

## NEW HOMES BONUS: SHARPENING THE INCENTIVE - Technical Consultation

A response by CPRE  
March 2016

### Introduction and summary

1. The Campaign to Protect Rural England (CPRE) welcomes the opportunity to respond to this consultation. CPRE campaigns for a beautiful and living countryside. As well as our national office in London, we have 60,000 members and supporters, 43 county branches and more than 200 district groups across England. Our members and supporters, including over 2,000 parish councils, are actively involved in working for the special landscapes and wider countryside where they live, including by getting involved in local planning issues.

2. We make some general points of principle, and then the remainder of this paper responds to the consultation questions in order.

3. At present, the New Homes Bonus scheme is the most significant financial incentive used by Government to encourage housebuilding. When consultation took place on its introduction in 2010/11, CPRE raised profound concerns that the supporting legislation for the scheme in the Localism Act posed a serious risk of distorting the planning process, by introducing financial benefits as a relevant or ‘material’ consideration in decision making by local planning authorities. In our view the current Planning Practice Guidance has done much to address this concern by making clear that a financial consideration is only material if it helps make a development acceptable in planning terms<sup>1</sup>. We would urge the Government to maintain this principle and we will respond to the Government’s separate Technical Consultation on Planning proposals on financial benefits in planning, in these terms.

4. Notwithstanding the above, CPRE remains of the firm belief that the New Homes Bonus should be substantially reformed, because in its present form it has the damaging outcome of encouraging local authorities to permit or accept poor quality new development, without having had a chance to plan strategically for it.

5. The scheme has been widely criticised, including by both the National Audit Office in March 2013<sup>2</sup> and the House of Commons Public Accounts Committee in October 2013<sup>3</sup>. In July

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<sup>1</sup> <http://planningguidance.communities.gov.uk/blog/guidance/determining-a-planning-application/how-must-decisions-on-applications-for-planning-permission-be-made/>, at paragraph 011.

<sup>2</sup> <http://www.nao.org.uk/report/the-new-homes-bonus-2/>, published 27 March 2013.

2014, an investigation by the Financial Times highlighted that the scheme had served in effect to redistribute public funding away from areas in the Midlands and the North in need of regeneration, to areas of London and southern England<sup>4</sup>. These areas already have buoyant property markets and little need of further development incentives. According to the investigation:

- London, the South East, the South West and East Anglia have reaped £177 million more than they would have done without the bonus - to the detriment of authorities in the Midlands and the North; and
- the 50 most deprived councils have lost out on £111m while the 50 least deprived have gained £96m.

6. Such an outcome is in direct contradiction to the Government's stated aims of creating a Northern Powerhouse and to prioritise the re-use of brownfield sites. Many of these sites are in the northern regions and need investment in remediation in order to make development economically viable.

7. Some elements of the current New Homes Bonus scheme are valuable: in particular those which support affordable housing and bringing empty homes back into use. In other cases, the scheme should explicitly support the successful delivery of schemes in a development plan (local plan or neighbourhood plan) that is either adopted or, to a lesser degree, at examination. This would retain the focus on rewarding an increase in housebuilding, as the New Homes Bonus originally intended. It would also be more likely to reward well planned, good quality development that is supported by the local community. The scheme should also be used to encourage the granting of planning permissions on brownfield sites in clear preference to greenfield, and should not support greenfield schemes that are not in accordance with an agreed local or neighbourhood plan. When brownfield sites have not attracted funding under other Government schemes, local authorities could do more to work towards the Government's target of 90% of suitable brownfield sites having planning permission by 2020.

*Question 1 What are your views on moving from 6 years of payments under the Bonus to 4 years, with an interim period for 5 year payments?*

*Question 2 Should the number of years of payments under the Bonus be reduced further to 3 or 2 years?*

8. CPRE has no comment to make in response to either of these questions.

*Question 3 Should the Government continue to use this approach? If not, what alternatives would work better?*

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<sup>3</sup> See <http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accountscommittee/news/new-homes-bonus-report/>, 31 October 2013.

<sup>4</sup> See Pickard, J and Sharman, A: 'Flagship government housing scheme shifts cash from north', www.ft.com 27 July 2014.

9. This question refers to the method for calculating allocations of New Homes Bonus money, which involves council tax returns. The consultation paper mentions that the current method has served to favour areas with higher house prices, as payments are calculated by the national average council tax for properties within the relevant council tax band. CPRE would call for a more equitable method. We explain in more detail in paragraph 12 of this response how we think that New Homes Bonus funds should be better linked to proposals in development plans.

*Question 4 Do you agree that local authorities should lose their Bonus allocation in the years during which their Local Plan has not been submitted? If not, what alternative arrangement should be in place?*

*Question 5 Is there merit in a mechanism for abatement which reflects the date of the adopted plan?*

10. CPRE does not agree with the proposal in the consultation paper as we do not believe that the Government has to date provided a sufficiently helpful policy environment to getting up to date Local Plans in place. Our evaluations of the effect of the National Planning Policy Framework (NPPF) since its introduction in 2012 have shown that it has become more difficult to produce up to date plans, with the key factor being the lack of clarity in the NPPF policies on housing land supply<sup>5</sup>. We await with interest the findings of the Government's Local Plan Review, which partly aims to address these issues. In the meantime, we would recommend that New Homes Bonus should be at least partly payable on publication of a draft Local Plan. (This is distinct from one at the later stage of submission for examination.)

11. CPRE would welcome a greater link being made between the provision of New Homes Bonus funding and the preparation of development plans. But we do not believe that payment should be linked simply to boosting the overall supply of new housing. There is a critical need for affordable housing, as well as to make efficient use of suitable brownfield land in order to prevent the needless loss of valuable countryside. We have reservations about the proposal to reduce Bonus payments for local authorities with older Local Plans. In our view this would be less problematic than the proposal to reduce payments based on houses allowed on appeal (see responses to questions 6-8 below). But as proposed it would fail to recognise that the local planning authority may have both a relatively old Local Plan and yet taken part in more recent development planning. In particular more recent work could include local authorities supporting within their area fresh allocations of housing sites through neighbourhood plans.

12. CPRE recommends that the proposed change should not be introduced. Instead, Bonus payments should only be payable upon the successful delivery of schemes identified in a development plan (local plan or neighbourhood plan) that is either adopted or (payment in part) at examination, with exceptions to this rule only where brownfield sites or empty homes are being brought back into use, or where affordable social rented housing is being provided. (See also response to Questions 11 and 12 below.)

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<sup>5</sup> See CPRE, *Community Control or Countryside Chaos*, March 2014, p.13 and our submission of evidence to the Government Local Plan Review, October 2015, paras 4 & 5 and supporting table.

*Question 6 Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?*

*Question 7 Do you agree that New Homes Bonus payments should be reduced by 50%, or 100%, where homes are allowed on appeal? If not, what other adjustment would you propose, and why?*

*Question 8 Do you agree that reductions should be based on the national average Band D council tax? If this were to change (see question 3) should the new model also be adopted for this purpose?*

13. CPRE strongly disagrees with the proposal to reduce New Homes Bonus payments for houses allowed on appeal. We fear that it could act as a perverse incentive for the Planning Inspectorate to allow more planning appeals, as this would then reduce the amount of public money spent on the New Homes Bonus. In addition, local authorities will already have incurred significant costs in many unsuccessful appeal cases through, for example, having had costs awarded against them.

14. CPRE recommends that the best way to reduce payments of the New Homes Bonus is to make the following categories of schemes ineligible for the Bonus: schemes or elements of schemes that are either (i) not in accordance with development plans (linked to our previous recommendation above), or (ii) on greenfield land rather than brownfield or involving bringing empty homes back into use, or (iii) not affordable social rented housing.

*Question 9 Do you agree that setting a national baseline offers the best incentive effect for the Bonus?*

*Question 10 Do you agree that the right level for the baseline is 0.25%?*

*Question 11 Do you agree that adjustments to the baseline should be used to reflect significant and unexpected housing growth? If not, what other mechanism could be used to ensure that the costs of the Bonus stay within the funding envelope and ensure that we have the necessary resources for adult social care?*

*Question 12 Do you agree that the same adjustments as elsewhere should apply in areas covered by National Parks, the Broads Authority and development corporations?*

15. CPRE disagrees with the proposals in the consultation paper, as they would take no account of whether a significant increase in overall levels of housebuilding within a local authority would be the most sustainable option. Given the policies in the NPPF which indicate that development should be restricted in Green Belts, National Parks, and other protected areas, it is clear that local authorities with large areas of protected land should not be encouraged to permit housing development at or above an arbitrary, nationally set rate of growth. A key problem with the existing New Homes Bonus scheme is that it appears to be encouraging some local planning authorities to promote large scale development on sites in areas where the Government has committed to maintain protection. We would be keen to discuss this further with officials.

16. We are aware, however, that one of the criticisms made of the operation of the New Homes Bonus to date is that it has often served to reward local authorities for allowing housebuilding which would have taken place anyway due to favourable market conditions. CPRE recommends that Bonus payments should be focused on the delivery of schemes which deliver additional policy objectives in the NPPF alongside merely boosting housing supply, but which are less likely to take place without some further form of incentive. These would include (i) schemes identified in local and neighbourhood plans; (ii) the regeneration of brownfield sites or re-use of empty homes where some form of public investment has been required, but which have not attracted funding under other central Government schemes such as the promised long term Housing Development Fund; or (iii) delivery of affordable social rented housing over and above the recent rates of delivery within the local authority area.

*Question 13 Do you agree that county councils should not be exempted from adjustments to the Bonus payments?*

17. CPRE has no comment to make on the specific issue of county councils, beyond our view that the 'adjustments' proposed are flawed and that the Bonus should be fundamentally recast along the lines we suggest above.

*Question 14 What are your views on whether there is merit in considering protection for those who may face an adverse impact from these proposals?*

18. CPRE does not believe that the New Homes Bonus at present works in a way that can be considered fair or equitable to many local authorities across the country. We would refer the Government to the widely-made and fundamental criticisms of the scheme, in particular by the National Audit Office in March 2013, the House of Commons Public Accounts Committee in October 2013, and the Financial Times in July 2014 (see paragraph 5 above), none of which the consultation paper has acknowledged. The proposals in the consultation paper would, for the most part, either fail to improve the situation or, in some cases, make matters worse.

19. We believe therefore that the New Homes Bonus should be fundamentally recast along the lines we have set out in this response.

CPRE  
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