



Surrey Heath Borough Council
Surrey Heath House
Knoll Road
Camberley
Surrey GU15 3HD
Switchboard: (01276) 707100
DX: 32722 Camberley
www.surreyheath.gov.uk

Service Corporate Finance
Our Ref:
Your Ref:
Direct Tel: 01276 707257
Email: kelvin.menon@surreyheath.gov.uk



Department of Communities and Local Government
Fry Building
2 Marsham street
LONDON
SW1P 4DP

E mail: newhomesbonus@communities.gsi.gov.uk

Dear Sir

NEW HOMES BONUS – SHARPENING THE INCENTIVE RESPONSE TO CONSULATION

As requested please find the responses of Surrey Heath Borough Council to the questions posed.

Question 1 *What are you views on moving from 6 years of payments under the Bonus to 4 years, with an interim period for 5 year payments?*

The New Homes Bonus is given as an incentive to encourage councils to deliver housing. This fulfils a key part of the Government's economic strategy in that delivering housing creates jobs and drives the economy. Reducing the payments to 4 years will not only make the incentive less attractive, especially on more difficult sites, but also takes no account of the length of time it can take for housing to be actually delivered. Councils can be working for several years to bring housing schemes forward.

You state in the consultation that 6 years was originally chose because increases in tax base lead to a reduction in settlement allocations although since 2011 this was not the case. The settlement issued last month has cleared showed a direct link between the level of grant given and an authority's tax base. Hence since the link has been reinstated the 6 years should remain

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

There is a distinct risk that by reducing the incentive to 2 or 3 years it would not be attractive enough for Councils to deliver housing – especially in areas where there is local opposition. This would the reduce the number of houses built and hence have a negative impact on the economy.

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

The use of Council Tax Base returns ensures that the basis for calculation of the NHB is simple and transparent. It ensures that houses only qualify for the NHB when they are available for occupation. Furthermore using data already supplied by Councils ensures that there are no additional collection burdens.

For Council Tax band purposes properties are valued at what they would have been in 1992 so this should iron out a lot of this issues around recent housing growth.

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?*

Restricting New Homes Bonus because it has not been submitted for examination takes no account of the variation in issues which have to be addressed in different local authorities nor the length of time it takes for a plan which complies with the NPPF to actually be put together and submitted. It would be fairer to restrict the bonus for those areas which cannot demonstrate that they have at least commenced on the plan making process.

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

This does not make any sense since a plan need only be reviewed if it no longer applies to a particular area. By putting a reduction in NHB due to the age of a plan will only encourage Council's to review their plans when not actually needed and subject local ratepayers to unnecessary expense

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

At the moment local members are accountable to their electorate for local planning decisions. This is an important part of the democratic process. It is therefore perverse that having made a local decision based on local circumstances councils would be penalised for having that decision overturned by an inspector. Will the reverse apply in that bonus would be paid if approved by members even if it is later turned down on appeal? By this token should not councils receive bonus for all permissions granted – after all it is not their fault that a landowner decides not to actually build out a permission.

At the moment the payment of the New Homes Bonus is not to be a factor in determining whether planning permission is granted – this would need to be changed. The whole purpose of the bonus is to incentivise housing delivery and so delivery should be the determining factor rather than how it was approved.

The way the mechanism is proposed implies that a deduction would be made for all permissions granted on appeal irrespective of whether they were built or not. This is clearly not fair

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?*

They should not be reduced in these circumstances unless the bonus is paid on the grant of a permission rather than completion. The current system incentivises the delivery of housing and should be retained. The mechanism as proposed whereby deductions made for permissions granted on appeal makes not account of whether those houses were actually built

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 a deduction is to be made it makes sense to use the national average Band D value. However this should be the Band D value that applies when the property is placed on to the council tax list and therefore qualifies for NHB.

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

The setting of a baseline makes no allowance for local circumstances relating to the delivery of housing. In effect those areas that are most developed and probably have the greatest housing need, would be the ones which would have the largest baseline to achieve before getting any incentive. Having a baseline will also encourage bunching of development in particular years in order to maximise the incentive

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

There should not be a blanket baseline adjustment to the number of houses delivered. Such an adjustment does not take account of the different challenges faced in each area. For example in Surrey Heath we have a lack of land available for development due to constraints imposed by the Habitats Directive. This is a policy over which we have no influence. In addition due to high land values even when permissions are granted developers sometimes do not deliver housing as they cannot make an adequate return.

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?*

It is a stated objective of the Government that they wish for more housing to be built more quickly. This recommendation appears to go counter to this in that Council's will effectively be penalised for delivery substantially more houses than anticipated. The Government will still collect a substantial amount of "unexpected" stamp duty and other taxes that could be used to contribute to the shortfall in New Homes Bonus. The real issue that needs to be addressed is not how delivery of housing should be delivered but rather the putting in place of a sustainable way of funding the increasing costs of adult social care.

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?*

There should be consistency

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

There should be consistency in treatment between authorities although we disagree with the adjustments proposed

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?*

The Government has recognised that New Homes Bonus is provided for councils to deliver day to day services. This can be demonstrated by its inclusion in the calculation of “Revenue Spending Power” in past years and “Core Spending Power” in the latest 2015 settlement. Our own authority has indeed used a substantial part of its NHB to enable services to be protected that would otherwise have to be cut due to very steep reductions in Rate Support Grant. Given it can take time to re-engineer or indeed terminate services when a funding reduction is known there needs to be some protection for councils to enable them to plan ahead for these reductions. If this is not in place then councils will have no choice than to terminate services funded by the NHB in expectation that due to vagaries of policy and the housing market it could be removed at any time

Other Matters

The Council notes that the question of whether the split between Districts and Counties, currently 80:20, should be revised has not been included in this consultation. It is Surrey Heath’s view that the current split should be retained since it is Districts that have to work with residents to accept development and it is Districts which in the end deliver housing through planning policy and permissions.

Conclusion

The Government as stated its clear policy that it wishes to deliver prosperity across the country through increased economic growth. One of the ways of doing this is through increased house building and indeed the Government has recognised that there is a shortage of housing nationally and is putting in steps to make housing delivery simpler and faster – indeed this is a theme in many of the Devolution deals which have been agreed between local authorities and the Treasury.

The New Homes Bonus has acted as a real incentive to councils to deliver housing and in the main has been funded by Council’s own money top sliced from Business Rates. It has functioned well as a way of rewarding those councils that grasp the economic growth agenda and seek to deliver on the Government’s objectives. It is also vital funding for the maintenance of key services in many areas

The reduction or removal of the incentive surely goes against these aims and will make the delivery of housing that much harder. More effort needs to be placed on ensuring that developers do actually deliver housing when permissions are granted, that the cost of planning does not fall on local residents and that barriers to development, such as EU directives are addressed.

More importantly more consideration needs to be given to how the funding of Adult Social Care can be made sustainable in the longer term rather than reducing an incentive which delivers economic growth, housing and prosperity for all.

Yours faithfully

Kelvin Menon
Executive Head of Finance