

CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.

Q1: What are your views on moving from six years of payments under the Bonus to four years, with an interim period of five years payments?

Explanation:

The government's intention from the review and consultation is to save £800 million while moving to a 100% retention system for business rates. This means that the scheme's cost must reduce.

The government's national calculation for the saving from this system would see a projected cost of £1.716 billion in 2020/21 down to a cost of £1.173 billion by the same date. A saving of £543 million.

The impact on the Council's expected resources could mean a maximum reduction to £1.1 million by 2020/21 as shown in the table below. This figure is dependent on the decision on the long term continuation of the scheme.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2011/12	892,316	892,316	892,316	892,316	892,316	892,316				
2012/13		903,336	903,336	903,336	903,336	903,336				
2013/14			1,152,721	1,152,721	1,152,721	1,152,721	1,152,721			
2014/15				792,038	792,038	792,038	792,038			
2015/16					565,873	565,873	565,873	565,873		
2016/17						781,610	781,610	781,610	781,610	
2017/18							558,000	558,000	558,000	558,000
2018/19								558,000	558,000	558,000
	892,316	1,795,652	2,948,373	3,740,411	4,306,284	5,087,894	3,850,242	2,463,483	1,897,610	1,116,000

It should be noted that the government's proposal includes an interim stage in 2017/18 where there is a five year payment rather than an immediate reduction to four years.

It should also be noted that the government's proposal is to reduce legacy payments to four years not just new payments under the incentive. This is a direct reversal of a previous commitment to local government with the aim of speeding up the progression to the target savings.

Proposed response:

The Council understands that the government wishes to reduce public sector spending with an imperative to reach surplus by the end of this parliament but this proposal reverses a previous commitment given by the government when the incentive was introduced.

The Council is currently consulting on a local plan that proposes meeting the independently assessed housing need in the borough and has not shied away from its responsibilities. However the level of housing growth requires infrastructure delivery that is demonstrably not viable through developer contribution alone. The Council has committed the majority of its new homes

**CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.**

bonus to support the funding gap in infrastructure with some funding focused on housing and business assets.

Less than £1 million has been directed to revenue and always to specific scheme funding such as supporting the production of the local plan. None of this resource has been used to balance the council's budget.

The proposal is a significant blow to the Council's capital programme and may lead to additional prudential borrowing and will definitely lead to a reduce delivery of infrastructure need.

The government is removing grant support for new affordable rented accommodation from April 2018. The Council's Strategic Housing Market Assessment has identified a significant need for affordable rented housing, which could be supported locally through the use of the Bonus. The removal of affordable rent from the affordable housing programme and proposed reduction in the Bonus combine to restrict the ability of the Council to meet a defined need through the local decision making process.

The Council believes that it has used the incentive as a sharpened tool and this proposal will reduce its ability to continue to use it in this way.

CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.

Q2: Should the number of years of payments under the Bonus be reduced further to three or two years?

Explanation:

This is a subsidiary question to question 1 and relates to alternatives considered by central government but is not their primary proposal

Proposed response:

Given the considerable cost of housing and infrastructure delivery the incentive, reduced to three or two years, would not create any incentive at all. The current scheme provides the best incentive and any reduction in the level or timing of resources should be held to the minimum required.

Q3: Should the government continue to use this approach? [See Explanation below] If not what alternative would work better?

Explanation:

This question relates to the government's consideration of the way in which increases in housing levels is measured.

This is currently done through the annual movement in the Council Tax system's tax base. This figure is reconciled to the valuation office agency's data and is therefore a nationally recognised data source. It has been used by central government as part of the previous system for calculating need for revenue support grant (prior to 1st April 2013).

Proposed Response:

The current measure, through a recognised and reconciled return to central government, creates consistency and reduces the risk of error or fraud in the calculation. The results are identifiable, meaningful and comprehensible. The Council's view is that it should be retained.

CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.

Q4: 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 put in place?

Explanation:

The government is proposing that, from 2017/18, any local authority that has not submitted a Local Plan prepared under the 2004 Act should not receive bonus allocations for those years that this remains the case. This would not affect legacy payments currently in the system.

As an alternative the government has proposed a reduction of the bonus to a set percentage such as 50% of the bonus otherwise due.

Proposed Response:

While the existence of a local plan can have a significant impact on planning decisions and control of housing development, it does not of itself change the intentions of a local authority to deliver housing growth or the potential in that area.

Delayed submission of a local plan can be a consequence of very specific influences outside of the control of the local authority who could, under this proposal, find itself punished for the powerful influences of stakeholders such as national developers, government or other tiers of local government.

The proposed amendment does not achieve the aim of government to encourage the delivery of new housing. The impact could have a perverse result in that infrastructure that could be funded from NHB and needed to enable development will not be delivered, stalling future housing developments.

The Council does not agree with this proposal and would expect central government to identify a more positive and effective incentive to assist willing authorities to submit a Local Plan.

CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.

Q5: Is there merit in a mechanism for abatement which reflects the date of the adopted Plan?

Explanation:

This proposal is an alternative option to the proposal considered at Q4. The proposal considered is to reflect the ageing of an authority's Local Plan. The government's view is that a plan should be reviewed for continued relevance at least every five years.

The proposal is for there to be a sliding scale of reduction in the incentive as the plan ages.

The government feels that this option would create a different incentive but would also complicate the calculation and certainty behind the bonus system.

Proposed Response:

The Council agrees that this option would create complexity in the calculation of the incentive.

Q6: Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?

Explanation:

This proposal is to not pay a bonus for houses built following a successful appeal against the local authority's decision. The wording suggests that the government is not asking if the bonus should be reduced but asking if the proposed mechanism for reducing the Bonus is acceptable.

In order to keep the calculation easy to understand the government is proposing to make an average band D adjustment for each house built under appeal and to make the adjustment at the time of the appeal decision and not at the time the houses are built.

Proposed Response:

The Council believes that if such a disincentive for authorities to act must exist it should be accurate and appropriately timed. The decisions made by the Council relate appropriately to planning law and will be linked to Councillors intention to act in the best interests of local residents.

The Council believes that accurate records of both the development time and the actual banding of housing built should be kept and used in the calculation of the disincentive.

CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.

Q7: 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?

Explanation:

This question is linked to question 6. The government is proposing that where a reduction is made due to housing development being on appeal, the deduction should be less than the full amount. The government has recognised in the consultation document that not all refusals of permission (and subsequent appeals) are a result of opposition to development on the part of the authority.

The proposal is to reduce by 50% rather than 100%.

Proposed Response:

The Council is pleased that the government has recognised that an authority can be supportive of development and still find itself in a position where development occurs after appeal against refusal.

However the Council believes that the government should, if it wishes to sharpen the incentive yet apply the proposed dis-incentive, make the adjustment accurately and allow full payment in cases where the appeal is won on grounds outside of the authority's control.

CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.

Q8: Do you agree that reductions should be based on the national average band D council tax? If this should change (see question 2) should the new model also be adopted for this purpose?

Explanation:

Due to the fact that the government's proposal at question 7 is to make the disincentive adjustment to the bonus at the time when the appeal is won and not when the housing is built there needs to be a mechanism for estimating the value of the properties that will be built. This question relates to the method of valuing the properties.

The government proposes to use the national average band D valuation no matter the potential or ultimately actual banding of each property. The government's reasoning for this is that it equates to the calculation of the bonus but this is not true, the Bonus is calculated on band D equivalents not band D value for each property.

In Maidstone the average band value is band C and not band D so that if housing is built to the area average the council would lose the difference between the average band D council tax and the average band C council tax for each property built following successful appeal. This is approximately £160 per property.

Proposed Response:

The government is incorrect in its assumptions about this proposal. The Bonus is paid on the average band D council tax but is paid on the growth in housing that has been standardised by calculation to band D equivalents.

In this proposal the band D average will be deducted based on stock count and not after standardising at band D equivalent. As the government states in the consultation "At the time of the appeal decision the ultimate council tax banding of the homes being proposed is not known".

If a proxy banding must be used for each property it should be the local authority's own average band and not band D.

CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.

Q9: Do you agree that setting a national baseline offers the best incentive affect for the Bonus?

Explanation:

The government is proposing that the system needs to account for housing that would be built in the area if the incentive did not exist. Referring to this sort of development as deadweight the government has proposed a small value for this calculation of 0.25%.

While this is clearly a method of reducing the value of Bonus payments further it is small enough to have a very limited impact. However the proposal, once in place will set the precedent and enable the government to increase the percentage at a later date.

Proposed Response:

The Council believes that creating a baseline on which to calculate future Bonus payments does not benefit the incentive. The government's stated aim of these changes is to sharpen the incentive yet this will reduce the incentive especially in local authority areas where deliverability is already constrained and the benefit is already marginal.

CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.

Q10: Do you agree that the right level for the baseline is 0.25% ?

Explanation:

As explained in question 9, the government intends to set a baseline below which Bonus payments will not be made. The proposed baseline is 0.25% which is 170 properties for Maidstone. Approximate loss of Bonus would be £200,000.

Proposed Response:

The Council believes that the proposed level of baseline is significant, especially for smaller and constrained district councils.

As stated in response to Q9 the Council believes setting a baseline will reduce the incentive created by the Bonus payments especially for smaller and more constrained authorities.

Maidstone has previously received high levels of bonus due to the Council's approach to housing development. The resources received through the Bonus payments are essential to the continued programme as it is intended to support infrastructure and further housebuilding. For this Council the reduction due to a baseline set at this level would be in the region of £200,000 per year for each year plus legacy payment losses, in total a significant sum of money.

The government has stated that the level is "lower than housing delivery in the years prior to the scheme however this Council has had a long term approach to house building and has taken advantage of previous incentive schemes through this method. The Council does not believe that the years immediately prior to the schemes existence are a fair measure of baseline and would prefer that baseline adjustments were not made.

Should a baseline be required it should recognise the impact of previous incentives and would be more appropriately set at 0.1%.

CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.

Q11: Do you agree that adjustment 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?

Explanation:

The government has set challenging targets for house building across the country as part of national policy. In general the level of housebuilding required is significantly above the level expected or possible for most local authorities and housebuilding at a rate that is "significant and unexpected" is extremely unlikely unless the government expects a level significantly below its target.

That should mean that such an adjustment would be unnecessary as the policy developed for this incentive scheme should allow for the government's plans.

The government's proposal is to keep a basic threshold for the baseline discussed at question 10 at 0.25%. This by their calculation is one third of the previous level of housing growth but amend this upward to the full level of previous housing growth should the incentive be required.

If the government acted upon this proposed adjustment to the baseline this would suggest a loss of approximately £600,000 for Maidstone. This is virtually all of the additional year Bonus payment received by this Council in recent years.

Proposed Response:

The response to significant and unexpected levels of housing growth appears to be proposed as "100% of the historic levels of housing growth" or 0.75%. As stated in previous responses this levels is consistent with this Council's current levels as it has always had a positive approach to housing development. Should the government act upon this proposal the Council would most likely lose all of the first year incentive it currently receives.

Given that the government has set challenging targets for housing growth in the country the Council would expect the government to have allocated resources in line with its own targets. This would mean that significant and unexpected housing growth should not occur.

**CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.**

Q12: Do you agree that the same adjustments as elsewhere should apply in areas covered by National Parks, the Broads Authority and development corporations?

Explanation:

These authorities, who have responsibility for planning decisions in their areas, do not receive Bonus payments. The payments currently go to the district and county councils in each area.

The proposal to share the Bonus in these areas has no direct effect upon this authority

Proposed Response:

The Council has no specific views on this proposal.

Q13: Do you agree that county councils should not be exempted from adjustments to the Bonus payments?

Explanation:

The government is not proposing to exempt county councils from the calculation of adjustments to the Bonus payments and have recognised in the consultation document that upper tier authorities are stakeholders in Local Plan development and can influence planning decisions through infrastructure and other constraints.

Proposed Response:

The Council agrees with the government's proposal that any adjustments to Bonus payments that are agreed through this consultation should impact on all recipients equally.

Such a proposal ensures that two tier areas are treated equal to single tier areas.

**CONSULTATION ON NEW HOMES BONUS
EXPLANATIONS AND PROPOSED RESPONSES TO THE
CONSULTATION QUESTIONS.**

Q14: What are your views on whether there is merit in considering protection for those who may face an adverse impact from these proposals?

Explanation:

The government is requesting commentary on protections for some local authorities who are open to housing growth but will lose in an overall sense from these and the wider changes to local government finance.

In the detail of the Provisional Local Government Finance Settlement it is clear that Maidstone is a significant loser in terms of government sources of finance. This is because it has high and sustainable levels of other resources available to it.

The government's calculation of Core Spending Power for the Council would suggest that the likelihood of the Council being considered to be adversely affected by the changes.

Proposed Response:

The government should always consider transitional protection for local authorities that are significantly affected by such policy changes as this. The Council would like to understand the proposed mechanism for identifying adversely affected authorities before commenting further.