

Report to the Portfolio Holder for Resources and Reputation

Subject: Response to Government Consultation – The Future of the New Homes Bonus

Date: 26 March 2021

Author: Planning Policy Manager

Wards Affected

Borough-wide

Purpose

To gain portfolio holder endorsement of Gedling Borough Council's proposed response contained in **Appendix A** to the Government consultation on the Future of the New Homes Bonus. The consultation closes on 7th April 2021.

Key Decision

This is not a Key Decision

Recommendation(s)

THAT:

- 1) The Portfolio Holder endorses the proposed response to the consultation on the Future of the New Homes Bonus.**

1 Background

- 1.1 The government is consulting on a number of revisions to the New Homes Bonus and the deadline for comments is 7th April 2021. The consultation covers a number of options for reforming the programme to provide an incentive which is more focused and targeted on ambitious housing delivery, complements the reforms outlined in the government's Planning White Paper, and dovetails with the wider financial mechanisms the government is putting in place, including the infrastructure levy and the Single Housing Infrastructure Fund.

- 1.2 This consultation sets out a variety of options for reforming the New Homes Bonus, beginning in 2022/23. The options on which views are sought are:
- raising the baseline percentage
 - rewarding improvement on average past housing growth
 - rewarding improvement or high housing growth
 - support infrastructure investment in areas with low land values
 - introducing a premium for modern methods of construction (MMC)
 - introducing an MMC condition on receipt of funding
 - requiring an up-to-date local plan

The Council's proposed response is set out in **Appendix A**.

- 1.3 The New Homes Bonus ("the Bonus") rewards local authorities for net additional homes added to the Council Tax Base, thereby seeking to incentivise authorities to encourage housing growth in their areas. Introduced in 2011, the Bonus applies in respect of additional new builds and conversions delivered above a baseline of housing growth, using the national average band D council tax rate. It also applies in respect of long-term empty properties brought back into use, and there is a premium for affordable homes.

- 1.4 The consultation document is reproduced in its entirety in Appendix A and also incorporates the Council's proposed response. The consultation questions cover the following areas:-

- 1.5 The current New Homes Bonus
- The efficacy of the current bonus: the government is seeking stakeholders' views on the efficacy of the Bonus in positively influencing behaviour to promote ambitious housing delivery.
 - The split in two-tier areas: allocations are currently split 80/20 between District and County Councils.
 - The affordable housing premium: there is currently a premium of £350 per additional affordable home.
 - Empty homes: the current scheme rewards local authorities for net reductions in long-term empty properties and penalises for net increases.
 - Time period on which payments are based: currently based on the most recent year of housing delivery.

1.6 Changes to the threshold for payment

- The threshold for payment is currently a baseline percentage of annual housing growth and local authorities are only rewarded for net additional homes above a baseline of 0.4% growth in their housing stock over the previous year.
- Possible reform options are
- Option A – raising the baseline percentage to 0.6%, 0.8% or 1.05 growth.
- Option B – rewarding improvement i.e. setting the payment threshold by reference to a local authority's past performance.
- Option C – a hybrid approach, rewarding improvement and high housing growth.

1.7 Supporting infrastructure investment in areas with low land values

- Option D would be to repurpose the Bonus to balance the effects of low developer contribution income in low value areas by providing an incentive to local authorities to bring forward development in these areas.

1.8 Modern Methods of Construction

- The Bonus presently incentivises general housing growth and this will remain the primary objective, but the government also wishes to promote take up of modern methods of construction.
- Option E would introduce a premium for new homes built using modern methods of construction, analogous to the premium for affordable homes paid under the current scheme.
- Option F would make receiving Bonus funding conditional upon an authority achieving an MMC-related target.

1.9 Local plans

- Government policy is that all local authorities should maintain up to date local plans as the fundamental building block of a plan based system. The government is considering how the Bonus might incentivise the development and maintenance of up to date local plans.
- Option G would make it a condition of funding that a local authority has an up to date local plan. An alternative would be that the local authority must demonstrate satisfactory progress towards developing one, if this was sufficiently robust to prevent abuse.

2 Proposal

- 2.1 It is proposed that the Council responds to the Government consultation with the response to the questions posed by the Government on changes to the New Homes Bonus set out in **Appendix A** in advance of the consultation deadline of 7th April 2021.

3 Alternative Options

- 3.1 The alternative options are for Gedling Borough Council to not respond to the consultation or to amend the drafted response. There is no requirement for the Council to respond to this public consultation but doing so will inform the Government's proposals from the Council's perspective. The draft response provided has been informed by the relevant Council Officers in Finance, Planning Policy and Development Management and can be amended if the Portfolio Holder considers it necessary to do so.

4 Financial Implications

- 4.1 No financial implications. Cost of officer time drafting the response is met from existing budgets.

5 Legal Implications

- 5.1 None. This is an opportunity to comment on potential reforms, which have not yet come into force.

6 Equalities Implications

- 6.1 None. This is an opportunity to comment on potential reforms which have not yet come into force. The consultation questions include an opportunity to comment on the potential equalities implications of the proposals.

7 Carbon Reduction/Environmental Sustainability Implications

- 7.1 None. This is an opportunity to comment on potential reforms, which have not yet come into force.

8 Appendices

- 8.1 **Appendix A** – Proposed consultation response on the Future of the New Homes Bonus.

9 Background Papers

- 9.1 None

10 Reasons for Recommendations

10.1 To inform the Government of the Council's perspective on proposed reforms to the New Homes Bonus.

Statutory Officer approval

Approved by Chief Financial Officer

Date:

Approved by Monitoring Officer

Date: