

The Future of the NHB consultation

POS response

1. Planning Officers Society

POS is the single credible voice for public sector planners, pursuing good quality and effective planning practice. The Society's aim is to ensure that planning makes a major contribution to achieving sustainable development in ways that are fair and equitable and achieve the social, economic and environmental aspirations of the community.

We operate in three main ways:

- As a support network for planners in the public sector
- As promoters of best practise in planning
- As a think tank and lobbying organisation for excellence in planning practice

Where we can, we will work across the sector to craft proposals that have widespread support from the people who operate the planning system at the coalface: landowners, developers, agents, legal, LAs and politicians. We will be both radical and practical as we look for solutions to tangible problems that will make a real difference to crucial areas. Our objective is to improve the planning system to enable it to deliver its key aim of sustainable development. It is within this context that we have set out this advice to Government so we can plan together for a better future.

2. The Future of the NHB

Question 1:

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

Yes, with reductions in other funding streams for Local Authorities (LAs) the new homes bonus has become an increasingly significant means of funding public services. This inevitably leads to LAs having to be mindful of this when planning for growth.

However at the other end of the scale, the top-slicing of funding from the Revenue Support Grant is particularly detrimental to LAs with high levels of deprivation, high

need, and low council tax bases, where wider austerity impacts are requiring LAs to make extremely difficult choices.

The New Homes Bonus (NHB) regime also works to the disadvantage of less buoyant housing markets. Many LAs do not lack ambition to see housing growth, however, much wider financial support is needed that will enable some LAs to facilitate housing growth and deliver housing targets, at the same time as delivering wider essential services.

Question 2:

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

Yes, POS is aware that many LAs use the NHB to meet borrowing costs to support upfront infrastructure for new development. There needs to be certainty that this income stream will continue to be available otherwise this business model will not work.

However, at the other end of the scale, the NHB does not recognise that in some local authority areas (for example the North East England) housing delivery is being significantly constrained by many factors including low development values and viability. There are examples of sites which have been subject to historical industrial or chemical processes associated with mining and heavy industry, ground conditions and contamination make development challenging and increase the costs of bringing forward development sites. These challenges are compounded in lower development value areas.

The NHB's reliance on a net housing delivery target, and the introduction of a minimum delivery threshold, limits its influence, where the composition of housing stock mean demolitions have been necessary in the past, and may be required in the future (having a consequential impact on net delivery rates), and where overall levels of housing need are relatively low.

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 NHB remains only an incentive to deliver growth and that LAs 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.

In some areas financial support is required to overcome barriers to development, including ground conditions and contamination which make development very challenging, and to ensure the local authority has sufficient resources and capacity to carry out the intensive work to facilitate and drive housing growth.

Government could consider including a premium for homes built on brownfield land which would support a sustainable approach to development.

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?

POS would suggest that the funding should go to those that are responsible for delivering the growth, which is the District Councils.

Question 5:

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

Yes, 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. 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?

Increased, 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 Government should consider financial support for the delivery of affordable homes based upon evidence of need and directed to areas where delivery of those homes is fettered by matters such as viability, particularly where ground conditions and contamination, and lower development values, make development very challenging. NHB is not sufficiently targeted; and is not linked to either the sum of funding required to offset viability issues, nor to the point at which financial support is required in the development process.

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. Even with an affordable homes premium, the pro-rata payment for affordable homes is still well below the Band D equivalent due to the weighting of B and A and B properties, which is the likely banding of an affordable home.

Question 7:

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

Yes, it is vital that the scheme continues to reward authorities for bringing long term empty homes back into use. This should be as an extension to the quantum of the main scheme, rather than reducing the overall funding levels from the main scheme. It is clearly wrong to have people homeless and in housing need and yet have perfectly good homes lying empty. LAs 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 LAs continue to maximise the opportunities available from the existing housing stock rather than committing resources entirely to building more and more new homes. All new homes should comply with the nationally described space standards.

Question 8:

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

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 a reflection of the performance of LAs. Basing payments on the average of the most recent three years would help to smooth out these fluctuations and make for easier financial planning.

It would also be consistent with the housing delivery test, which is based on the preceding three years performance.

Question 9:

Do you agree that the baseline should be raised?

No, POS suggests the baseline is removed altogether if the Government wishes to achieve growth of 300,000 units a year. Increasing the baseline during an economic

downturn could put the threshold too far out of reach of the hardest hit areas, weakening the incentives for housing growth rather than sharpening them. There is no evidence suggested in the consultation to justify increasing the baseline.

Raising the baseline will make it harder for some authorities to achieve, in many cases for reasons that are entirely outside of their control. This may be because they are a heavily constrained urban area that is built up close to its boundaries or a more rural area with substantial environmental constraints that limit growth, or an area where development is fettered by matters of weak housing markets and viability. 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.

The net growth of homes should be reconsidered as this penalises LAs that are that are progressing area regeneration involving the demolition of properties that are no longer fit for the future.

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?

Baseline should not be raised

Question 11:

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

Baseline should not be raised, it should be removed to incentivise housing delivery.

Question 12:

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

Yes, 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.

Question 13:

Should the government adopt a new payment formula for the Bonus which rewards LAs for improvement on their average past performance with respect to housing growth?

No, 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 dis-incentivised 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 response 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 NHB 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.

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.

No, 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 0.4%, there are no 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.

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 NHB 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. This is an assumption with no evidence behind it as yet. 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.

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?

Yes, 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.

Question 22:

In your view, what levers do LAs have at their disposal to encourage uptake of MMC, and how impactful is such encouragement likely to be?

There is very little that LAs can do to encourage the uptake of MMC. 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. It may be that the government can influence MMC through other routes including convincing lenders, supporting the supply chain and liaising with the top 10 house builders to have an impact on the future and security of the supply chain. This should be supported by the Government especially in the run up to the UN Climate Change Conference (COP26) in Glasgow, November 2021.

Question 23:

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

No, LAs 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 not justified. The bonus should be used to incentivise LAs and reward them for things that they can significantly influence.

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?

Unlikely, those LAs looking to deliver housing will continue to work with house builders and use the best methods available.

It is important that the NHB remains only an incentive to deliver growth and that LAs do not use it as a consideration that starts to override good planning (for example putting undue weight on a scheme using MMC). 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.

If Government are serious about encouraging MMC then they need to give LAs powers to enable them to encourage MMC. Merely imposing conditions is unlikely to be successful as to do so when a developer is unable to use MMC would fail the statutory reasonable test.

Question 25:

How onerous a data burden would this option impose on LAs? 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?

Very onerous. Currently the only way to know whether a house was built using MMC would be through the building control process. A 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 not be possible.

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?

No, housing should be delivered without additional burdens.

Question 27:

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

As summarised above, LAs do not have control over house builders to build using MMC. Legislation would need to be in place for LAs to require house builders to build using MMC.

Question 28:

Do you think that LAs should be required to have a local plan, or demonstrate satisfactory progress towards one, in order to receive funding?

No, the NHB 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. However, many factors can contribute to delays with a Local Plan, some outside of a LAs control, including reform to the planning process and resources at the Planning Inspectorate.

LAs understand that 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 counterproductive 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 counterproductive. If it has to happen then it should be the lowest amount possible 25% or less.

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 LAs to maintain an up-to-date local plan without the need for more. It is unlikely that a reduced NHB would be a determining factor for LAs, however, a reduced NHB is likely add to Local Plan delays by reduced resources.