

Appendix A – Proposed consultation response on the Future of the New Homes Bonus

Topic of this consultation: This consultation seeks views on the future of the New Homes Bonus, from 2022/23 onwards. It 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.

Scope of this consultation: 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

Geographical scope: This consultation is applicable to England only.

The deadline for responses is 7 April 2021.

2. Introduction

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.

The Bonus is paid annually from a top slice of the Revenue Support Grant and forms part of the Local Government Finance Settlement. The funding is un-ringfenced so that councils can choose how to allocate the funding to meet local priorities, and, in two-tier areas, allocations are split 80/20 between District and County Councils. On introduction allocations were paid for 6 years, known as ‘legacy payments’. Since its introduction in 2011, including the allocations for 2021/22, the Bonus has awarded a total of £9.5 billion to local authorities in England, recognising a net increase in housing stock of 2 million. This includes 500,000 affordable homes.

The government considers that it is now appropriate to consider the future of the Bonus and, in particular, options for reforming the scheme to ensure it provides an effective incentive which: is 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 proposed infrastructure levy and the National Home Building Fund, a multi-billion pounds programme which will bring together existing housing land and infrastructure funding streams into a single, flexible, more powerful pot, to drive an increase in supply over the long term.

3. Background

The New Homes Bonus was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. The aim of the Bonus was to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth. The five key stated principles of the policy were that it should be:

- a powerful incentive
- simple in terms of understanding and implementation
- transparent in terms of its recognition, significance and rewards from growth
- predictable in terms of expected future funding and perception of being a permanent feature of local government finance
- flexible in terms of how receipts are spent and spent in line with the wishes of the local community.

Following the outcome of the 2015 Spending Review, in December 2015 the government consulted on making changes to the way the Bonus is calculated to improve the incentive effect and make savings of at least £800 million to support authorities with specific pressures, such as adult social care. The consultation sought views on:

- reducing the number of years for which the Bonus is paid from 6 years to 4 years, 3 years or 2 years
- withholding the Bonus from areas where an authority does not have a Local Plan in place
- abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal
- adjusting the Bonus to reflect estimates of deadweight (introducing a baseline above 0%)

Following the consultation, in 2017/18 changes were implemented to:

- reduce the number of years the Bonus is paid to 5 years in 2017/18 and 4 years from 2018/19
- introduce a baseline of 0.4% growth of housing stock below which the Bonus would not be paid (and retained the option of adjusting the baseline to ensure allocations remained within the funding envelope)

As part of the Local Government Finance Technical Consultation, in Summer 2017 the Department consulted on methodology for reducing payments for homes where planning permission is later granted on appeal but decided not to implement this measure.

For 2020/21, as part of the one-year Spending Round, the government announced that it would make a new round of allocations for 2020/21 but that these allocations would not attract new legacy payments and that it would consult on the future of the housing incentive.

4. Options for reform

This section outlines the broad options the government has been considering for reforming the Bonus. It describes the approaches that could be taken and sets out some of the key relevant considerations. In those cases where the government has a preferred approach, this is explained.

Importantly, the options for reform considered in this section would only be implemented for funding allocations made from 2022-23 onwards. No changes are proposed for either calculation of the in-year element of the 2021-22 allocations or payments due to be made in 2021-22 relating to previous years. This is to ensure that local authorities have sufficient time to reflect the proposed changes in their forward planning.

Legacy payments

Prior to reforms to the Bonus implemented in 2017/18, to provide a powerful and predictable incentive, each annual in-year reward was paid for six financial years, such that allocations built up incrementally over time as each 'in-year' reward continued to be paid in addition to the new reward for that year. These are commonly referred to as legacy payments. The longevity of legacy payments was reduced when the Bonus was reformed in 2017/18. New legacy commitments ceased to be made in allocations from 2020/21 and the government does not intend to reintroduce the concept of legacy payments.

4.1. Questions on the current New Homes Bonus

The efficacy of the current Bonus

The government would firstly like to hear stakeholders' views on the efficacy of the Bonus in positively influencing behaviour to promote ambitious housing delivery.

Question 1: Do you believe that an incentive like the Bonus has a material and positive effect on behaviour?

No, we don't believe an incentive like the Bonus can have a material and positive effect on behaviour.

The stated objective of the Bonus is to provide an incentive to encourage behaviours which deliver housing growth, however the methodology employed does not

measure performance or allocate rewards in a way that treats all Council's equally or proportionately according to the local circumstances and constraints which are outside of a Council's control.

Linking Council funding to the delivery of new homes unfairly penalises those Council areas which are less able to deliver new homes for a variety of reasons. For example, the entirety of the rural area in Gedling Borough is designated as Green Belt and the Government has confirmed through the recent consultation on the Planning White Paper that it continues to strongly support the principle of the Green Belt. Housing delivery is a Council priority but there is limited scope to increase delivery.

Local and regional housing market conditions also impact on the rate of growth and the types and values of properties required in an area but the reward system inherently benefits areas of higher value properties due to the use of the Council Tax banding system to calculate the awards, which includes an in built weighting towards higher value properties with the award for a Band H property being double that of the Band D equivalent. Areas with a natural propensity for growth valued Band D and above receive a higher bonus for the same number of properties built than those areas with growth weighted band D and below. In addition council areas that comprise mainly Band A and B properties, the pro-rata effect of 6/9ths for a Band A property means that the number of new properties that have to be built in order to reach the 0.4% growth threshold becomes predominantly harder than those councils that have greater numbers of Band D properties in their area. The current formulae therefore automatically rewards the economically wealthier authorities for growth which is not related to a measure of their own performance or behaviour and therefore this 'weighting' effect should be equalised in any revised scheme.

Question 2: If you are a local authority, has the Bonus made a material impact on your own behaviour?

No, the Bonus cannot have a material impact on our behaviour because it does not measure the outcome of behaviours or performance that is within the control of the Council - see response to question 1 above. Housing delivery is a high priority for Gedling Borough Council, as demonstrated through the Council's [Housing Delivery Action Plan](#). Whilst the Council has an adopted Local Plan, delivery timescales are in the hands of developers of housing allocations. As an authority where the entirety of the rural area is designated as Green Belt, there is no scope to increase supply through the planning application process, only through a review of the Local Plan which is a time-consuming process.

Furthermore, the requirement to periodically update and publish a new Local Plan has a major impact on developers wishing to build new housing within a local authority area. Until a Local Plan is finalised, which is a time consuming exercise, developers are unwilling to start construction and this has a direct impact on the new Homes Bonus calculation. Whilst we now have an adopted Local Plan our authority has suffered in recent years from the timescales required for the Local Plan development which are not wholly within the control of the Council and that, together with our Green Belt status meaning development outside of the local plan is not

possible, has resulted in significant financial reductions year on year for New Homes Bonus which is not directly related to our own performance.

Question 3: Are there changes to the Bonus that would make it have a material and positive effect on behaviour?

See response to question 1 above. Using the New Homes Bonus to further incentive housing delivery penalises those Council areas where the scope to increase delivery rates is limited. To positively drive growth a revised Bonus scheme should seek to introduce a methodology that ensures a fair playing field in accordance with the aims of the Government's 'levelling up' agenda. The disproportionate impact of the current scheme is evident in the Government's Core Spending Power measure (e.g. a 20.2% reduction for Gedling compared to 2015/16 primarily due to reduced Bonus) which clearly demonstrates the material and varying impact at the local level of a Bonus which allocates finite local government resources on a basis which is neither based on an assessment of measurable performance or on local needs. Given that the Bonus is funded from a top slice of the already finite and much reduced resources allocated to local government in the Settlement any allocation outside of the 'Relative Needs' basis should be demonstrably fair for all taxpayers and residents which the current Bonus scheme is clearly not.

The disproportionate impact of the Bonus is now also creating a knock on and adverse impact on the allocation of other finite local government resources as evident in the new Lower Tier Service Grant award for 2021/22. This grant, being allocated in part on a 'minimum floor funding' basis, has provided some authorities with an unexpected windfall by including New Homes Bonus differentials in this calculation for one year only and disregarding past reductions.

It is vital that the Fair Funding review does not lock in the disproportionate impacts that have been created in Core Spending Power as a result of the inequitable NHB scheme which is not directly related to the relative needs of the community. This will need to be addressed to ensure the Fair Funding Review contributes to the Government's levelling up agenda.

In conclusion, if the Bonus continues it must address the inequities in the current scheme and assess performance in a more objective and transparent way than the current blunt tool which assumes one size fits all.

The split in two-tier areas

Under the current scheme, in two tier areas, allocations are split 80/20 between District and County Councils. The rationale for this split was that for the incentive to be most powerful, it needed to be strongest where the planning decision sits – the lower tier in two tier areas. The government however also recognised the role, in two tier areas outside London, of the upper tier in the provision of services and infrastructure and the contribution they make to strategic planning. Payment of the Bonus was therefore split between tiers outside London: 80% to the lower tier and 20% to the upper tier. The government would now like to hear views on whether this arrangement should be continued in a reformed Bonus.

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?

The split should be more highly weighted towards District Councils. County Councils have an important role to support local plan preparation, but the statutory requirement to prepare local plans sits with District Councils. In addition, District Councils are required to prepare an annual Five Year Land Supply assessment and Housing Delivery Action Plans as well as determine planning applications for residential development, so play a significantly greater role in increasing housing delivery. The amount of funding available for the Bonus has been reduced in previous years to enable an increase in funding direct to County Councils for social care, therefore a move in weighting towards the Counties for this un-ringfenced funding is not considered equitable, particularly given their low level of influence on housing growth.

The affordable housing premium

Under the current scheme, there is a premium of £350 per additional affordable home. This was introduced to reward local authorities that provide the right balance of housing to meet the needs of local people, ensuring that affordable homes are sufficiently prioritised within supply. The government seeks views on whether this feature should be retained in a reformed Bonus.

Question 5: Should the affordable housing premium be retained in a reformed Bonus?

It is agreed that local authorities should be rewarded for delivering affordable homes and the affordable housing premium be retained.

Question 6: Is £350 per additional affordable home the right level of premium, or should this level be increased or decreased?

The figure of £350 is considered to be notional and a higher figure would provide a greater incentive for the delivery of affordable housing.

Empty homes

The current scheme also rewards local authorities for bringing long-term empty properties back into use. The rationale for this feature of the Bonus was to strengthen the incentive for local authorities to identify empty properties and work with property owners to find innovative solutions that allow these properties to be brought back into use. The government also seeks views on this aspect of the Bonus.

Question 7: Should a reformed Bonus continue to reward local authorities for long-term empty homes brought back in to use?

Agree, as long as this element is treated as described, as a reward when long term empty homes are reduced and not as a penalty when long term empties are increased as is the case in the current system by offsetting all of these against the

growth in stock achieved through new housing development. Whilst every effort is made to influence property owners to bring the home back into use in a timely way, the decision is not wholly in the control of the local authority. The current approach does not take account of external factors which impact on these numbers which are totally outside of the control of local councils e.g. the impact of Covid19 and the consequent stall in the housing market which occurred in the run up to the cut off point for measuring the Bonus, the adverse impact of this is clear in the allocations for 2021/22. In addition, it is noted that properties may be empty as they are in the process of undergoing a major refurbishment and it would be counterproductive to deter this from taking places.

Time period on which payments are based

Payments under the current Bonus are based on the most recent year of housing delivery. However, there is considerable year-on-year fluctuation in housing delivery within local authorities – fluctuation which may not necessarily reflect an underlying change in performance. One possible approach would be to instead base payments on the average of the most recent three years of housing delivery. The government seeks views on whether a reformed Bonus should be adjusted in this way.

Question 8: Should the Bonus be awarded on the basis of the most recent year of housing delivery or the most recent three years?

Generally this is supported on the basis that it in periods of declining growth it provides transitional protection for funding levels in that scenario. It is noted, however, that awards will be lower for periods of continuing upward growth in this average approach which may reduce any intended incentive effect but this does seem to level the playing field a little between those that are more readily able to achieve housing growth and those that are more constrained.

4.2. Changes to the threshold for payment

Under the current scheme, the threshold for payment is a baseline percentage of annual housing growth: local authorities are only rewarded for net additional homes added to the Council Tax Base above a baseline of 0.4% growth in their housing stock over the previous year. In other words, if the housing stock has risen by 0.3% since the previous year, no Bonus is payable, whereas, if it has grown by 0.5%, Bonus is payable in respect of 0.1% housing growth.

The government now seeks views on possible reforms to the threshold for payment of the Bonus.

Option A: Raising the baseline percentage

One option would be to keep the payment threshold as a baseline of annual housing growth, but to raise the baseline percentage. The government is considering a new baseline of 0.6%, 0.8% or 1.0% growth, and invites views on each of these possibilities. The government considers that raising the baseline, making the reward more challenging to achieve, would sharpen the incentive effect of the Bonus and encourage more ambitious housing delivery.

Question 9: Do you agree that the baseline should be raised?

We don't agree that the baseline should be raised because this approach penalises those Councils where the scope to achieve above baseline percentage is constrained. Whilst Gedling Borough Council has an adopted Local Plan, sites could only be allocated to meet (rather than exceed) identified housing need due to the need to demonstrate exceptional circumstances to justify changes to Green Belt boundaries. Following adoption of the Local Plan, delivery timescales are in the hands of developers of housing allocations. As an authority where the entirety of the rural area is designated as Green Belt, there is no scope to increase supply through the planning application process, only through a review of the Local Plan which is a time-consuming process.

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?

None of these – see response to Question 9 above. Any general increase in the threshold would continue to disproportionately affect Councils like Gedling where growth is constrained by the Green Belt designation. A 1% threshold would be the equivalent to our local housing need figures (the Band D equivalent figure would be lower) and effectively exclude Gedling from this Bonus system.

Question 11: Why should the government opt for the baseline you have recommended in answer to the previous question? A higher baseline could potentially be combined with a higher payment rate (so as to keep the total level of funding broadly constant). Alternatively, the same payment rate could be maintained (in which case total funding would fall).

See response to Question 9 above.

Question 12: If the baseline is to be raised, should this change be combined with higher payment rate?

Disagree. See response to Question 9 above.

Option B: Rewarding improvement: setting the payment threshold by reference to a local authority's past performance

An alternative approach would be to set the threshold relative to a local authority's own past performance in respect of housing growth. Rather than having a single baseline of housing growth for all authorities, this approach would in effect reward authorities for improvement on their average past performance. Authorities would be rewarded for each net housing addition to the Council Tax Base above a certain percentage (call it $x\%$) of the annual average of past net housing additions (over a designated period of time).

The purpose of this reform would be to provide an incentive for authorities with a less successful record of housing delivery to improve rapidly. Both the value of the variable x , and the time period over which average past performance should be calculated, are parameters on which the government would welcome views. Time periods the government is considering for calculating average past performance are 5 or 10 years. The government is not minded to use a period shorter than 5 years, as

year-on-year fluctuations in housing delivery within a given local authority likely make this inappropriate.

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?

This approach is supported over the current approach but the above comments would still apply. This approach may help to level up the award of the Bonus and address some of the disproportionate impacts that exist within the current system which assumes all councils have the same ability to grow and that they operate within the same constraints which is not the case. This will depend upon appropriate values of x being set (see below). Performance in certain Council areas (e.g. where all rural areas are designated as Green Belt) is limited by the amount of land that is allocated for housing to meet housing need and there is no scope to increase supply. If the Housing Delivery Action Plan for that Council demonstrates that a wide range of measures are already being implemented to work with developers and increase delivery rates, then there is little opportunity to improve performance with respect to Housing Growth. Such Council areas should not be financially penalised.

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?

See response to question 13. The value of x should be as low as possible, in Green Belt authorities, to reflect the limited capacity to increase performance despite housing delivery being a Council priority. It would be helpful to see some exemplifications of this proposal. Assuming net additions includes the movement on long term empty homes, which cannot be wholly influenced, a maximum of 10% of the annual average of housing additions is suggested as the threshold for Green Belt authorities. To enable a levelling up of the New Homes Bonus a separate threshold should be considered for non-Green Belt authorities which have more opportunities for growth outside of the local plan. This would require the development of an objective and transparent methodology to ensure equitable treatment for all.

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?

The annual average should be calculated over a 5 year period.

Option C: A hybrid approach: rewarding improvement and high housing growth

A further alternative would be a hybrid of options A and B. This hybrid approach would involve adopting a new payment formula that rewards authorities for either improving on their average past performance or achieving high housing growth. Under this option, authorities would be rewarded for each net housing addition to the Council Tax Base above the lower of:

- x% of the annual average of past net housing additions (over the relevant designated period of time); and
- y% of the authority's housing stock.

The purpose of this hybrid approach would be for the Bonus to continue to incentivise authorities to perform well, but also provide an incentive for authorities with a less successful record of housing delivery to improve rapidly. The government welcomes views on what the values of the variables x and y should be in this payment formula. The government's current preferred approach would be to set the value of y significantly higher than the current 0.4% baseline.

Question 16: Should the government adopt a new hybrid payment formula for the Bonus which rewards either improved performance or high housing growth? Please explain why or why not.

This approach seems unnecessarily complicated but appears to recognise that all authorities are not currently equal in the allocation of the Bonus. As suggested in response to question 14 the hybrid model should also be linked directly to the ability to grow and would need an objective and transparent methodology to ensure equitable treatment which would likely be complex.

A simpler, alternative approach may be to link funding to local plan preparation, rather than increases in housing delivery, being more within the control of the Council. However this option is also not without problems, as detailed in the response to question 2, which would need to be addressed to ensure any performance measure on this basis is fair over time e.g. the requirement to periodically update the plan effectively stalls new development and this would need to be recognised and equalised, together with an assessment of the potential impact on the timescales required to develop the local plan in consultation with other local authorities in accordance with good practice (as detailed in question 28) which should not be dis-incentivised.

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?

See response to Question 16.

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?

See response to Question 16.

4.3. Supporting infrastructure investment in areas with low land values

In the Planning for the Future White Paper, the government proposes to replace the existing system of developer contributions with a new Infrastructure Levy. The Infrastructure Levy would capture a proportion of land value uplift associated with housing development and use this to fund affordable housing and infrastructure.

Land value uplift is greatest in areas where development values are high. The government is currently considering responses to Planning for the Future, and decisions on how to take the Infrastructure Levy forward are subject to this consideration.

Option D: Repurposing the Bonus to support infrastructure investment in areas with low land values

One approach would be to repurpose the Bonus to balance the effects of low developer contribution income in lower value areas by providing an incentive to local authorities to bring forward development in these areas. This would support local authorities in lower value areas to provide infrastructure and affordable housing alongside development. This approach depends on core elements of the Infrastructure Levy being taken forward in line with the approach proposed in the White Paper.

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?

Disagree. The location of new development is already informed by many factors including the availability of land promoted for development, restrictive designations such as the Green Belt, landscape, wildlife designations, heritage designations, deliverability, proximity to infrastructure etc. Incentivising authorities to bring forward development in lower value areas risks decreased weight being given to these other factors. Consideration is already given to the viability of development and the delivery of supporting infrastructure and affordable housing through plan wide viability assessments, to enable allocations to be taken forward on an informed basis.

Question 20: What, in your view, would be the advantages and disadvantages of repurposing the Bonus in this way?

See response to Question 19.

Question 21: If the option is to be pursued, should this reform to the Bonus be postponed until the new planning system is enacted?

Agree. This would enable the implications of the proposed Infrastructure Levy to be factored in.

4.4. Modern Methods of Construction

The Bonus presently incentivises general housing growth, and the government intends to keep this as the primary objective of any reformed Bonus. However, the government also wishes to promote take up of modern methods of construction (MMC), and is considering ways in which the Bonus might, as a subsidiary objective, incentivise MMC. The government is keen to hear views on what levers local authorities have at their disposal to encourage the use of MMC and how a reformed Bonus might best reward these.

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? *Local authorities can encourage uptake of MMC through the adoption of local plan policies and through positive engagement with applicants as part of the pre-app process. However, it is also important to work closely with elected members to assist understanding of the implications of MMC in tandem with the policy preparation and planning application process.*

Option E: Introducing a premium for modern methods of construction (MMC)

One approach would be to introduce a premium for new homes built using MMC, analogous to the premium for affordable homes paid under the current scheme. The government recognises that the data on MMC required for this option is not currently collected and invites views on the burden these additional data requirements might impose on local authorities. One approach being considered by the government is to collect the relevant MMC data at the point at which a building is signed off as habitable.

Modern Methods of Construction

Modern Methods of Construction refers to a wide spectrum of technologies, ranging from offsite construction to smart techniques. The MHCLG Joint Industry Working Group on MMC produced a seven-category definition framework, which spans the MMC used in homebuilding. The categories are:

Category 1 – Pre-Manufacturing - 3D primary structural systems: A systemised approach based on volumetric construction involving the production of three-dimensional units in controlled factory conditions prior to final installation

Category 2 – Pre-Manufacturing - 2D primary structural systems: A systemised approach using flat panel units used for basic floor, wall and roof structures of varying materials, which are produced in a factory environment and assembled at the final workface to produce a three-dimensional structure

Category 3 – Pre-Manufacturing – Non-systemised structural components: Use of pre-manufactured structural members made of framed or mass engineered timber, cold or hot rolled steel or pre-cast concrete.

Category 5 – Pre-Manufacturing – Non-structural assemblies and sub-assemblies: A series of different pre-manufacturing approaches that includes unitised non-structural walling systems, roofing finish cassettes or assemblies, etc.

Category 6 – Traditional building product led site labour reduction/productivity improvements: Includes traditional single building products manufactured in large format, pre-cut configurations or with easy jointing features to reduce extent of site labour required to install.

Category 7 – Site process-led labour reduction/productivity improvements: This category is intended to encompass approaches utilising innovative site-based

construction techniques that harness site process improvements falling outside the other categories

Pre-manufactured value (PMV) is a measure of the proportion of a project made up of on-site labour, supervision, plant and temporary works and is associated with increased productivity. Increasing manufacturing and/or reducing site labour can both be applied to improve PMV.

Question 23: Should the Bonus include a premium for new homes built using MMC? Please explain why or why not.

Agree. It is important to promote MMC to promote take up. However, this element should be treated as an additional bonus rather than part of the calculation, in recognition of the fact that MMC levels can vary year on year as they may not be suitable for all sites (depending on access and topography) and the capacity of MMC factories and proximity to a Council area will also be a factor.

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? Agree.

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?

Agree

Option F: MMC as a condition on receipt of funding

An alternative approach to using the Bonus to encourage take up of MMC would be to make receiving Bonus funding conditional upon an authority's achieving an MMC-related target. This target could relate to the proportion of new housing additions which used MMC. For instance, the condition might require that w% of net additional homes used MMC in order for the Bonus to be paid.

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?

Disagree. The key focus should be on the delivery of new homes. The inclusion of a premium for new homes built using MMC could potentially result in delays to housing delivery. Homes using MMC may not be suitable for all sites (depending on access and topography) and the capacity of MMC factories and proximity to a Council area will also be a factor. This element should be treated as an additional bonus rather than part of the calculation.

Question 27: Why should or shouldn't such a condition be introduced?

A condition of this nature should not be introduced. The key focus should be on the delivery of new homes. The inclusion of a premium for new homes built using MMC could potentially result in delays to housing delivery. Homes using MMC may not be suitable for all sites (depending on access and topography) and the capacity of MMC factories and proximity to a Council area will also be a factor.

4.5. 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 also considering ways in which, as a subsidiary objective, the Bonus might incentivise the development and maintenance of up-to-date local plans.

Option G: Requiring an up-to-date local plan

One possible approach would be to 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 be able to credibly demonstrate satisfactory progress towards developing one but such an approach would need to be sufficiently robust to prevent abuse. The government could consider payment of the bonus at a reduced rate until such time as an up-to-date local plan is in place. This could be a reduction of 25%, 50% or 75%.

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?

Linking the payment of New Homes Bonus funding to local plan preparation may preferable to linking payment to housing delivery as this is a matter which is more fully within a Council's control (subject to consideration of the impact of the periodic review detailed in question 16). However, there may be other factors which determine whether or not a local plan is in place. For example, Gedling Borough Council is working with other Greater Nottingham authorities to prepare a part 1 local plan on an aligned basis. The approach taken is held up as an exemplar and is in accordance with good practice. However, this means that the Council is reliant on other authorities to progress plan preparation to the agreed timescales. The Council should not be penalised due to circumstances beyond their control and, if this approach is progressed, it should be sufficiently robust and enable other factors to be taken into account other than simply stage of plan preparation.

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%?

Disagree. See response to Question 28.

Question 30: If you are a local authority, would this encourage you to develop or maintain an up-to-date local plan?

This may be a helpful incentive for other authorities who are not currently prioritising plan preparation. See Question 28 regarding the need for a sufficiently robust approach that takes account of wider factors relating to plan preparation.