

New Homes Bonus: Sharpening the Incentive

Technical Consultation

Response from North Hertfordshire District Council

Question 1

What are your views on moving from 6 years of payments under the Bonus to 4 years, with an interim period of 5 year payments?

In the context of reducing the overall cost of the Homes Bonus scheme the rationale for the proposed change is understood and if a reduction is necessary, we would prefer the phased reduction to assist with forward planning

Question 2

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

It shouldn't be reduced at all as it dilutes the incentive effect.

Question 3

Should the government continue to use the approach? If not, what alternatives would work better?

The current approach should continue

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 arrangements should be in place.

The Council considers that this proposal would be a blunt instrument which is both un-fair and potentially counter-productive. There are many reasons why local planning authorities are unable to submit Local Plans. Notwithstanding wider resource issues and the overall complexity of the plan making system the duty to co-operate can mean that a local planning authority feels unable to submit a Local Plan which meets the duty as they have not had sufficient level of co-operation from neighbouring authorities. To penalise a Council that is striving to produce a sound Local Plan in these circumstances would be unfair.

Unintended consequences of such a proposal could be that the authorities who lose the Bonus then have less staff resources to be able to produce a Local Plan and /or may submit Local Plans in advance of a deadline in full knowledge that the submitted Local Plan will fail at examination as it was not ready to be submitted.

An alternative approach to manipulate the Bonus to incentivise the preparation and submission of Local Plans may to award a higher level of

homes Bonus to those authorities that have an 'adopted Local Plan' under the new system (i.e. a Local Plan that has been adopted post NPPF). This would take away the risk of Council's being tempted to submit Local Plans they know would not be sound and not overly penalise Council's that are struggling to comply with the duty to co-operate.

For development management purposes under the proposals during years when a Council receives no Homes Bonus, the Council would be unable to take account of the potential bonus income when determining planning applications for housing (Section 70(2) of the Town and Country Planning Act 1990 as amended) as there would be no income generated. This would further dis-incentivise the delivery of new homes in that area.

Question 5

Is there merit in a mechanism for abatement which reflects the date of the adopted Local Plan?

The purpose of the Homes Bonus is to incentivise the delivery of new homes. To keep it simple it would appear that the most practical method is simply to link the level of Bonus to the number of new homes delivered rather than related to complex mechanisms as to how those homes came about.

Question 6

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

We do not feel it is helpful to the local democratic process to introduce this penalty, removing bonus payments for homes only built on appeal. We also consider that the proposed mechanisms for identifying the relevant homes and calculating the impact introduce unnecessary complexity. We are concerned to ensure that the Government proposals maintain public confidence in the planning system. There is a risk that taking into account the financial impact on the Council of a decision to refuse an application, when making a planning decision, could undermine the public's confidence in the whole planning system and lead to allegations of fraud and corruption in the system. Residents who may be opposed to new housing development in their area may feel that legitimate planning concerns are subjugated by a need to improve the overall Council funding position and that planning permissions are effectively being bought.

Question 7

Do you agree that New Bonus payments should be reduced by 50%, or 100%, where homes are allowed on appeal? If not, what other adjustments would you propose, and why?

The consultation paper recognises that refusals may be given for a variety of reasons, often technical, and not simply from authorities opposing the principle of development. There are very good reasons why planning permission is refused and it would be wrong to penalise local authorities for

exercising their statutory planning function. For this reason do not agree with either the total withholding of bonus (Q6) or a partial withholding (Q7).

That said, if a reduction is to be introduced, the maximum reduction should be 50% so as not to distort public confidence in the planning system and to recognise the fact that some appeals result from technical problems with applications which are resolved through the appeals process.

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 2) should the new model also be adopted for this purpose?

It would seem sensible to base reductions on the same overall calculation

Question 9

Do you agree that setting a national baseline offer the best incentive effects for the Bonus?

Councils are not wholly or even mainly responsible for the level of house building in their areas. They can produce Local Plans and positively determine planning applications that are submitted to them but they cannot force house builders to build out the schemes on site. Many Councils can clearly evidence levels of house building in their area that are largely reflective of the condition of the local housing market rather than planning performance. It would seem that a further penalty to only allow homes bonus payments to Councils who oversee housing delivery above a nominal dead weight is unfair. All new homes are delivered through the planning system and the Bonus is now part of the matters that need to be determined through the planning system (Section 70(2) of the Town and Country Planning Act as amended) to differentiate between homes delivered normally and higher levels of growth would seem to be making the system overly complicated and confusing to decision makers. Our local evidence suggests that there is a maximum number of homes that developers will build in this area per annum and that this is based on their ability to control the supply of housing, maintain higher house prices and hence profitability. Whilst a local authority may process planning applications, there is no incentive for a developer to flood the market with new homes and thus depress house prices and reduce profit margins.

The Council opposes this approach.

Question 10

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

No – see above. There should not be a baseline

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?

See above . We do not agree with the concept of a baseline. If the purpose of the proposed reforms is to sharpen the incentive and ensure delivery of increased housing numbers, how does the proposal to then restrict payments for a significant response to that incentive continue to provide any level of motivation? It is appreciated that there are funding pressures for adult social care but equally the country faces a shortage of housing. Perhaps the more fundamental question to be asked is whether the funding envelope is large enough to contain the myriad of funding pressures?

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?

No comment on this

Question 13

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

It is suggested that the County Council share of the bonus should remain at 20%.

Question 14

What are your views on whether there is merit in considering protection for those who may face and adverse impact from these proposals?

Where, due to circumstances beyond an authority's control, they are adversely impacted by the changes, there should be a mechanism to protect them, perhaps through some form of tapering arrangement funded from the overall New Homes Bonus pot.