**The future of New Homes Bonus: consultation**

**Response of Vale of White Horse DC**

**Simon Hewings, Interim Head of Finance**

**7 April 2021**

**Question 1:**

Do you believe that an incentive like the Bonus has a material and positive effect on behaviour?

It can do provided there is certainty over the existence and level of the reward, and the reward is sufficient and sustained over a multi-year period

**Question 2:**

If you are a local authority, has the Bonus made a material impact on your own behaviour?

In the early days when the bonus was paid for six years and there was apparent certainty over future funding from the scheme then yes. However, as the value of reward has diminished, and the requirements of local planning have increased, then impact has reduced.

**Question 3:**

Are there changes to the Bonus that would make it have a material and positive effect on behaviour?

Consideration should be given to tranches being made for at least 6 years as in the original scheme design as this means that the additional costs of new homes are mitigated over a longer time frame.

Consideration could also be given to rewarding authorities based on permissions rather than completions as completions are outside council control.

Given that New Homes Bonus is included by government in its definition of “core revenue spending power”, significant changes to reduce the value of the bonus to councils, either by reducing the years over which tranches are paid, or to reduce the value of the bonus per property, will have a significant impact on the finances of many councils such as this one. Changes to NHB in this way, unless there is adequate relief from government to ensure that the total of core revenue spending power for such councils is not adversely impacted, will therefore conversely have a materially detrimental impact on the financial standing of those councils and on the services that they are able to provide to their residents.

**Question 4:**

Should the government retain the current 80/20 split in any reformed Bonus, or should it be more highly weighted towards the District Councils or County Councils?

It should retain the current 80:20 split

**Question 5:**

Should the affordable housing premium be retained in a reformed Bonus?

Yes

**Question 6:**

Is £350 per additional affordable home the right level of premium, or should this level be increased or decreased?

It should be increased to help councils support further delivery of affordable housing. This is a particular issue for this council where houses prices are very high - £350 per affordable home does not go very far

**Question 7:**

Should a reformed Bonus continue to reward local authorities for long-term empty homes brought back in to use?

Yes this should be maintained. There should be an incentive to bring long-term empty homes brought back in to use and, again, it requires a lot of effort to do so.

However, it should be noted that councils have not been properly supported in terms of CPO powers to help ensure that long-term empty and derelict properties are brought back into use. Often legal and other ownership complications exist to have caused the problem. What needs to happen is to have stronger and less complex CPO powers to resolve situations and to realise net residual funds in trust for the owners. Often money’s value is more easily resolved than property ownership itself.

**Question 8:**

Should the Bonus be awarded on the basis of the most recent year of housing delivery or the most recent three years?

Using the most recent three years would smooth out the fluctuations in payments for councils which may benefit financial planning

**Question 9:**

Do you agree that the baseline should be raised?

No. Having a baseline means that some new housing is not rewarded through NHB payments

**Question 10:**

If the baseline is to be raised, should it be raised to 0.6%, 0.8% or 1% of housing growth since the preceding year?

We do not support any raising of the baseline – we believe there should be no baseline

**Question 11:**

Why should the government opt for the baseline you have recommended in answer to the previous question?

We do not support any raising of the baseline – we believe there should be no baseline

**Question 12:**

If the baseline is to be raised, should this change be combined with higher payment rate?

We do not support the raising of the baseline but if it was to be raised then the incentive will only be maintained if the payment rate is increased

**Question 13:**

Should the government adopt a new payment formula for the Bonus which rewards local authorities for improvement on their average past performance with respect to housing growth?

No – authorities should be rewarded in relation to actual new houses, not through a formula that takes into account past performance

**Question 14:**

If the government is to adopt such a payment formula, above what percentage (x%) of average past net housing additions should the Bonus begin to be paid? In other words, what should the value of x be?

We have no view on this as we don’t agree with the concept

**Question 15:**

If the government is to adopt such a payment formula, over what period should the annual average of past net additions be calculated? Should it be a period of 5 years or 10 years?

We have no view on this as we don’t agree with the concept

**Question 16:**

Should the government adopt a new payment formula for the Bonus which rewards either improved performance or high housing growth? Please explain why or why not.

No. The scheme should remain a simple scheme based on new units of housing

**Question 17:**

Above what percentage (x%) of average past net housing additions should the Bonus begin to be paid? In other words, what should the value of x be in this proposed hybrid payment formula?

We have no view on this as we don’t agree with the concept

**Question 18:**

Above what percentage (y%) increase in the authority’s housing stock should the Bonus be paid? In other words, what should the value of y be in this proposed hybrid payment formula?

We have no view on this as we don’t agree with the concept

**Question 19:**

Do you agree with the proposal to repurpose the Bonus to balance the effects of the Infrastructure Levy by providing an incentive to authorities to bring forward development in lower value areas?

No. Councils should continue to have flexibility on how to spend New Homes Bonus, especially as the government includes New Homes Bonus in its definition of “core revenue spending power”.

**Question 20:**

What, in your view, would be the advantages and disadvantages of repurposing the Bonus in this way?

Given that New Homes Bonus is included in the government’s definition of core revenue spending power, councils have had, and should continue to have, the ability to spend New Homes Bonus as they wish.

If New Homes Bonus was to be repurposed and cease therefore to be classified as part of core revenue spending power, then that will have a significant impact on the finances of this council and many others. We would therefore expect to see adequate relief from government to ensure that the total of core revenue spending power for councils is not adversely impacted.

**Question 21:**

If the option is to be pursued, should this reform to the Bonus be postponed until the new planning system is enacted?

We have no view on this as we don’t agree with the concept

**Question 22:**

In your view, what levers do local authorities have at their disposal to encourage uptake of MMC, and how impactful is such encouragement likely to be?

We have little leverage unless we undertake the construction or own the land on which we can control the use of MMC. The planning system managed by local authorities (i.e. planning policy) is not designed to control building construction. As a rural district council we own little land or undertake limited building construction

**Question 23:**

Should the Bonus include a premium for new homes built using MMC? Please explain why or why not.

No, as it is not in our control to secure how a new home is built using MMC

**Question 24:**

If you are a local authority, would such a premium make a material impact on your behaviour? Would it, for example, encourage you to look for opportunities to bring through developments that are amenable to the use of MMC?

No, as you need to own developable land.

**Question 25:**

How onerous a data burden would this option impose on local authorities? Do you agree with the proposal to collect the MMC data at the point at which a local authority signs off a building as habitable?

It could be a requirement of the building regulations, both local authority and the private sector (Approved Inspectors) to capture MMC data

**Question 26:**

Should the government make it a condition of receiving the Bonus that w% of net additional homes used MMC in order for the Bonus to be paid? If so what should the value of w be?

No

**Question 27:**

Why should or shouldn’t such a condition be introduced?

We are not able to control the construction of new homes through local policy, so however the new housing is built, the council should be funded under the scheme

**Question 28:**

Do you think that local authorities should be required to have a local plan, or demonstrate satisfactory progress towards one, in order to receive funding?

No

**Question 29:**

Do you think the bonus should be paid at a reduced rate until such time as a local authority has an up-to-date local plan in place, and should it by 25%, 50% or 75%?

No

**Question 30:**

If you are a local authority, would this encourage you to develop or maintain an up-to-date local plan?

No – we are legally obliged to have such a plan anyway