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To Whom It May Concern

New Homes Bonus: Sharpening the Incentive Consultation Response from the Empty Homes Network

This consultation response is being submitted on behalf of the Empty Homes Network: it is not an individual response.

The Empty Homes Network

Background

We are a national network with approximately 550 individual members and associates, launched in 2001 as the **National Association of Empty Property Practitioners**. Then-Minister Sally Keeble wrote

“NAEPP[=EHN] will provide a national voice for local authority and RSL staff in their work to bring empty homes back into use. The Government is keen to see its membership grow into a national network of empty property practitioners.”

Since then we have expanded our membership to include those working in regeneration companies, in self-help and community groups, and in private sector firms involved in helping bring empty homes back into use.

We are a not-for-profit membership organisation. We are separate from and completely independent of the charity Empty Homes Agency. We are self-financing, primarily through membership fees and our Conference.

Our main role is to support all practitioners and organisations involved in addressing the issue of empty homes, helping them work as effectively as possible. We do this by facilitating the sharing of information and experience, by organising training events and conferences, by promoting best practice amongst delivery partners and by promoting sound policy at national level. We argue for service improvement; help those practitioners with the least time and resources to gain confidence and carry out their duties more effectively; and support DCLG and other policy makers in developing approaches that will work in all localities.

How we assembled our views

The issues raised by the consultation were discussed by our Executive. This comprises representatives from empty homes forums from all over the country along with some members who are elected individually by the full membership.

Empty Homes issues associated with the NHB proposals

We welcome the impetus that NHB has given to local authority empty homes initiatives to date and are pleased that there are no plans to change the underlying principles involved.

Our concerns are whether the proposed changes might reduce the incentives to local authorities to tackle empty homes to improve neighbourhoods and provide good quality housing. Some of the proposals do not raise any issues and we have therefore simply left them out of account.

Answers to specific questions

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?

Reducing the number of years reduces the level of incentive. With empty homes, this might make the difference between an authority having an effective empty homes strategy and deciding not to bother. There might be better ways of reducing the overall cost of NHB, for example by reducing the level of reward per unit over a certain threshold number of units. But it is difficult to see any reduction in incentive that would not adversely affect the commitment to tackling empty homes unless a differential incentive were introduced that preserved or increased the level of incentive for bringing empties back into use whilst reducing the level of incentive for the building of new homes.

We agree that there should be a transitional arrangement rather than dropping immediately from 6 to 4 years, if this measure is to be introduced.

Question 2

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

No – see previous point. Such a reduction would exacerbate the loss of incentive.

Question 3

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

No this approach wrongly favours units in high-value areas against identical units in low-value areas and is manifestly inequitable. A fixed amount per unit would be preferable, for example based on the national average for a Band D property.

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?

This would incentivise the production of Local Plans whilst removing all the intended incentives associated with NHB, such as granting planning permission for new homes or tackling empty homes. It is

therefore diametrically opposed to the objectives of NHB. The absence of a local plan with a stated land supply for new homes normally puts developers in a better position to bring forward proposals for new housing – there are fewer constraints. For a local authority faced with this sanction, the best tactic would be to prolong negotiations as long as possible on sites for new homes and minimise its empty homes activities, so as to defer its likely NHB gains till after it had adopted a local plan. In short, this proposal is a perfect example of a perverse incentive. If the government wishes to ensure that local authorities have Local Plans it has other legislative avenues for securing this.

Question 5

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

No there is no merit in this whole approach.

Question 6

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

No. This is a gross manipulation of the quasi-judicial processes associated with the consideration of planning applications, carried out by democratically elected representatives of the local community. It ignores the many reasons why a local authority might deny a planning application, which might have nothing at all to do with the principle of building homes on the site in question. A planning inspector can award costs against a local authority if it has acted unreasonably. In the absence of an award of costs, there are no grounds for punishing a local authority as its action has, by implication, been reasonable.

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?

No. See answer to question 6.

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?

We fundamentally disagree with the principle. Beyond that, in low-value areas it would inequitable. It would be relatively easy to calculate the average amount of council tax charged in a given area (thus reflecting the local mix of properties).

Question 9

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

No. The NHB has limited effect as an incentive for new homes building and as a measure it has little connection with the real factors that govern rates of housebuilding in any given area, such as geography and economy. It is, however, widely recognised to function as an incentive for local authority empty homes activities. Areas with large number of empty homes often have correspondingly low rates of new house-building. Such areas may not reach the national baseline in which case they have reduced incentive to tackle empty homes.

The government should take a more realistic approach to NHB and abandon the charade that it has any meaningful impact on new house-building. Areas blessed with high demand, high unit values, and perhaps plentiful land supplies, may generate correspondingly high NHB receipts, without this

necessarily reflecting any particularly positive stance on the part of the local authority. Rather than operating a baseline, it would make more sense to cap or reduce the NHB windfall at the upper ends of the distribution, for example reducing the amount of NHB per unit over a given limit. Reducing the amount per unit provides an incentive to grant permission for more units.

Other more nuanced approaches could involve changing the 80%:20% split between districts and counties, if the aim is in part to produce more money for social services (a county responsibility). This would give counties a bigger stake in empty homes activities, which can produce significant results as evidenced by Kent.

Question 10

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

We do not agree with the concept of a baseline.

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?

The New Homes Bonus was introduced on the basis that it was eventually to be cost-neutral and this is broadly the case, other than the fixed additional amount that the government puts in, which is now relatively small in the context of the overall amount of NHB. Therefore it is difficult to see in what way NHB can escape from its "funding envelope". Of some relevance might be the distribution between districts and counties as discussed in our answer to Question 9.

The necessary resources for adult social care could be produced by more progressive income tax, higher VAT on luxury goods, or effective action to deal with tax evasion and avoidance, for example by multinational companies.

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?

Question 13

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

We do not think this question has been given adequate consideration in the consultation. One could take the view 100% of NHB in all single tier authorities goes to the equivalent of the "county" given that all the NHB earned is available for "county" functions such as education, social services and highways. The appropriateness of the current distribution of NHB between districts, counties and single-tier authorities has no basis in evidence that we are aware of and could not be discussed without detailed modelling of the impacts of different approaches.

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?

We agree in broad principle but we think the mechanisms that produce those adverse impacts should first be reviewed.

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Yours faithfully

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David Gibbens

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