

SIGOMA

Submission to DCLG technical enquiry on New Homes Bonus

1. ABOUT SIGOMA

- 1.1. SIGOMA is a special interest group of 45 authorities in the northern, midland and south-coast regions of England consisting of 32 metropolitan districts and 13 major unitary authorities covering key urban areas.
- 1.2. Our membership includes authorities in the North East, Yorkshire and Humberside, the North West, Merseyside, the Midlands and the Southern Ports.
- 1.3. Around 23% of all service expenditure by English local authorities is accounted for within SIGOMA authorities who also accommodate around 23% of the country's population.
- 1.4. 6 out of the 10 most deprived authorities in the country¹ are SIGOMA members including the country's most deprived authority, Blackpool. The average deprivation score of SIGOMA authorities is 29.7 compared to the national average of 23.0² with only 5 of our members having a score below that average
- 1.5. All SIGOMA authorities are billing authorities for Council Tax and retain 100% of New Homes Bonus.
- 1.6. Although SIGOMA authorities serve over 23% of English households liable to Council Tax, the Banding systems means that SIGOMA has only 20.4% of the equivalent band D baseline. This in turn underpins the fact that Council Tax income represents only 39.9% of Core Spending Power for SIGOMA compared to 52.3% for all other authorities. The New Homes Bonus allocations as they stand are affected by these factors.

2. GENERAL COMMENTS

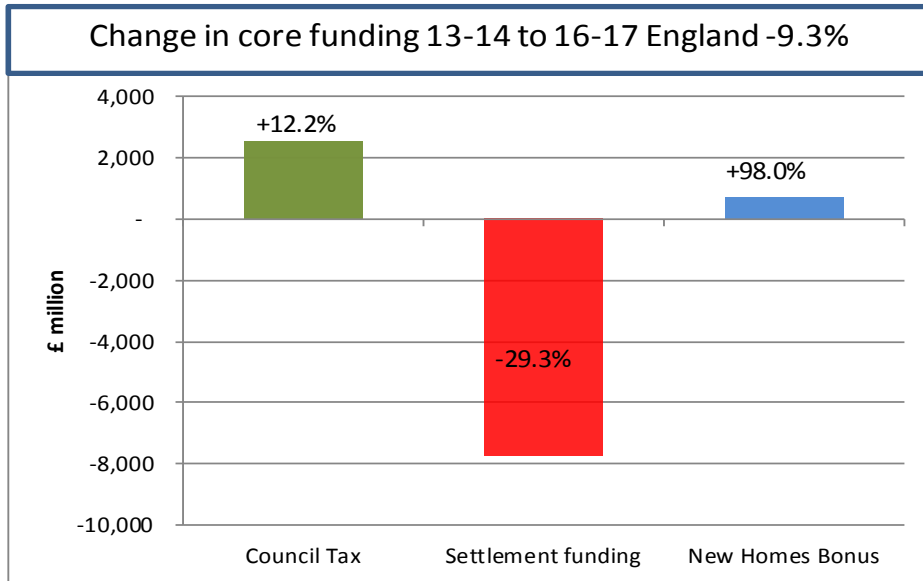
- 2.1. SIGOMA members recognize the need for, and are supportive of, a funding allocation that promotes or supports the building of homes, particularly low priced starter homes.
- 2.2. Members have little support for NHB however and feel that the NHB scheme has been in part at least a back door method of supporting funding streams to wealthier authorities at the expense of poorer ones.
- 2.3. Our principle objections to the scheme as it stands are:
 - Its is funded by topslice from general funding and therefore has risen at the expense of cuts to funding for other equally essential services provided by authorities. Housing funding should rank alongside all other funding in a a matrix of service needs. This seems to have been partially recognized in the latest settlement

¹ Index of Multiple Deprivation 2015. Department for Communities and Local Government upper tier local authority summaries-rank of average score

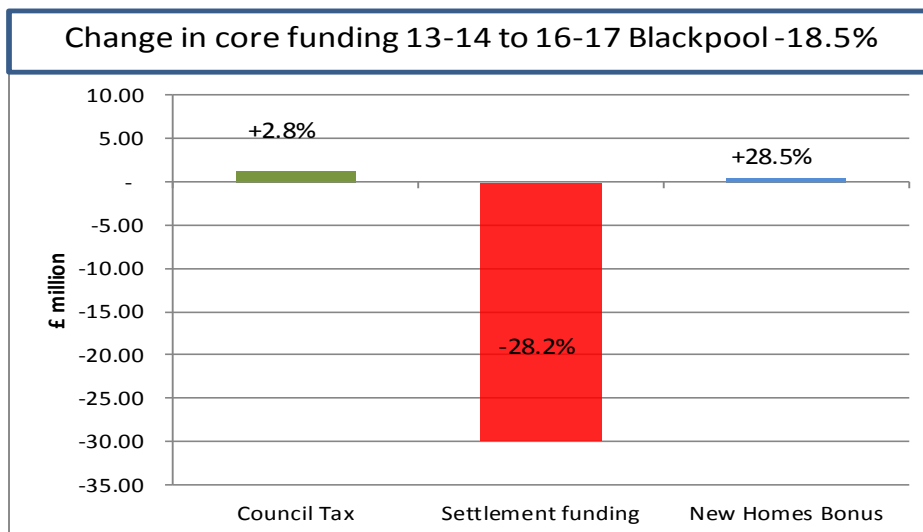
² Average of IMD average scores, where highest score = most deprived

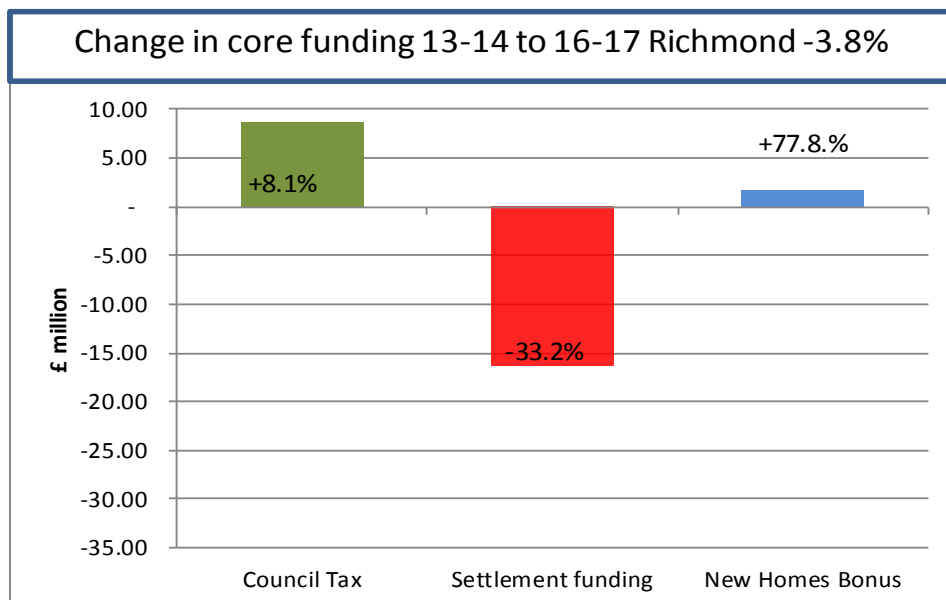
- The basic system gives greater rewards to delivery of additional high banded housing rather than lower value housing by giving grant according to house valuation bands. This counteracts the affordable homes premium.
- It bears no relation to the cost of delivering services which are driven by factors other than house numbers, such as deprivation and demand for social care.

2.4. The following series of tables shows the absolute and relative movements between 2013-14 and 2016-17 in core spending power, made up of Council Tax, settlement funding and New Homes Bonus, firstly the national total:



Then two individual authorities of comparable CSP totals in 2013-14, Blackpool and Richmond upon Thames





Though starting at around the same core spending power total, Richmonds higher tax base and consequent higher and growing New Homes Bonus share have left the authority with a much lower cut to core spending power, 3.8% compared to Blackpools 18.5%. Council Tax and New Homes Bonus, neither of them needs evaluated are the only aspects of funding that have grown over the period and New Homes Bonus Grows at the expense of reduced resources for other needs.

2.5. We therefore welcome the chance to comment on the scheme in the following sections.

2.6. Members wish to be clear that our response is based on the statement by the minister that any efficiencies from New Homes Bonus would be returned to authorities. In the absence of any further information and considering that funding for New Homes Bonus is predominantly from SFA topslice we base our response on the assumption that additional savings from New Homes Bonus would be returned into the settlement funding pot.

2.7. Given the point made in 2.6 members support the intention to shift funding away from New Homes Bonus to support social care and other demands in resource however they recommend that the need for this is immediate, not with a phased effect from 2018-19.

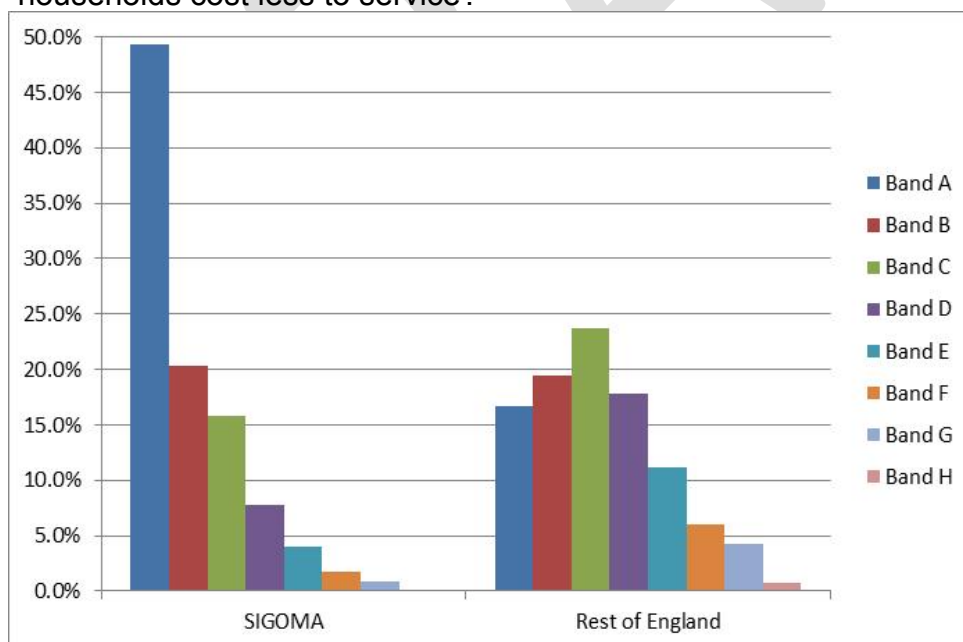
3. Questions 1 and 2 - Changes in number of years awarded

3.1. SIGOMA would welcome changes in years allocation of New Homes Bonus which would be returned to authority settlement funding

3.2. Members would support an immediate cut to the number of years to either three or two years, with the additional funding returned to settlement funding or providing further allocations to authorities as Better Care Additional Funding.

4. Question 3 - Alternative approach

- 4.1. We have outlined what we consider to be the correct approach if NHB continues to be funded from existing settlement. Housing demand should be a needs indicator that ranks alongside other needs in the allocation of funding, reducing or increasing with settlement allocations.
- 4.2. Assuming NHB continues as it is, another approach supported by members is to award one flat rate of New Homes Bonus based on a discounted average band D tax for every new home allocated on the unweighted number of houses on the list.
- 4.3. SIGOMA estimate that a discount flat rate of 96% on average band D in 2014-15 would have yielded the same overall NHB cost before affordable home premium.
- 4.4. A flat rate based on a discount of 95% would yield a saving of around £3.5 million and each 5% additional discount a saving of an additional £13 million.
- 4.5. The advantage of a flat rate is that authorities are not seen to benefit from more expensive developments and authorities with a lower banding mix are not disadvantaged due to their lower banding profile, which is illustrated in the table below:
- 4.6. **Chart showing profiles of Banding** – poorer unitary and metropolitan authorities lose out on New Homes Bonus due to the link with valuation Bandings and the high incidence of Band A housing in our authorities. Yet remediation costs of former industrial land make that more expensive to develop and act as a disincentive. Do SIGOMA authority households cost less to service?



5. Question 4 and 5 Reduced or abated NHB for age of local plan

- 5.1. Members question the efficacy of this approach with the end aim of producing additional housing. The paper provides no evidence as to the link between absence or existence of a local plan and additional housing nor does it give any insight as to the reasons for those authorities who have not produced one.

5.2. As a cost saving exercise the approach seems dubious and unpredictable since it is likely that authorities in default will produce a plan of some sort if the loss of NHB warrants it.

6. Questions 6 and 7 withholding or reducing NHB on appeals

6.1. Again the consultation provides no statistics on successful appeals nor estimates of the anticipated impact of this incentive.

6.2. Members are concerned that whilst the scheme may have superficial appeal it will result in an added layer of complexity to NHB and result in additional administrative costs both on the part of Councils and DCLG which may outweigh the efficiencies.

6.3. Members are also concerned that this initiative may conflict with the duty of authorities to act in the interests of all residents and leave them open to accusations of failing to take appropriate planning decisions due to financial inducement.

7. Question 8 Reducing at National average Band D

7.1. Members disagree to this method since it would disadvantage poorer authorities. In SIGOMA on average 85% of properties are at Band C or lower, compared to an average of 60% for all other authorities.

8. Question 9 and 10 - Removing Deadweight

8.1. SIGOMA do not agree with a single baseline. Our analysis shows that this would tend to work to the disadvantage of poorer authorities.

8.2. Members also reject the suggestion that the use of current local growth rates would have a significantly distorting effect on targets. More significant influences are the taxbase of authorities generating greater income, the buoyancy of local economies and proximity to the Capital.

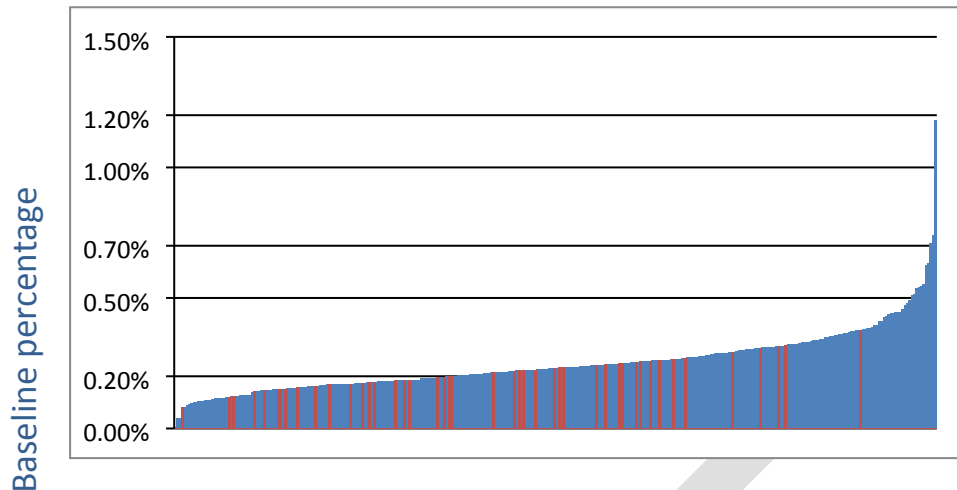
8.3. Members would support for example a cap based on an annualized 3 year growth rate derived from housing growth from 2012-13 to 2014-15

8.4. Our calculations suggest a cap based on around a third (32%) of historic individual growth rates would yield the same efficiency as an across the board 0.25% cut.

8.5. To use just one illustration, under a 0.25% cap Blackpool one of the poorest authorities in the country and with negative housing growth in the last three years would have received no NHB allocation for 2014-15.

8.6. Under our suggested formula Blackpool would receive £203 thousand (excluding affordable homes) Recognizing the local difficulty in generating housing growth in the area.

8.7. The chart below illustrates the spread of baseline targets that would apply per authority under our proposal, our member baselines are highlighted in red and the 0.25% intersection shown.



Billing authorities at each percentage

8.8. DCLG may wish to consider capping baselines above a certain percentage.

8.9. 128 authorities would be above the 0.25% baseline and 184 authorities below with the remainder being at the proposed fixed baseline.

8.10. As a further point of principle SIGOMA submits that any deadweight adjustment should take account of and exclude from deadweight adjustment any authorities who are net losers under New Homes Bonus (ie receive less in NHB than they lose as a result of topslice to pay for the scheme).

9. Question 11 Adjusting the threshold for abnormal growth

9.1. SIGOMA would not support the increasing of a fixed baseline to control NHB payments in the event of abnormal growth.

9.2. It is possible, if not likely in the current economic climate, that abnormal growth would emanate from the South and East. Increasing a fixed baseline to control this could exclude certain slower growing authorities from NHB entirely.

9.3. A more effective and fairer method would be to cap NHB payments for those authorities exhibiting abnormal growth, something which the department could publish in advance.

9.4. A second alternative, if a flat rate of NHB based on unweighted housing growth was used would be to adjust the NHB flat rate so that each authority received a proportionate reduction in its NHB allocation.

9.5. Yet another alternative method by which to fix costs is to dispense with NHB and treat payments to support housing growth as any other grant, with a baseline allocation and incentive element within settlement funding.

10. Question 12 Treatment of National Parks

10.1. No comment

11. Question 13 County Councils

11.1. It is our view that any restrictions applied to NHB funds should be borne within the shire area affected. Members leave the issue of the allocation of cuts within the shire regions for the comment of two tier authorities.

12. Question 14 Protecting authorities from reduced NHB

12.1. SIGOMA authorities do not per se have objections to the protection of authorities from the impact of cuts.

12.2. Our members do object, strenuously, when this is done at the expense of other authorities and in a manner that ignores the needs of authorities.

12.3. The principal objective of local authorities is to provide services to its families and households and we suggest that that the principal protection that should be afforded is to authorities who bear the greatest demand for services, not the protection of historic funding allocations.

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