodology is consistent with existing Council Tax band calculations and, on reflection, would seem to be the most appropriate 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?

We do not agree with the principle of withholding an element of NHB payments where a local authority has not submitted a Local Plan.

As quoted in the consultation document itself, "*The New Homes Bonus is intended to provide a benefit to the community as a whole, and there is a limit to the extent to which local people should be penalised as a result of poor decisions made by their local planning authority*".

However, if this was introduced, we consider that any reduction should be capped at, say, 50% which would still offer councils an incentive to expedite and finalise their local plans. Anything greater than that level of reduction would seem overly punitive and, ultimately, result in reduced services for residents.

This should apply to new NHB only for the years in which it remains the case that the Local Plan has not been produced and there should be protection for legacy payments relating to prior years.

Any savings achieved through this arrangement should be returned to the Local Government sector through a reduced topslice to Revenue Support Grant.

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

No - we believe that the system should be kept simple as possible. Forward financial planning benefits from assurance and by introducing a banded abatement approach based on date would add unnecessary complexity and uncertainty to the calculation.

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?

The response below is to both questions 6 & 7.

We do not support this proposal at all. It is not conducive to maintaining a 'simple' model, would be administratively burdensome and, above all, could undermine or add a conflict of interest to the local planning function.

Planning officers and committees have a very important role to play and their recommendations should be impartial and free from the risk of probable financial disincentives. Planning is about getting the right housing development in the right place; not about being a block on housing development altogether.

However, in the event that such a mechanism is introduced, then we consider that:

- i. reductions should apply to new NHB only
- ii. to introduce a time lag between appeal outcomes being counted for NHB adjustments (to avoid significant mismatch), would create an overly complicated system and hinder forward financial planning
- iii. for the same reasons outlined above (see our response to question 4), the reduction should be capped at 50%.
- iv. any savings achieved through this amendment should be returned to the Local Government sector through a reduced topslice to Revenue Support Grant.

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?

If this was to be introduced, the use of the national average Band D council tax would seem to be the only way that this could be achieved, even if it is only a proxy.

However, and given assertions that the existing NHB calculation favours those areas with a greater number of higher band homes (see question 3), then this measure would appear to compound those concerns by penalising those councils with a high percentage of stock in lower council tax bands.

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

Setting a baseline that is based on a local area is unworkable. It perversely rewards those councils that have previously performed poorly and penalises those who have performed well, or indeed have consciously brought forward and implemented development plans that are unsustainable and could now find themselves 'baselined' into a growth level that both exceeds long term need and excludes them from NHB altogether.

Bringing existing stock into use makes perfect sense and must form part of housing development plans. This comes with its own particular challenges, often as part of a wider regeneration programme, and demonstrates an even greater commitment to growth which should be rewarded accordingly.

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

Following on from our response to question 9, we do not support this option at all. Applying a national baseline of, say, 0.25%, is too blunt a tool and could not fairly reflect local circumstance and need nor the wider housing regeneration challenges.

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 agree with this proposal. If the baseline can be so readily changed it provides no assurance for forward financial planning purposes and causes unnecessary complications within a system that is meant to be simple.

We also dispute the assertion that such a mechanism is "*consistent with the intention to ensure the Bonus acts as a true incentive to growth*". How can that be the case

where the baseline is increased to reduce payments back to budgeted levels? If anything, the ability to change the baseline to reduce the cost of the Bonus is wholly inconsistent with an incentive for growth and would appear to penalise those authorities who positively take the Government up on their incentive to grow.

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 agree that any reforms should equally apply to areas covered by National Parks, the Broads Authority and development corporations.

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 reforms to the NHB payments.

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 merit in considering protection for those who will be most adversely affected by the proposals. However we consider that the best way to protect local authorities would be to maintain the NHB as originally implemented, with the Government providing the additional funding for Adult Social Care that is required.

If you have any queries with regards this submission, please contact Anthony Humphreys on 01872 324506 or ahumphreys@cornwall.gov.uk, in the first instance.

Yours sincerely



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