



Department for
Communities and
Local Government

New Homes Bonus: Sharpening the Incentive

Government Response to the Consultation



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Introduction

1. The New Homes Bonus ('the Bonus') was introduced in 2011 to provide a clear incentive for local authorities to encourage housing growth in their areas. It rewards local councils for each additional home added to the council tax base, including newly built properties and conversions as well as long term empty properties brought back into use, after deducting demolitions.
2. The Bonus is an unringfenced grant paid by central government. which allows local authorities to decide how to spend it, for example on frontline services or keeping council tax down, as we recognise that local authorities are in the best position to make decisions about local priorities. Local authorities are expected to engage with their local community to decide how the money is spent, so residents feel the direct benefits of growth.
3. To date payments have been based on the national average council tax band relevant to each property and have been paid annually for six years. There has also been an additional payment of £350 per year for each affordable home delivered. For areas jointly governed by district and county councils the Bonus has been split, with 80 per cent paid to the district council and the remaining 20 per cent going to the county council. In London all Bonus receipts have been allocated to the respective local authority. The Bonus is funded by Government grant with the remainder coming from a topslice of the Local Government Finance Settlement.
4. From its introduction in 2011 until 2016/17 payment over £4.8 billion was allocated reflecting over 994,000 new homes and conversions and over 106,000 empty homes brought back into use. Of the total, over 271,000 were affordable homes.
5. In 2014 the Government conducted an evaluation of the effect of the Bonus [[Evaluation of the New Homes Bonus, December 2014](#)]. In autumn 2015 the Spending Review confirmed the move to the full retention of business rates by 2020 and a preferred option of saving at least £800m from the New Homes Bonus to be used for adult social care. In this context, the Government sought views on options for change to two aspects of the Bonus: reducing overall costs by reducing the number of years payments are made; and reform of the Bonus to better reflect local authority's performance on housing growth. It also considered options for staying within the new funding envelope. This paper summarises the responses received and the Government's response to the views expressed.

Summary of Responses

6. The consultation was undertaken between 17 December 2015 and 10 March 2016. There were 287 responses to the consultation from a range of organisations as shown below:

Type of Respondent	Number
London Boroughs	13
Metropolitan Districts	27
Shire Districts	142
Shire Counties	16
Unitary Authorities	30
Combined Authorities	2
Greater London Authority	1
Local authority associations or interest groups	14
Parish Councils	10
Business & Business Representative Bodies	7
Other Representative Bodies	14
Individual Responses	11
Total	287

7. This document provides a factual report of responses received to the consultation. It should be noted that not all respondents provided answers to all the questions. The analysis provides a summary of the responses received. As a summary the paper does not attempt to capture every point made in the responses. The organisations who responded are listed in annex A.
8. As part of the analysis we have also considered representations about the New Homes Bonus made in response to the consultation on the provisional Local Government Finance Settlement 2016-17 [[Provisional local government finance settlement 2016-17 and an offer to councils for future years: consultation](#), February 2016].

Legacy Payments

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?

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

Question 3 Should the Government continue to use this approach (the current method of calculating the Bonus)? If not, what alternatives would work better?

Consultation Response

9. Over a third (34%) of respondents agreed that Bonus Payments should be reduced from 6 to 4 years and, of these, two thirds (64%) preferred to have an interim period of 5 years. Just under half (43%) of respondents wanted to retain the current length of payment of 6 years. Many who disagreed with the proposal to reduce the length of payments recognised that, to stay within the funding envelope, some reduction would be required; in this circumstance their preferred method would be to include an interim period of 5 years to smooth out transition. A proportion of respondents suggested that, rather than reduce the number of years for which legacy payments are made, reductions should be made proportionately from local authorities based on population or that there should be a reduction in the value of payment per unit of housing.

10. When asked whether the number of years of legacy payments should be reduced further, 13% of respondents agreed that they should be reduced to 2 or 3 years. The majority (74%) of respondents disagreed with any reduction below 4 years. Of those that agreed there should be a further reduction some suggested that any further savings should be returned in the Revenue Support Grant and distributed according to need or allocated to authorities on the basis of need to fund adult social care.

11. 49% of respondents agreed with the current approach to calculating the Bonus emphasising that they valued the simplicity, transparency and predictability of the Bonus and that this should be retained. Others commented that basing the allocation on Band D equivalents reflected that homes in higher bands would have more occupants and, as such, the cost of providing services would be increased. Just over a third (38%) disagreed with retaining the current approach. Respondents suggested that the current method of calculating the Bonus disadvantaged those with low demand or a low Council Tax Base. Suggestions included that the Bonus should be calculated using a flat rate per unit delivered with no adjustment to reflect the council tax valuation band as this disadvantaged authorities delivering smaller properties. As above, some suggested the New Homes Bonus should be removed altogether and the funding returned to local authorities through the Revenue Support Grant.

Government View

12. The Government shares the view of respondents that there should be an interim period to smooth transition. Therefore, the Government will implement its preferred option of a move to future allocations of 5 years in 2017/18 and 4 years from 2018/19. The Government has considered representations to change the approach to allocating

the Bonus but feels, on balance, that the current methodology is transparent and simple and should be retained.

Reforms to Improve the Incentive

Withholding the Bonus where no Local Plan has been produced

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?

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

Consultation Response

13. 16% of the respondents agreed that local authorities should lose their Bonus allocation during the years in which their Local Plan has not been submitted. Respondents noted that a Local Plan provides a positive framework for development and as such it was reasonable to link it to New Homes Bonus allocations. Of those that responded positively to this proposal a number noted that, if taken forward, it should be implemented with a note of caution and take care not to penalise authorities whose Local Plan was delayed due to external factors outside the Council's control. The majority (76%) of respondents (including the majority (83%) of local authorities responding to the consultation) disagreed with the proposal to link New Homes Bonus payments to the submission of a Local Plan.

14. The majority (86%) of respondents also disagreed with the proposal to follow a banded approach in which authorities would lose a fixed percentage of their Bonus based on the date of their Local Plan. Respondents noted that the absence of a Local Plan did not necessarily equate to poor housing growth and, as noted above, that it was not necessarily attributable to inaction or fault on behalf of the local authority. It was also suggested that the proposal might lead to the submission of rushed or inadequate plans in order to retain Bonus allocations. It was suggested that if the proposal were to be implemented it would require a more nuanced approach which was able to take into account the circumstances of delays and avoid a binary pass/fail application. Respondents also noted that any implementation would need to take into account the development of joint strategic plans by groups of authorities and neighbourhood plans.

Government View

15. The Government has carefully considered the responses and decided not to implement the proposal to withhold the New Homes Bonus for 2017/18 from local authorities who have not submitted a Local Plan.

16. As the Government is implementing wider planning reforms to get the nation building the homes it needs, including measures announced at Autumn Statement and through the Neighbourhood Planning Bill and forthcoming Housing White Paper, the Government has decided not to introduce the proposals to withhold payments for areas without a local plan in 2017-18. However, the Government will revisit the case for withholding New Homes Bonus from areas not delivering on housing growth from 2018-19.

Reducing payments for homes allowed on appeal

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?

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?

Consultation Response

17. The majority (86%) of respondents disagreed with the proposal to withhold payment of the New Homes Bonus for homes granted on appeal. Respondents noted that planning permission granted on appeal was not necessarily an indicator that an authority had behaved incorrectly. Many respondents suggested that the proposal could work as an incentive but only if the New Homes Bonus was withheld where it was shown that the local authority had been at fault. It was suggested that this could be signified by the awarding of costs against the authority. Should the policy be introduced a majority of respondents favoured reducing payments by 50% rather than 100%.

18. Over a third (38%) of respondents agreed that any reductions should be based on national average Band D council tax or via any new model that was introduced. Respondents commented that reductions should be made on the same method used to calculate the allocation. Just under a half (45%) disagreed, with many saying that they did not think any reductions or changes should be made. Suggestions for change included basing the Bonus on a flat rate payment per dwelling or average band in the local area.

Government View

19. From 2018/19 we will consider withholding NHB payments from local authorities that are not planning effectively, by making positive decisions on planning applications and delivering housing growth. To encourage more effective local planning we will also consider withholding payments for homes that are built following an appeal

Removing Deadweight

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

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

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?

Consultation Response

20. The majority (80%) of respondents disagreed with the introduction of a national baseline. Comments included that it would be inequitable and not take into account varying constraints faced by authorities such as low demand and having a proportion of land with protection, other comments included that it would introduce complexity into the calculation of the Bonus and that all growth should be rewarded. Those who supported the introduction of a baseline noted that, if the intention of the Bonus was to stimulate housing growth, it was right to assess development that would have occurred anyway. Some cautioned against setting the baseline too high so as to be unreachable for some councils as this would nullify the incentive effect. It was suggested that any baseline introduced should be tailored to each local authority to reflect the varying constraints faced; however others thought that this would reward authorities who had previously only achieved low levels of growth. 13% agreed that, should a baseline be introduced, 0.25% would be the right level at which to implement it.
21. The majority (83%) of people disagreed with the proposal to adjust the baseline to reflect significant and unexpected housing growth. Respondents were concerned that this would lead to uncertainty of budgets for local authorities and some suggested that a simpler way to stay within the funding envelope, following significant and unexpected growth, would be to reduce the amount paid per home in proportion to the available budget. However, others noted that scaling back all payments to meet the funding envelope would penalise high growth authorities. Those in support of using adjustments to the baseline noted that any revisions should be transparent and announced in good time.

Government View

22. The Government has decided to implement a national baseline. We recognise that the proposal to introduce a baseline did not achieve majority approval from respondents but we need to sharpen the incentive effect of the Bonus. The Government believes that the introduction of a baseline will remove deadweight; and will focus on local authorities demonstrating a stronger than average commitment to growth. The Government has chosen to set the initial baseline at 0.4% below which the Bonus will not be paid; this reflects a percentage of housing that would have been built anyway. It is noted that this is significantly below the average growth rate in the 10 years before the introduction of the New Homes Bonus (0.7%) and below the average growth in Band D equivalent properties for local authorities in 2015/16 (0.94%).
23. We want to ensure that the Bonus stays focussed on additional growth and therefore, the Government will retain the option of making adjustments to the baseline in future years in the event of a significant increase in housing growth. We will announce the baseline for a given year alongside the provisional allocations for that year.

National parks, development corporations and county councils

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?

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

Consultation Response

24. 46% of respondents agreed that any adjustments introduced should apply in areas covered by National Parks, Broads Authorities or development corporations. The majority of those supporting this proposal commented that there should be a consistent approach to implementation applied across all authorities that receive the Bonus. Comments from those that disagreed included that, while these authorities did not receive the Bonus, their performance or non performance as a planning authority could impact on Bonus allocations made to councils even though it was not within their control. Others noted that county and district authorities whose area included a National Park should not be penalised for the Park Authority following their duty to protect designated landscape. It was suggested that councils should continue to come to local agreement about the distribution of the Bonus with these authorities.

25. The majority (61%) of respondents also agreed that county councils should not be exempt from changes to Bonus payments. As with question 12, the majority of respondents who took this view felt that changes to the New Homes Bonus should be applied consistently across all authorities. Respondents noted that counties play role in the Local Plan process and were in receipt of Community Infrastructure Levy and S106 funding to provide the infrastructure for growth and would benefit from additional funding for Adult Social Care. The majority (88%) of counties responding to the consultation disagreed, some felt that the current 80:20 split did not reflect the cost of providing infrastructure and service provision to facilitate housing growth and meant that counties were penalised in the redistribution from the top slice of Revenue Support Grant. Respondents also commented that as county councils were not responsible for planning decisions or Local Plans, they should therefore be exempt from any adjustments.

Government View

26. The Government has considered the responses and agrees any changes should be implemented consistently across authorities and has decided that the same adjustments resulting from the revised New Homes Bonus, should apply in areas covered by National Parks, the Broads Authority and development corporations. We have also decided that county councils should not be exempt from any adjustments. The Government would like to reiterate the position that billing authorities should discuss with National Park authorities, the Broads Authority and development corporations the use of Bonus receipts in their area.

Protecting individual local authorities

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?

Consultation Response

27. The majority (67%) of respondents agreed that there should be consideration of protection for those authorities who may face an adverse impact from any proposals introduced. Respondents commented that this should be put in place for those suffering from the most adverse impacts in the short term or to protect against perverse outcomes. Others noted that transitional arrangements should be put in place with some suggesting that this should be focussed on protecting those that have delivered the most homes. Of those that felt no protections were necessary some commented that the protections would be skewed to those that had benefited from the New Homes Bonus the most and protection should not come at the expense of other authorities who had already been disadvantaged by the introduction of the Bonus. It was also suggested that introducing protections would introduce further complexity into the scheme.

Government View

28. The Government has considered the need to provide protection for those who may face adverse impacts from the proposals. The Government believes that the introduction of an interim period, of 5 year payments in 2017/18, will smooth transition. However, should respondents wish to consider the impact of these proposal in the light of the wider Local Government Finance settlement, there are specific questions about transition arrangements in the consultation on that package. The consultation can be found here: <https://www.gov.uk/government/consultations/provisional-local-government-finance-settlement-2017-to-2018>

Government Response & Next Steps

29. The Government will implement:

- a move to 5 year payments for both existing and future Bonus allocations in 2017/18 and then to 4 years from 2018/19; and
- the introduction of a national baseline of 0.4% for 2017/18 below which allocations will not be made.

30. The Government will also retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.

31. Taken together these measures meet the aims set out in our consultation paper to sharpen the incentives for housing growth, release funding for other Local Government spending priorities such as adult social care.

32. As the Government is implementing wider planning reforms to get the nation building the homes it needs, including measures announced at Autumn Statement and through the Neighbourhood Planning Bill and forthcoming Housing White Paper, we will not introduce the proposals to withhold payments for areas without a local plan in 2017-18.

33. However, the Government will revisit the case for withholding New Homes Bonus from 2018-19 from local authorities that are not planning effectively, making positive decisions on planning applications and delivering housing growth. To encourage more effective local planning we will also consider withholding payments for homes that are built following an appeal.

34. The Bonus will continue to be an unringfenced grant which allows local authorities to decide how to spend it, for example on frontline services or keeping council tax down, as we recognise that local authorities are in the best position to make decisions about local priorities. However, the Government reaffirms that we expect local authorities to engage with their local community to decide how the money is spent, so residents feel the direct benefits of growth.

35. Government is clear in its commitment to protecting the Green Belt. Local Authorities may only alter Green Belt boundaries in exceptional circumstances. Where local communities do make the difficult decision to permit the building of homes on small areas of Green Belt land, it would be very unfair to penalise them by withholding funding from the New Homes Bonus. The reforms to the 'Bonus' set out herein do not alter this approach.

36. Allocations for 2017/18 have been made using the data returns from the Council Tax Base forms, the DCLG Official Statistics on additional Affordable Housing Supply and the Traveller Caravan Count in the usual manner and are being announced alongside this document as part of the Local Government Finance Settlement.

Annex A: List of Respondents

Amber Valley District Council
Arun District Council
Ashfield District Council
Aylesbury Town Council
Aylesbury Vale Association of Local Councils
Aylesbury Vale District Council
B.Line Housing Information
Babergh and Mid Suffolk District Councils
Barnsley Metropolitan Borough Council
Basildon Borough Council
Basingstoke and Deane Borough Council
Bassetlaw District Council
Bath & North East Somerset Council
Birmingham City Council
Blaby District Council
Blackpool Council
Bolsover District Council
Braintree District Council
Breckland District Council
Brighton & Hove City Council
Broadland District Council
Broxbourne Borough Council
Buccleuch Property on behalf of Hanwood Park LLP
Buckingham Town Council
Burnley Borough Council
Burnley Borough Council
Bury Council
Calderdale Metropolitan Borough Council
Cambridge City Council
Cannock Chase Council
Canterbury City Council
Central Bedfordshire
Chelmsford City Council
Cheltenham Borough Council
Cheltenham Borough Council
Cherwell District Council
Cheshire East Council
Cheshire West and Chester Council
Chesterfield Borough Council
Chiltern District Council
Chorley Borough Council
CIPFA
City of Bradford Metropolitan District Council
City of London Corporation
City of Wolverhampton Council
City of York
Colchester Borough Council

Corby Borough Council
Cornwall Council
Cotswold District Council
County Councils Network
CPRE
CPRE Lancashire
Craven District Council
Crawley Borough Council
Cumbria County Council
Dacorum Borough Council
Dartford District Council
Derby City Council
Derbyshire Dales District Council
District Councils' Network
Doncaster MBC
Dover District Council
Dudley MBC
Durham County Council
East Devon District Council
East Herts District Council
East Lindsey District Council
East Midlands Empty Property Forum
East Northamptonshire Council
East Riding of Yorkshire Council
East Staffordshire Borough Council
Eastleigh Borough Council
Eden District Council
Elmbridge Borough Council
Empty Homes Network
Epping Forest District Council
Epsom and Ewell Borough Council
Essex County Council
Exeter City Council
Fairford Town Councillor
Fenland District Council
Fylde Borough Council
Forest of Dean District Council
Gedling Borough Council
Gloucester City Council
Gloucestershire County Council
Gravesham Borough Council
Great Horwood Parish Council
Great Yarmouth Borough Council
Greater London Authority
Greater Manchester
Guildford Borough Council
Hambleton District Council
Hampshire County Council
Harborough District Council
Hartlepool BC

Hertfordshire County Council
Hertfordshire Infrastructure & Planning Partnership
High Peak Borough Council
Highbury Group on Housing Delivery
Hinckley and Bosworth Borough Council
Home Builders Federation
Horsham District Council
Huntingdonshire District Council
Independent Alliance Group (Bromsgrove District Council)
Ivybridge Town Council
Kent County Council
Kettering Borough Council
Kings Lynn & West Norfolk Borough Council
Kirklees Council
Knowsley MBC
Lancashire County Council
Leaders of the District Councils in Suffolk
Leeds City Council
Leicester City Council
Leicestershire County Council
Lincolnshire County Council
Liverpool City Council
Liverpool City Region
Local Government Association (LGA)
Local Plans Expert Group
London Borough of Bexley
London Borough of Bromley
London Borough of Camden
London Borough of Hackney
London Borough of Islington
London Borough of Newham
London Borough of Redbridge
London Borough of Sutton
London Borough of Tower Hamlets
London Borough of Waltham Forest
London Borough of Wandsworth
London Borough of Westminster
London Councils'
Luton Borough Council
Luton Borough Council
Maldon District Council
Malvern Hills
Manchester City Council
Melton Borough Council
Mendip District Council
Middlesbrough Council
Milton Keynes Council
Mole Valley District Council
NALC
National Parks England

NE Derbyshire District Council
Newark & Sherwood District Council
Newcastle City Council
Newcastle Under Lyme Borough Council
Nicon Developments Ltd
North Devon Council
North Kesteven District Council
North Norfolk District Council
North Tyneside Council
North Warwickshire Borough Council
North West Leicestershire District Council
North Yorkshire County Council
Northampton Borough Council
Northamptonshire County Council
Northumberland County Council
Norwich City Council
Nottingham City Council
Nuneaton and Bedworth Council
Oadby and Wigston Borough Council
Old Oak and Park Royal Development Corporation
Oldham Council
Oxfordshire County Council
Pendle BC
Pennythorn Ltd
Pershore Town Council
Peterborough Council
Plymouth City Council
Portsmouth City Council
Preston City Council
Preston South Ribble and Lancashire
Redditch Council
Reigate and Banstead Borough Council
Residential Landlords Association
Ribble Valley Borough Council
Richmondshire District Council
Rochdale Borough Council
Rossendale District Council
Rother District Council
Rotherham Metropolitan Borough Council
RTPI
Rugby Borough Council
Rural Services Network
Rushmoor Borough Council
Rutland County Council
Ryedale District Council
Sedgemoor District Council
Sefton Council
Selby District Council
SEMLEP
Sevenoaks district council

Shepway District Council
Shropshire Council
SIGOMA
Society of County Treasurers'
Solihull Metropolitan Borough Council
Somerset County Council
South Bucks District Council
South Cambridgeshire District Council
South Derbyshire
South East England Councils
South Gloucestershire Council
South Hams District Council
South Holland District Council
South Kesteven District Council
South Lakeland District Council
South Norfolk Council
South Northamptonshire Council
South Oxfordshire District Council and Vale of White Horse District Council
South Ribble Borough Council
South Somerset District Council
Southampton City Council
St Albans City Council
St Helens Council
Staffordshire Moorlands District Council
Stockport Metropolitan Borough Council
Stockton on Tees Borough Council
Stoke Mandeville Parish Council
Stoke on Trent City Council
Stroud District Council
Suffolk Coastal District Council
Suffolk County Council
Sunderland City Council
Surrey County Council
Surrey Heath Borough council
Surrey Planning Officers Association
Swale Borough Council
Tamworth Borough Council
Tandridge District Council
Taunton Deane Borough Council
Teignbridge District Council
Telford & Wrekin Council
Tendring District Council
Tewkesbury Borough Council
The Planning Bureau Ltd
Thornborough Parish Council
Three Rivers District Council
Tonbridge and Malling Borough Council
Torrington District Council
Totnes Town Council
Trafford Council

Tunbridge Wells Borough Council
Uttlesford District Council
Village Developments
Wakefield Council
Warwick District Council
Warwickshire County Council
Watford Borough Council
Waveney District Council
Waverley Borough Council
Wealden District Council
Welwyn Hatfield Borough Council
West Devon District Council
West Lindsey District Council
West Lindsey District Council
West Lindsey District Council
West Oxfordshire District Council
West Somerset Council
West Suffolk Councils (combined response from Forest Heath District Council and St Edmundsbury Borough Council)
West Sussex County Council
Winchester City Council
Winslow Town Council
Wirral Council
Woking Borough Council
Wokingham Borough Council
Worcestershire County Council
Wychavon District Council
Wycombe District Council
Wyre Forest District Council
Wythall Residents Association