



# **Department for Communities & Local Government - Consultation on the New Homes Bonus**

## **Views of CEDOS & ADEPT**

**December 2010**

**The Chief Economic Development Officers Society (CEDOS)** provides a forum for Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils in non-metropolitan areas. The Society carries out research, develops and disseminates best practice, and publishes reports on key issues for economic development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

**The Association of Directors of Environment, Economy, Planning & Transport (ADEPT)** represents local authority Strategic Directors who manage some of the most pressing issues facing the UK today. The expertise of ADEPT members and their vision is fundamental in the handling of issues that affect all our lives. Operating at the strategic tier of local government they are responsible for crucial transport, waste management, environment, planning, energy and economic development issues. ADEPT membership is drawn from all four corners of the United Kingdom.

## **DEPARTMENT FOR COMMUNITIES & LOCAL GOVERNMENT – CONSULTATION ON THE NEW HOMES BONUS**

### **Joint views of the Association of Directors of Environment, Economy, Planning and Transport (ADEPT) and the Chief Economic Development Officers Society (CEDOS)**

#### **INTRODUCTION**

1. We welcome the Government's consultation on the proposals for a New Homes Bonus. We are pleased to assist in this by putting forward our views in response to the consultation questions, for which we have sought the views of our members throughout the country. We agree to our response being made public and we will be pleased to discuss things further with the Department.
2. We agree with the principle of rewarding local authorities where growth takes place and in our response to the specific questions in the consultation paper, we suggest ways in which we think the impact of the scheme can be enhanced to increase its potential to incentivise house building and regeneration and achieve the objective of building the types of homes people want and need, in the places that people want them.
3. We are also pleased to respond to the invitation to put forward wider views on the proposed New Homes Bonus, in which we focus on related overall funding issues and on the need for an ongoing assessment/review of the wider impacts of the scheme in the context of the Decentralisation & Localism Bill, the changes to the planning system and associated matters.

#### **VIEWS ON THE CONSULTATION QUESTIONS**

##### **1. Do you agree with our proposal to link the level of grant for each additional dwelling to the national average of the council tax band?**

##### **CEDOS/ADEPT Views:**

4. The Government states that the proposed approach recognises:
  - increases in housing stock;
  - the relative value of the properties – larger family homes require more land and that homes built in areas of highest need are more expensive and tend to be in a higher council tax band; and
  - that local council tax levels have a variety of historic and local reasons and that it does not want to penalise authorities that have been prudent.
5. There are differences of view amongst some of our members on the proposal, which is perhaps not surprising given that housing needs and Council Tax levels differ significantly across the country. Views range from support for the proposed link to the national average for council tax

bands; to a preference for a link to regional averages to better reflect local need; to suggesting a standard flat rate bonus. There are 2 major areas of concern, which we would like to focus on. These relate to the impact of the proposed bonus on (a) the types of houses that will be built, and (b) on areas requiring regeneration.

### **Types of home**

6. The Government argues that the previous system resulted in many smaller properties that communities did not necessarily want. The proposed new approach could reverse this and encourage the building of more large properties to gain additional funding. However, building homes in higher council tax bands will not necessarily be the most appropriate way to achieve the stated objectives of the Bonus: 'to build the types of homes people want and need, in the places that people want them'. In many areas, the impact of an ageing population means that there is a continuing need for smaller properties, which will also be important in terms of affordability. In this context, it could be argued that a standard flat rate bonus would be more likely to deliver housing of an appropriate size to meet the needs of individual localities. Clearly all approaches will have pros and cons and we consider that Government should give further detailed consideration to alternatives to linking the bonus to the national average of the council tax band and investigate thoroughly their likely impact in different areas of the country.

### **Areas requiring regeneration**

7. As it stands, the Government's proposal is to pay the bonus on the net increase in dwellings rather than for all new homes that are built. The reality is that in areas requiring regeneration, new house building often needs to be preceded by demolition of existing dwellings. The focus on net growth in housing stock could have an adverse impact on areas requiring regeneration and could lead to incentivising building on greenfield sites rather than the regeneration of older urban areas, with consequences for meeting social and economic needs and sustainability<sup>1</sup>. Further consideration is needed and we believe that in its final form, the design of the New Homes Bonus must not have a negative impact on regeneration schemes and indeed should recognise that they often require additional local authority resources.

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<sup>1</sup> An example provided by Hampshire County Council is the case of the Rowner Regeneration project in Gosport, which involves the demolition of run-down housing and retail units on one of the worst estates in South East England and their replacement with modern homes and facilities designed to create a sustainable community. Around 730 new homes will be built following the demolition of 500 residential units, but the net gain will be only about 230 dwellings. The aim is to provide a long-term solution by creating the kind of environment in which people want to live. Rowner will be a safer, more attractive environment with improved transport and better access to new jobs. It will provide an environment better suited to the needs of all sections of the community. However, the new Homes Bonus received for building 730 homes on a greenfield site will be about three times higher than for this regeneration site.

**2. The Government proposes an affordable homes enhancement of £350 for each of the six years - what do you think the enhancement should be?**

**CEDOS/ADEPT Views:**

8. We agree that it is crucial to have a good balance of market and affordable housing. We therefore welcome the principle of an affordable homes enhancement. Whilst we can see the value of having an enhancement that is simple and transparent, the main concern we have is whether the flat rate of £350 per annum will have sufficient impact. £2100 per property over 6 years does not appear to be a significant incentive for promoting the development of affordable homes. Affordability varies greatly across the country and, at the very least, those areas with the highest disparities between incomes and house prices are likely to require a greater incentive. At the same time, it will be important that increased incentives are not provided at the expense of other affordable housing funding.

**3. Do you agree with the proposal to use PPS3 and also include pitches on Gypsy and Traveller sites owned and managed by local authorities or registered social landlords to define affordable homes?**

**CEDOS/ADEPT Views:**

9. We agree that the housing market should offer a range of affordable housing market options. We consider that the definition of affordable homes should be consistent with national planning policy and we support the proposal to use Appendix B of Planning Policy Statement 3 (PPS3) and also to include pitches on Gypsy and Traveller sites owned and managed by local authorities or registered social landlords.

**4. Do you agree with the proposal to reward local authorities for bringing empty properties back into use through the New Homes Bonus? Are there any practical constraints?**

**CEDOS/ADEPT Views:**

10. We support the Government's proposal to reward local authorities for bringing empty properties back into use through the New Homes Bonus to strengthen the incentive for local authorities to identify empty properties and work with property owners to find innovative solutions that allow these properties to be brought back into use. This is an important way of meeting housing needs. Indeed, it can provide added social and environmental advantages and can be particularly important in the regeneration of deprived areas and helping to deliver affordable homes. In this context, where properties qualify as affordable housing, the affordable homes enhancement should also apply. The Government should consider how any qualifying period will be set in order to avoid incentivising empty houses in the short term.

**5. Outside London: Do you agree with the proposal to split the payment of the New Homes Bonus between tiers: 80 per cent to the lower tier and 20 per cent to the upper tier, as a starting point for local negotiation?**

**If not, what would the appropriate split be, and why?**

**CEDOS/ADEPT Views:**

11. In 2 tier areas, we welcome the recognition of the role of the upper tier authorities in delivering services, providing infrastructure and in strategic planning. However, we feel very strongly that the proposed split of 80:20 in favour of the lower tier authorities does not reflect the relative contributions to achieving new housing nor the relative additional burdens of new development on lower and upper tier authorities. If it is taken forward in the final design of the New Homes Bonus scheme, we believe it will be both inequitable and counter-productive.

12. For communities to accept new housing development they will want to be reassured that

- appropriate new infrastructure will be provided to support the new homes; and that
- local authorities will be able to continue to provide the services and facilities that are needed in their area.

13. For this to happen, it is important that upper-tier authorities are not unfairly penalised by the operation of the New Homes Bonus. The reality is that County Councils provide most of the infrastructure and services in 2 tier areas, including education, highways and transport, and services for children, the elderly and the disabled as well as having duties arising out of the Flood and Water Management Act and as Minerals and Waste Planning authorities. It is important that upper-tier authorities have the funding to enable them to deliver the infrastructure and service requirements of new housing development. Given that the top slicing of the formula grant to reward new housing delivery will severely impact on their ability to provide infrastructure and deliver the essential services, it is vitally important that upper tier authorities are fairly rewarded by the bonus grant.

14. As upper-tier authorities provide most of the services to local areas, a strong case can be made out for reversing the proposed 80:20 allocation. We nevertheless recognise that there needs to be sufficient incentive to encourage lower-tier authorities to plan for additional new housing. We therefore propose a 50/50 split between the upper and lower tiers as a reasonable and equitable compromise.

**6. Do you agree with the proposal to use the data collected on the Council Tax Base form as at October to track net additions and empty homes?**

**CEDOS/ADEPT Views:**

15. We agree that the basis on which the grant to individual authorities is calculated must be fair and equitable and that the administrative burden of the new scheme should be minimised. The proposal to use the Council Tax Base form as the source of data on additions, demolitions and empty homes is supported. However, councils will need to be satisfied that the information provided is accurate, which currently is not always the case.

**7. Do you agree with the proposal for one annual allocation based on the previous year's Council Tax Base form, paid the following April?**

**CEDOS/ADEPT Views:**

16. We agree with the proposal, which has the merit of being reasonably timely, administratively simple and providing clarity on how much funding each authority will receive.

**8. Do you agree that allocations should be announced alongside the local government finance timetable?**

**CEDOS/ADEPT Views:**

17. The proposed approach of announcing provisional allocations in early December and final allocations in early the following February appears reasonable.

**9. Do you agree with the proposal to reward local authorities for affordable homes using data reported through the official statistics on gross additional affordable supply?**

**CEDOS/ADEPT Views:**

18. The proposal is supported but given that currently the information is collected from a range of data sets, there will need to be an assurance that these are sufficiently robust for the purpose. The inclusion of acquisitions to allow the bonus on acquired affordable housing properties is a positive step.

**10. How significant are demolitions? Is there a proportionate method of collecting demolitions data at local authority level?**

**CEDOS/ADEPT Views:**

19. From information provided by our members, it is clear that the significance of demolitions varies from area to area. In some areas they are of comparatively little significance, whilst in others they can be very

significant and indeed be a key element of successful regeneration schemes. As regards data collection, private sector demolitions are included on the Housing Strategy Statistical Appendix (HSSA) form on which local authorities in England currently return information, whilst local authorities should be able to provide data on their own demolitions. Although it is important to minimise the burden of reporting, it will also be important that monitoring overall demolitions is done on a robust and accurate basis.

**11. Do you think the proposed scheme will impact any groups with protected characteristics?**

**CEDOS/ADEPT Views:**

20. This is difficult to predict at this stage and as the scheme becomes operative, it will be important to monitor impact on groups with protected characteristics as defined in the Equalities Act 2010, especially as we move into the stage where the New Homes Bonus is increasingly funded by top slicing the formula grant. As regards the bonus grant itself, the fact that it will not be ring fenced, means that local authorities should be in a position to ensure that the needs of groups with protected characteristics are met, providing that in 2 tier areas there is an equitable split of the bonus between the upper and lower tiers that reflects the fact that County Councils provide most services and have particular responsibility, for example for children's services and care for the elderly.

**12. Do you agree with the methodology used in the impact assessment?**

**CEDOS/ADEPT Views:**

21. Whilst in many respects the methodology presents a reasonable approach, it is important to recognise that the questions are focused on the operation of the scheme rather than the wider implications that could flow from the fact that, as appendix E of the consultation document makes clear, the New Homes Bonus will redistribute a portion of formula grant on the basis of housing delivery. This issue is explored in more detail below.

**13. We would welcome your wider views on the proposed New Homes Bonus, particularly where there are issues that have not been addressed in the proposed model.**

**CEDOS/ADEPT Views:**

22. As the Consultation Document makes clear, it is seen as a largely technical consultation and we have provided our views on the specific questions that are related primarily to the operation of the scheme. We consider, however, that there are some broader issues that need to be addressed and, in this context, we would like to focus on 2 key issues:

- the wider funding issues associated with the New Homes Bonus;



- the need for an ongoing assessment of the wider impacts of the scheme.

### **Wider funding issues/impacts**

23. As the impact analysis in appendix E of the consultation document makes clear, there is no new money associated with the scheme. The New Homes Bonus is to be funded primarily by taking money out of the formula grant settlement and redistributed it based on the parameters of the bonus. It is acknowledged that this redistributive mechanism of the New Homes Bonus means that the scheme will create financial winners and losers: for any authority to gain financially (relative to their allocation before the bonus), one or more authorities must lose financially.

24. Whilst it is intended to mitigate these impacts by funding the full cost of year 1 of the scheme from money derived from the abolition of the Housing and Planning Delivery Grant, this will fund a falling proportion across years 2-4, with all funding thereafter coming from a reduced formula grant. At a time of very significant overall reductions in the formula grant, potentially, there could be an adverse impact in some areas of the country, for example:

- areas where development is significantly affected by the reduction or cancellation of other housing investment streams such as housing market renewal grant, housing private finance initiative, reduction in affordable housing grant and restrictions on Housing Revenue Account borrowing. An example is Hull, where this will be compounded by a focus on net additional homes for the New Homes Bonus limiting grant in regeneration areas that require demolitions to precede the building of new homes;
- areas that are unable to grow as a result of being constrained by statutory designations or national planning policy, such as flood risk or significant environmental designations: green belt, National Park, Area of Outstanding Natural Beauty. It is in the national interest that environmentally sensitive areas are preserved and that no additional pressure is put on services in certain areas, for example, those at greatest risk of flooding. The Lincolnshire Coast, for example, has attracted the elderly in recent decades and future growth will be limited due to coastal flood risk, which creates significant implications for current and future service provision. The likely result is reduced public funding with increased costs of health and social care for a disproportionately elderly population.

### **Need for a fuller assessment of the scheme**

25. These are just 2 examples of areas that could need support to face difficulties in providing services, restructuring their economies and addressing specific social or environmental issues. The Government intends to move quickly to introduce the New Homes Bonus scheme early in 2011. Particularly during the first year of the scheme, it will be important that there is a thorough assessment of the wider impact of the

introduction of the New Homes Bonus and the reduction of formula grant that is involved.

26. The assessment will also need to take account of the fact that the New Homes Bonus is one of a number of changes that will affect the planning system in England. It needs to be considered against the wider background of the Decentralisation and Localism Bill, which will abolish Regional Spatial Strategies, introduce local enterprise partnerships and establish new local plans built out of a process of collaborative democracy. The collective and inter-related impacts of the changes will need to be assessed and there is an urgent need, for example, for a clearer picture of the arrangements for the bonus, the successor Community Infrastructure Levy and section 106 agreements to enable local authorities to make informed decisions about infrastructure funding and the service provision impacts of new development.

27. There should be provision for reviewing the scheme in the light of this fuller assessment. In the meantime, to minimise any unintended financial consequences in the first year of the scheme, it will be important that the initial cost of the bonus is not underestimated leading to top slicing of the provisional formula grant allocations for 2011-12. If necessary, a limit should be imposed on the year 1 cost of the scheme to enable the money set aside for the bonus in 2011-12 to be used to mitigate the front-loading of the cut in general grant funding for authorities revealed in the Spending Review.