

## **Appendix A**

### **Selby District Council – response to consultation on the future of New Homes Bonus**

We welcome the opportunity to comment on the Government's consultation on the future of the New Homes Bonus (NHB). In addition to responses to the specific questions in the consultation document we would also emphasise the following points:

- Any review of New Homes Bonus needs to be considered as part of the overall funding package for local government. As we highlight below, top-slicing Revenue Support Grant does not support sustainable public services. If a bonus is to be maintained then it should be a true bonus and in addition to the funding need to run statutory services. Many Councils have built this funding into their core funding streams and the reductions we have seen in recent years is putting severe pressure on services.
- Erosion of this funding in recent years is having a significant impact on financial sustainability – the Government should honour legacy payments.

#### **Question 1:**

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

Yes, we believe incentive payments like New Homes Bonus can have a material and positive effect on behaviour but linking this into Councils' core funding by top-slicing it from Revenue Support Grant does not support sustainable funding for vital public services, which includes planning and housing, both of which are crucial to the delivery of new housing.

#### **Question 2:**

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

Selby District Council has worked hard to deliver its housing targets and has benefitted from the Bonus – at the peak of funding the Council was in receipt of £2.5m p.a. but this has simply compensated in part for reductions in core funding and historic under-funding through the Local Government Finance Settlement

#### **Question 3:**

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

Selby DC is working hard to deliver its ambitious housing targets, we do not believe that changes will have a positive affect on our behaviour and will continue to work towards delivering the identified housing need within our district.

**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?

Given delivery of housing targets via the planning process is a district council function then weighting the Bonus towards districts seems appropriate as a way of incentivising delivery.

The provision of additional houses does have implications for the services provided by County Councils, although these are sought through S106 and CIL contributions through the planning process. In order to ensure delivery of new homes it is essential that planning departments are properly resourced so that applications are dealt with in a timely manner and new homes are delivered – top-slicing core funding for New Homes Bonus does not achieve this.

**Question 5:**

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

The need for increased affordable housing remains and therefore a premium to encourage more affordable homes seems appropriate.

**Question 6:**

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

Given the growing need for more affordable homes a greater premium would help to encourage greater delivery.

The delivery of affordable homes is more difficult to achieve than market homes as there is a greater premium for developers. In the balance of discussions over viability of schemes it is often the affordable element which is squeezed when considering other items such as education, healthcare and highways contributions.

**Question 7:**

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

Tackling long term empty homes is vital to supporting the national shortfall in housing and therefore rewarding authorities for bringing these back into use should continue (subject to the comments elsewhere about top-slicing core local government funding).

**Question 8:**

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

There are benefits of awarding funding on performance over a longer timescale which smooth out potential peaks and troughs in delivery, but we would be concerned over the time lag this could bring and if sustained performance is to be incentivised then awarding on the most recent year of housing delivery would be the most responsive way of administering the scheme.

For ease of reporting and monitoring aligning with the annual Housing Delivery Test would be the most appropriate option.

**Question 9:**

Do you agree that the baseline should be raised?

No - top-slicing local government funding for this Bonus and then applying a threshold is not a sustainable way to fund public services.

However, if the bonus was additional to standard local government funding (i.e. not top-sliced) then a higher threshold may be more appropriate and could then reward those Councils that 'out-performed'.

**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 an increase in the baseline and if top-slicing core funding continues then the baseline should be removed.

**Question 11:**

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

To enable a wider distribution of funding across local government as many Councils rely on this to fund statutory services.

**Question 12:**

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

Applying a higher rate may increase the incentive but it could also exacerbate the gaps between service costs and income should top-slicing continue. Any increase in rate should not be at the expense of further top-slicing of local government funding – again Bonus should be in addition to core funding.

**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?

Past performance does not necessarily correlate with what is possible and linking future incentive payments in this way could simply reward continuing poor performance relative to others.

Past performance is dependent on wider impacts such as the state of the economy and therefore not necessarily an indicator of poor performance from the local authority. It should also be noted that the development industry will restrain demand in order to prevent over saturation of the housing market.

**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 do not have sufficient evidence to comment.

**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 do not have sufficient evidence to comment although for ease of monitoring this could align with 5 year housing supply.

**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.

Our preference is for a formula which is simple to administer and is transparent, and one which rewards housing growth, again mindful of the comments about top-slicing core funding.

**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 do not have sufficient evidence to comment.

**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 do not have sufficient evidence to comment.

**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?

The key barrier to new development is funding for new infrastructure whether this is for highways, schools or healthcare and prevents development of scale coming forward. Our concerns raised in the response to the Planning for the Future White Paper as to how practical it would be to introduce a new Infrastructure Levy on a national basis given the differences in land values. Therefore a specific fund should be established to ensure that infrastructure improvements can be brought forward to support housing delivery.

**Question 20:**

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

Although the re-purposing would help to support the funding of infrastructure, developers are less likely to deliver housing in these areas due to sale values which means that resources from the New Homes Bonus are also crucial to assist the delivery of housing – further reinforcing the need for this to be a bonus and not merely a top-slice from core funding.

**Question 21:**

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

Yes, so that the implications of the reforms can be fully considered and understood.

**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?

Selby District Council have been working closely with L&G Homes on developing MMC in the District on land within their ownership, however to really trigger a step change the key incentives need to be focussed at the development industry.

**Question 23:**

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

Yes, if this is considered to be a means to deliver greater volumes and more sustainable homes.

**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?

As noted above we are already working with organisation to bring forward MMC, however this is very much dependent on support from the development industry to move towards these new methods.

**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 added as a section on the planning portal application forms and additional areas added into Uniform, which will provide a method for collecting data. Further training will be necessary so that Officers understand the different categories.

**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?

We do not have sufficient evidence to comment.

**Question 27:**

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

We do not have sufficient evidence to comment.

**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 we strongly oppose this suggestion - there are many complex factors which impact on an authority's ability to deliver a local plan.

**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 be 25%, 50% or 75%?

We do not support linking New Homes Bonus to Local Plans.

**Question 30:**

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

We do not support linking New Homes Bonus to Local Plans.