

Report to: **Strategic Planning Committee**



Date of Meeting 30th March 2021

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The Future of New Homes Bonus Consultation

Report summary:

This report seeks to make Members aware of a current government consultation on the future of the New Homes Bonus and to seek Members agreement to responses to the various consultation questions. Officers have sought to consider the options put forward as best as they can but without more information it is not possible to model the likely financial implications of each option for the Council.

The report below includes the main text from the government consultation with proposed answers to the consultation questions inserted for Members to consider.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

That Members consider the government consultation on the Future of New Homes Bonus and recommend to Cabinet that the proposed responses to the consultation questions form the Council's formal response to be submitted to the government.

Reason for recommendation:

To ensure that the Council respond to the consultation on the Future of New Homes Bonus and seek to influence the future of this important funding stream.

Officer: Ed Freeman – Service Lead – Planning Strategy and Development Management

Portfolio(s) (check which apply):

- Climate Action and Emergencies
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Culture, Tourism, Leisure and Sport
- Democracy and Transparency
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities

Financial implications:

The outcome of this consultation is critical to the financial position of the Council. Although the effect of losing New Homes Bonus income has been mitigated in part by only relying on a proportion of this funding each year to support core revenue costs/services this does represent an annual sum of £1.5m of income to the Council's General Fund Budget. The remaining balance of the grant has been used to support the Council's capital programme. In total the Council has received £30.2m over the 11 years of the scheme, reaching its peak of £4.5m in 2017/18, £2.5m will be received in 2021/22 as the scheme has become less generous.

Legal implications:

It is within the remit of the Strategic Planning Committee to agree responses to Government consultations on planning related matters on behalf of the Council. Otherwise the report does not raise any other legal implications which require comment.

Equalities impact Low Impact

Climate change Low Impact

Risk: High Risk; NHB is an important income to the Council

Links to background information

Link to [Council Plan](#):

Priorities (check which apply)

- Outstanding Place and Environment
 - Outstanding Homes and Communities
 - Outstanding Economic Growth, Productivity, and Prosperity
 - Outstanding Council and Council Services
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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.

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 the government implemented changes 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.

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.

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?

With reductions in other funding streams for local authorities the new homes bonus has become an increasingly significant means of funding public services. This inevitably leads to authorities having to be mindful of this when planning for growth.

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

In East Devon we already have a substantial housing need which has led to an ambitious growth agenda including the development of Cranbrook New Town. The New Homes Bonus has been an important component in funding that agenda and made it possible to deliver the levels of growth that were envisaged. Had the scheme not been in place then growth levels may well have been lower. The Council has used this income to meet borrowing costs to support essential upfront infrastructure required for new development, there needs to be certainty going forward on this key income stream or such business models do not work.

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

It is important that the New Homes Bonus remains only an incentive to deliver growth and that local authorities do not become so reliant on it that it becomes a consideration that starts to override good planning. It is important that the drive to deliver new homes and government incentives do not become determinative and lead to poor quality developments being granted that are not sustainable and deliver a poor living environment for residents just to obtain government funding.

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?

With strategic planning having effectively been abolished the delivery of the governments housing growth agenda rests almost entirely on the District Councils in two tier areas. The County Council role is limited to that of advising and supporting in terms of the delivery of the infrastructure for which they are responsible. It therefore seems appropriate that the incentive for accommodating growth in the form of the New Homes Bonus is heavily weighted in favour of those that are responsible for delivering that growth – the district councils.

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?

There is an ever increasing need to deliver homes that are genuinely affordable and meet the needs of the community as we have a growing gap between household incomes and house prices. In order to do this dedicated staff and resources are needed to ensure that we maximise what can be delivered through Section 106 agreements by negotiation as well as developing our own programme for delivering affordable housing. Given the resources and commitment that this work takes it is only right that authorities that are successful in prioritising the delivery of affordable housing are rewarded for doing so and given the resources to help them to continue this work.

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

Although the delivery of affordable homes of all types and tenures is important the bonus scheme should recognise that delivering social housing that is genuinely affordable to those in greatest housing need is particularly challenging. In order to deliver these tenures which are more expensive and hardest to deliver can lead to fewer affordable homes being delivered overall and yet these could be the homes that have the greatest impact on meeting the needs of the community. The current scheme incentivises authorities to deliver the highest possible number of affordable homes when it should be incentivising them to deliver affordable homes of types and tenures that best meet the needs of their community. As a result the bonus should have a greater premium for the delivery of social rented units to reflect the fact that these are the most costly and difficult to deliver and that by seeking them authorities will often end up with fewer affordable units overall due to the greater cost to the developer of delivering them compared with discounted market housing products.

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?

It is vital that the scheme continues to reward authorities for bringing long term empty homes back into use. It is clearly wrong to have people homeless and in housing need and yet have perfectly good homes lying empty. Local authorities do great work with landlords and property owners to bring these homes back into use but this work needs resourcing. The bonus acts as a means for funding this work and ensuring that we continue to maximise the opportunities available from the existing housing stock rather than committing resources entirely to building more and more new homes.

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?

Assessing performance on the most recent year of housing delivery has inherent problems as economic circumstances and factors such as the Covid-19 pandemic can have a significant impact on delivery and yet are not reflection of the performance of local authorities. Basing payments on the average of the most recent 3 years would help to smooth out these fluctuations and make for easier financial planning.

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?

No – Raising the baseline will make it harder for some authorities to achieve the baseline level in many cases for reasons that are entirely outside of their control. This may be because they are a heavily constrained urban that is built up close to its boundaries or a more rural area with substantial environmental constraints that limit growth. In either scenario the authority may still have growth ambitions that are ambitious given their constraints and they should be incentivised to deliver the levels of growth that are reasonable and appropriate given their circumstances and rewarded when these are achieved. Lowering the threshold could act in the opposite way if the levels of growth needed to meet the threshold are unachievable and so they may not even try for growth.

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?

See answer to Question 9.

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 answer to Question 9

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

Although the baseline should not be raised it would seem appropriate to have a graduated higher payment rate according to how far over the threshold the authority has managed to increase its housing stock. This approach would address the governments concerns by rewarding those high achieving authorities whose stock has grown the most and incentivising higher levels of growth without punishing those for whom those levels of growth are unachievable for reasons beyond their control.

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?

The problem with this approach is that high performing authorities who have accommodated high levels of housing growth in the past and have now hit the ceiling of what the market can support year on year would effectively be penalised for not being able to continue that increasing growth over time. In contrast those that have underperformed in the past would effectively be rewarded for their past failures if they now improve. This does not seem to be a fair approach and could lead to unforeseen consequences such as previously high performing authorities feeling disincentivised such that their performance drops.

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 answer to Question 13.

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?

Since the New Homes Bonus was introduced 10 years ago it would seem logical if this approach is to be adopted to take an average over the full 10 year period and then be incentivising growth levels beyond those that the previous incentives have led to. A 5 year period would seem random.

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.

A hybrid approach retains the problems of each of these options as standalone approaches in that it would disadvantage those that have been successful in delivering housing growth in the past when they should continue to be rewarded for their on-going success and incentivised to continue. It is not however always possible to continue to increase housing delivery year on year without a ceiling being reached where the housing market cannot deliver more or local constraints limit further increases. These factors need to be taken into account in any formula.

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?

It should be retained at the current level of 0.4%. The government has not made any sound arguments for changing it.

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?

If the bonus scheme is to continue to incentivise housing growth then it is difficult to see why it would not reward any growth to the housing stock above the threshold.

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?

No – The new homes bonus is there to incentivise housing delivery whereas the infrastructure levy would be specifically to provide funding for infrastructure. The government has yet to consult on detailed proposals for the infrastructure levy and the outcomes of any such changes to infrastructure funding are as yet unknown. It is premature to assume that a new infrastructure levy would lead to low developer contribution income in lower value areas and proportionately higher contributions in higher value areas. This is an assumption with no evidence behind it as yet and so it is too soon to consider repurposing or making any changes to the new homes bonus in response.

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

There is insufficient evidence to make any assessment of the advantages and disadvantages of this approach as it is based purely on an outline proposal for a new infrastructure levy the details of which remain unknown.

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

Any consideration of this approach should wait until the new planning system has not just been enacted but until it has been operating for a number of years so that the impacts of the changes can be fully understood based on evidence.

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?

There is very little that local authorities can do to encourage the uptake of MMC. It is not for the planning system or building control to dictate the construction methods used on new homes as long as standards are adhered to. They can utilise MMC on homes that they construct themselves but other than that all they can do is allocate sufficient land for house building and employment spaces and hope that developers wish to invest in MMC in their area. Factors such as availability of finance, skills and materials are likely to be far more influential in levering in MMC but these are not within a local authority's control.

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.

No – Local authorities do not have any real control of whether new homes built in their area are built using MMC and so rewarding those areas where MMC are being used is a random way of allocating funding. The bonus should be used to incentivise local authorities and reward them for things that they can significantly influence. The roll out of MMC is not one of them.

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?

No – How can it influence our behaviour when we have no control over the uptake of MMC? For this to work the government would have to give local authorities powers to enable them to encourage MMC in their area so that we can have greater influence over these issues before being incentivised to encourage MMC.

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?

Currently the only way to know whether a house was built using MMC would be through the building control process, however a large proportion of new homes will be assessed by Approved Inspectors and so the local authority will have limited information about the methods of construction used. The data burden would not therefore simply be onerous it would be impossible as things stand.

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?

See comments to Questions 23 – 25

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

See comments to Questions 23 - 25

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?

No – The New Homes Bonus has always been an incentive to deliver housing growth. Having an up to date local plan is part of the package of measures available to a local authority to ensure that it delivers new housing. Failure to have an up to date local plan is likely to lead to lower levels of housing growth anyway and so the current system already penalises authorities who do not have an up to date local plan. To increase the penalty in the way suggested it is only likely to remove funding from those authorities when these may be a major factor in why a local plan is not up to date or a new plan being progressed more quickly. Penalising them in this way is therefore counter product and represents a double penalty on top of the impact that not having an up to date plan already has.

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%?

No – Any reduction in funding is only likely to make it harder for an authority to progress a new Local Plan and would therefore be counter productive.

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

There are already plenty of measures in place to encourage local authorities to maintain an up-to-date local plan without the need for more.