



Department for
Communities and
Local Government

Evaluation of the New Homes Bonus

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The department would like to thank members of the external technical advisory group, which was chaired by Nick Markham and set up to help inform the work of the review. Thanks also go to Professor Craig Watson, Dr Aiden While and the team led by the University of Sheffield for carrying out the external research element on impacts of the policy on attitudes and behaviour.

Executive Summary

This report provides the findings from a combination of internal DCLG and externally commissioned research and analysis to provide an overall evaluation of the New Homes Bonus in the first four years of its implementation.

Because the Bonus fund has and will continue to increase in value over time, together with time lags in the planning and development processes, the fiscal incentive of the policy will take some time before its full potential can be assessed. As such, this evaluation is only able to evaluate how the policy is beginning to influence attitudes and behaviours at this relatively early stage in the policy.

The total size of the annual Bonus fund has increased from £200m in 2011/12 to almost £1bn by 2014/15 as the six years annualised payments per home accumulate over time and as the number of homes has risen. This has resulted in the fund increasingly being financed through a redistribution of local government funding. Assuming a continuation of the current levels of government grant, this is likely to continue to rise to 2016/17 when the full six years' worth of Bonus payments from the first and subsequent years are realised.

Impact on local authority finances

The financial analysis showed how the Bonus has provided a clear financial incentive for authorities with payments rising in line with the total number of new homes being made available over time. Cash payments were also seen to be increasing for authorities over time as annual payments accumulate from an increasing stock of eligible homes.

In most cases the level of housing growth will be the main driver of the net financial impact of the Bonus on an authority. However other factors such as property values, whether an authority is a district or county, their absolute level of funding etc, will also contribute towards the estimated net financial impact for an authority and these will vary in importance and relevance across different areas and contexts.

The financial impact and subsequent strength of the incentive will vary for different authorities depending on the current and forecast state of their overall finance. This is particularly relevant in the current context of reductions in local government funding as part of the government's deficit reduction programme.

In percentage terms, net financial impacts from the Bonus were much less significant for those authorities facing negative impacts and much more substantive for those seeing positive impacts. The increasing size of the overall Bonus fund and an increasingly reliance on financial redistribution means there has been a shift from all authorities being better off under the policy towards a mix of around three quarters being better off and the remainder being worse off in net financial terms by 2014/15. The size of these impacts both positive and negative, have also continued to grow over time.

In terms of impacts by type of authority, shire districts were the highest net beneficiaries to date with positive impacts continuing to increase significantly over time. This reflected their contribution to the number of homes recognised for the Bonus allocation. Shire counties and metropolitan districts were seen to have

become worse off in net financial terms in recent years. Rural authorities were seen to be seeing slightly better financial impacts than their urban peers.

In terms of the geographical distribution of impacts, there was a clear band of the highest positive impacts on a broad belt of authorities around London and the wider south east. The most negative impacts were seen in authorities in the north of England and Yorkshire and the Humber. Impacts on authorities in London were more mixed with some of the highest positive and negative impacts. This broad pattern was seen to be largely maintained over the study period, though the size of these impacts, both positive and negative, were increasing and deepening over time.

The geographical analysis also found that, looking across different measures of housing need, broadly speaking the financial impacts of the Bonus appear to largely be matching the distribution of housing need, though there were some areas of mismatch, in particular for London authorities.

In relation to overall local authority spending power, the analysis showed that impacts varied significantly across authorities, both in terms of whether such impacts were negative or positive and in terms of their size. In comparison, negative impacts in relation to spending power were seen to be more modest with these authorities facing negative impacts of a maximum of 1.4% of spending power by 2014/15. It was also noted that recent changes to local government finance meant there was now a higher financial benefit and subsequent enhanced fiscal incentive from retained council tax revenues on new homes which further encourages authorities to facilitate housing growth.

Impact on attitudes and behaviour

The survey of planning officers found that there was a very high level of understanding and awareness of the Bonus and it was seen to be relatively easy to calculate. The external research taken together across a range of respondents (officers, member, housebuilders, community groups etc) found the Bonus was viewed as being simple, transparent and flexible. Officers and members were also found to be very well informed of the financial implications of the Bonus for their authority.

Almost half of all planning officers agreed the Bonus is a “powerful incentive”, with the external researchers stating that a further quarter were likely to be withholding their views as it was too soon to say. Around 40% also agreed the Bonus had resulted in officers and their elected members being more supportive of new homes, though this was found to be much less the case in the wider community where only 10% of planning officers agreed the Bonus had begun to increase support for new homes for this group. More broadly however the British Social Attitudes survey showed there had been a substantial drop in public opposition to new homes from 2010 to 2013.

Evidence from the case studies found that the Bonus was part of a number of factors that were encouraging and supporting a more proactive approach to new house building amongst authorities. The Bonus was seen to be a contributory factor towards reinforcing attitudinal shifts towards new homes, but was not found to be directly shaping attitudes so far.

In terms of impact on behaviour, 31% of officers felt the Bonus had contributed to a more strategic and co-ordinated approach to housing provision. The research also found that senior officers and members were taking greater interest in strategic decisions about planning for housing as a result of the Bonus.

The Bonus was so far found to be having only a modest direct impact on Local Plan making. Although recognising the Bonus was just one of a number of factors influencing the number of new homes in Local Plans, only 11% of officers agreed it had been an “important influence on the number of new homes proposed or adopted” in their Local Plan, and few felt it was a “significant factor” in the consultation and discussion of Local Plans so far.

Similarly the Bonus was seen to be having only a limited role and impact on planning applications and decisions. Just over a third of planners stated they took into account Bonus receipts when considering planning applications, with over half saying they never took such receipts into account. There were also only a very small number of authorities using Bonus receipts to spend on activities that might be directly related to developments, and as such there was limited potential for the Bonus to be seen as a “material consideration” when making a decision.

Local authorities were making clear use of the flexibilities in the spending of Bonus receipts to fund a wide range of activities. Receipts were largely being used to support authorities’ general fund or core services however there were numerous examples of receipts being used to directly support housing growth. There were also some innovative uses of the receipts such as authorities using the Bonus to build up a flexible fund over time to help plug funding gaps when they arose and to complement other funding sources.

There was uncertainty expressed by some authorities around the future level of government grant and the long term future of the policy which was leading to a cautious approach to the use of Bonus funds. There was also limited evidence that authorities were raising awareness of the Bonus within the community, or communicating what activities and services the fund was being spent on. Although there were some examples where a proportion of the fund was being devolved directly to community groups, there were questions generally as to the extent to which Bonus receipts were being spent “in line with local community priorities” as was intended by the policy.

New Homes Bonus receipts

Although there were numerous examples where Bonus receipts were being used to support the delivery of affordable housing, the research did not find evidence the Bonus and its’ accompanying affordable housing enhancement was providing an additional incentive in increasing support specifically for more affordable homes.

Almost half of all officers agreed the Bonus had helped to reduce the number of empty homes, and there were a number of examples where Bonus receipts were being used to further reduce empty homes, potentially bringing about further future Bonus receipts from empty properties being brought back into use.

County councils tended to have more negative views about the Bonus than expressed by other authorities. There were also concerns that the Bonus was leading to more individualistic decisions at the local authority level in two tier

authorities and it has not led significantly to better communication, negotiation and strategic coordination between district and county councils. There were also marked differences between county councils and districts in two tier authorities in terms of their satisfaction with the allocation of Bonus receipts between county and district councils.

Conclusions

There was evidence the Bonus had significant potential in meeting its aim of helping to facilitate housing growth, in particular since almost half of planning officers agreed the Bonus was a “powerful incentive”. Although there was evidence the policy was beginning to impact positively on attitudes, the impact has been more limited in relation to plan making or planning decisions so far.

There were also positive aspects in terms of the policy contributing to a more strategic and co-ordinated approach to housing provision, and the Bonus was seen as part of a number of factors and government measures that together were encouraging and supporting a more proactive approach to house building.

Since the positive financial impacts from the Bonus were seen to be proportionately higher than the negative impacts, this may suggest the policy is likely to more readily incentivise and encourage higher growth authorities to increase growth further.

Although the external researchers found the policy was delivering to the key stated policy principles of being “powerful”, “simple”, “transparent” and “flexible”, there were some questions raised around the extent to which the community was aware of the Bonus and what it was being spent on.

The size of the Bonus fund and subsequent net financial impacts is expected to continue to increase over time. Awareness and understanding is also likely to continue to increase as the policy works its way through local authority plan making and subsequent planning decisions. As such, the financial incentive of the policy and the observed impacts to date on attitudes and behaviour are also likely to rise over time.

Section 1: Introduction

The New Homes Bonus policy

1. In February 2011, following the consultation on the government proposals for the New Homes Bonus (the “Bonus”)¹, the government published its final scheme design for the policy². The aim of the Bonus is to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth. The five key stated principles of the policy³ are that it should be:
 - (i) a **powerful** incentive;
 - (ii) **simple** in terms of understanding and implementation;
 - (iii) **transparent** in terms of its recognition, significance and rewards from growth;
 - (iv) **predictable** in terms of expected future funding and perception of being a permanent feature of local government finance and;
 - (v) **flexible** in terms of how receipts are spent and spent in line with the wishes of the local community.
2. The Bonus is a grant paid by central government to all upper and lower tier councils to incentivise them to increase the number of available homes. Each additional home added to the council tax base, after deducting demolitions, results in an authority receiving an annual Bonus payment. Payments are based on the national average council tax band relevant to each property, and are paid annually for six years. The payment recognises newly built properties and conversions as well as for bringing long term empty properties back into use. There is also an additional payment for each affordable home delivered of £350 per year, again paid for six years. For areas jointly governed by district and county councils the Bonus is split, with 80 per cent paid to the district council and the remaining 20 per cent going to the county council. In London all Bonus receipts are allocated to the respective local authority.
3. The first payment of the Bonus was made to local authorities in the financial year 2011-12 when the grant was funded entirely from central government (around £200m). In each subsequent year central government have contributed £250m to the grant with the remainder being funded by redistribution from the local government finance settlement⁴.
4. Bonus payments are “non-ring fenced” meaning they can be spent by authorities as they see fit, although councils are expected to spend receipts “in line with the wishes of the community”.

¹ DCLG, “New Homes Bonus: A consultation” (November 2010)

² DCLG “New Homes Bonus: Final scheme design (February 2011)

³ DCLG “New Homes Bonus: Final scheme design (February 2011), Page 7,

⁴ An explanation of the Local Government Financial Settlement is provided in Appendix E.

- Figure 1 shows how the Bonus is building up incrementally over time as initial Bonus payments continue to be made in later years and as further increases in new homes are delivered and rewarded each year.

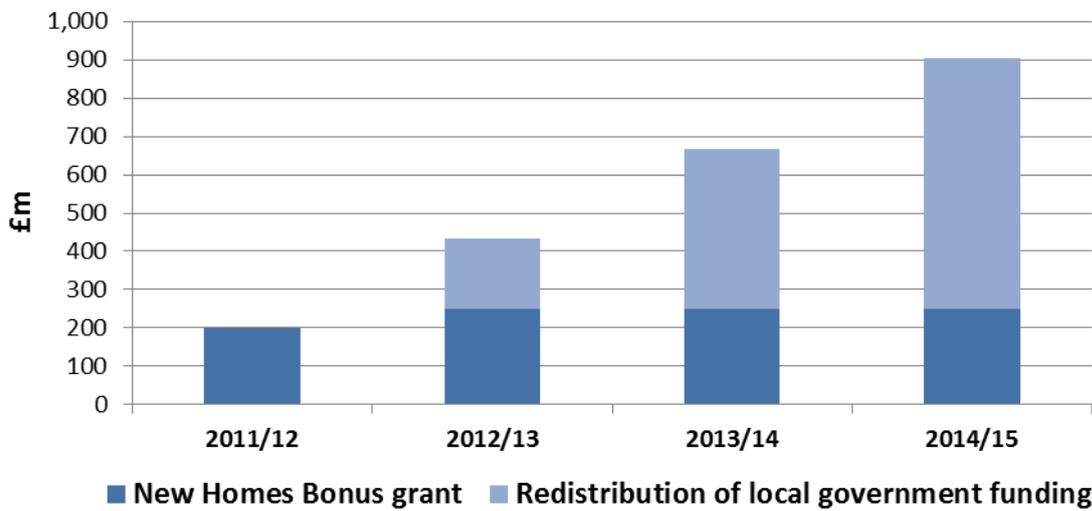
Figure 1: The accumulation of New Homes Bonus Payments from 2011/12 to 2014/15

	Cumulative Payments	2011/12	2012/13	2013/14	2014/15
Year of delivery	Year 1 (Oct 2009-10)	£199m	£199m	£199m	£199m
	Year 2 (Oct 2010-11)		£232m	£232m	£232m
	Year 3 (Oct 2011-12)			£236m	£236m
	Year 4 (Oct 2012-13)				£249m
	Actual (Years 1,2,3 &4)	£199m	£432m	£668m	£917m

New Homes Bonus and the Local Government Finance Settlement

- For each year where the cost of the Bonus fund is estimated to exceed £250m the government will hold back from the local government spending control total the level of funding it estimates will be required to meet the overall New Homes Bonus fund.
- Figure 2 illustrates the amounts and proportions of the New Homes Bonus grant comprised of central government funding and redistribution from the local government finance settlement.

**Figure 2: Breakdown of New Homes Bonus Funding
2011/12 to 2014/15**



The New Homes Bonus evaluation

8. Following the implementation of the Bonus in 2011, DCLG analysts carried out monitoring of the policy, including two annual online surveys with local authorities in 2011 and 2012. When the policy was announced, the government committed to undertaking an interim review in 2013/14. The review was timed to allow time for the policy to bed in.
9. An internally led evaluation of the Bonus was commissioned in the summer of 2013. The overall aim of the evaluation was to assess the extent to which the Bonus, to date, has been an incentive to encourage and facilitate local housing growth. This report presents the findings and represents the conclusion of that work.
10. The primary focus of the evaluation was the impact on attitudes and behaviours towards housing growth as a consequence of implementing the Bonus in England, including on local authority officers, councillors and the community.
11. The internally led evaluation involved a combination of internal and externally commissioned research and analysis across the following five work-strands:
 - i. **Logic model:** In-house mapping of how in theory the Bonus is likely to impact on and influence attitudes and behaviours of key agents within the planning system ;
 - ii. **Independent external research on attitudes and behaviour:** External research commissioned by DCLG to assess the level of understanding and awareness of the Bonus and how and to what extent it is impacting on attitudes and behaviour;
 - iii. **British Social Attitudes (BSA) survey analysis:** In-house analysis of survey findings from the 2010 and 2013 BSA national surveys to assess the extent to which support and opposition for new homes may have changed before and after the implementation of the policy;

- iv. **Local government financial analysis:** An in-house analysis of the net financial impact of the Bonus on individual authorities and;
 - v. **Internal analytical synthesis:** A final synthesis of the evidence across all the above work-strands into this overall report.
12. The terms of reference for this evaluation is provided in Appendix A. Appendix B provides a detailed description of the methodologies used across the work-strands as well as a number of other issues relevant to the respective analyses.
13. The work of the review was informed by an external technical advisory group chaired by Nick Markham, a DCLG non-executive director. The group comprised experts from the planning, local government finance, housing and house building sectors, as well as colleagues at the Cabinet Office’s Behavioural Insight Team. A list of the members of the advisory group is provided in Appendix C. The group provided comments on the overall approach to the review, key inputs (such as questionnaires, topics guides) and the presentation of emerging findings (including comments on draft outputs).

External research commission

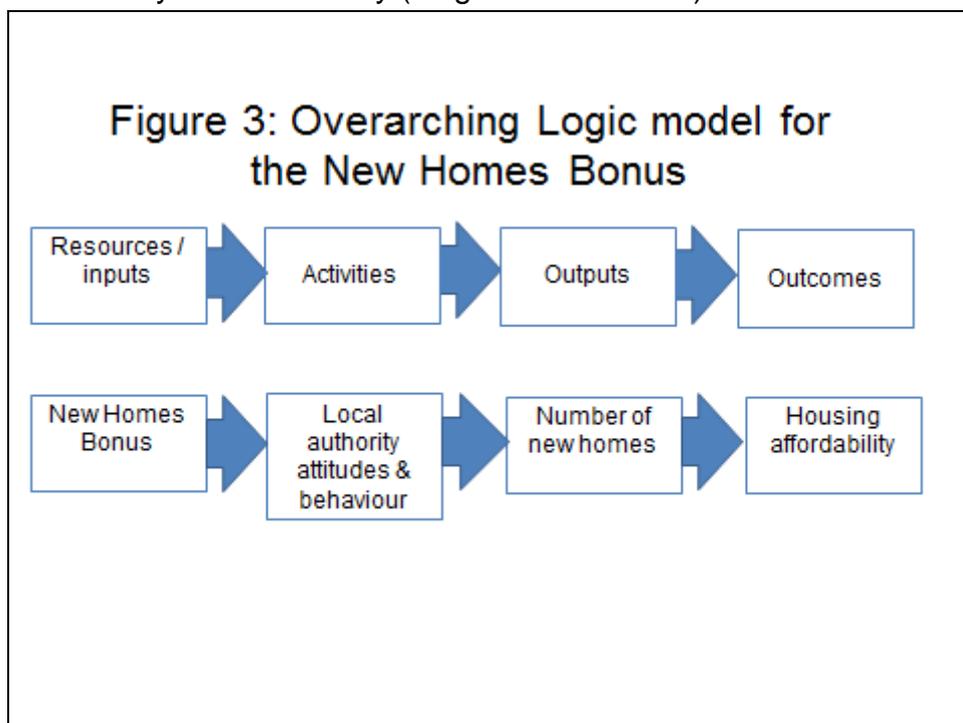
14. A consortium led by the University of Sheffield were commissioned in January 2014 to undertake a combination of qualitative and quantitative research into the impact of the Bonus on the attitudes and behaviours of key actors such as local authority officers and elected members, house builders and community groups. The specific objectives were to provide evidence on:
- (i) **understanding and awareness** of the policy, including its potential and actual financial impact for local authorities;
 - (ii) **how, and to what extent the Bonus has influenced local authority attitudes** towards new homes;
 - (iii) how, and to what extent the Bonus has influenced **behaviour and decision making** that may impact on the number of new homes being made available and;
 - (iv) **how the Bonus has been implemented**, including how the receipts have been spent.
15. The research involved a “mixed method” approach by undertaking an online survey of all England’s Local Planning Authorities and case study analysis. The survey was undertaken with chief or senior planning officers and achieved 202 useable responses (a response rate of 57%) with good coverage across a range of different types of authorities and with varying levels of Bonus receipts. The case study research was undertaken in twelve areas, also across a range of different types of authorities with varying levels of Bonus receipts. Some 84 interviews were undertaken as part of the case study research with a range of participants such as council officers, elected members, local house builders and community groups. Several additional in-depth interviews were undertaken with elected members outside of the case study areas, five interviews with national

house builders / planning consultants and a couple of interviews with members of the Planning Inspectorate.

16. Tables setting out the findings from the survey of planning officers are provided in appendix D.

A theoretical approach to the New Homes Bonus

17. Figure 3 provides a simplified schematic of the overarching “logic model” of how, in theory, the Bonus is designed to incentivise attitudes and behaviours in local government (activities), which in turn will impact on the numbers of new homes built (outputs), which may in turn eventually impact on overall housing affordability and availability (long term outcomes).



The New Homes Bonus financial impact on the local authority

18. The New Homes Bonus is a financial incentive aimed at encouraging local authorities to help facilitate housing growth. The transmission of this incentive through a local authority will involve a dynamic process of interactions between a wide range of agents (for example, officers, directors, members, chief executive officer amongst others), across a range of policy areas (such as finance, housing, planning, regeneration). For example, at the strategic level the Bonus may influence discussions about corporate plans and “medium term financial strategies”, as well as the Local Plan, the housing strategy etc.

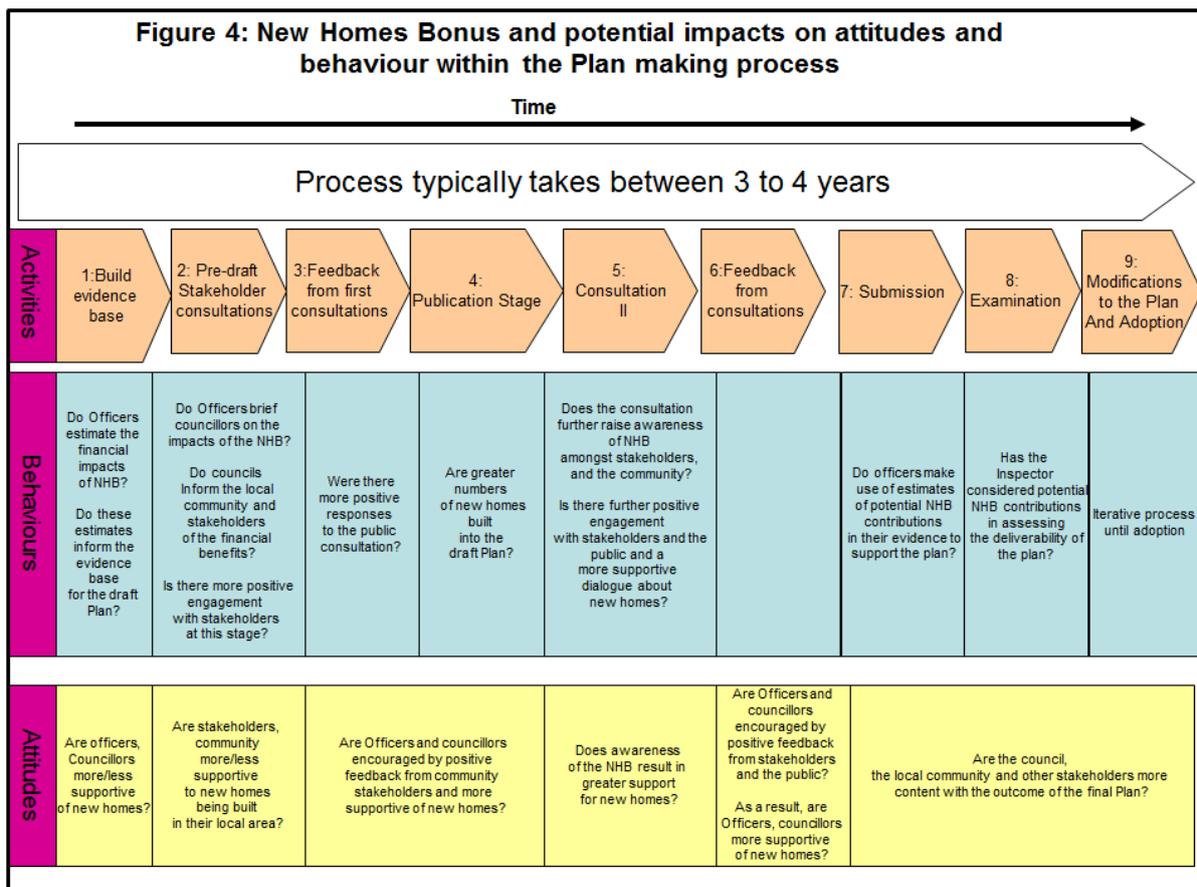
19. The extent to which the Bonus impacts on overall housing growth will very much depend on the outcomes from these key processes. The strength of the incentive effect is also likely to vary depending on the financial position of the authority and the significance of the financial impact of the Bonus on that overall

position. The effects of this may be particularly relevant in the context of current reductions in local government funding as part of the government’s deficit reduction strategy. Other key factors likely to influence the strength of the incentive effect on councils include local opportunities and constraints, such as the state of the local housing market and its ability to support any increase in housing supply.

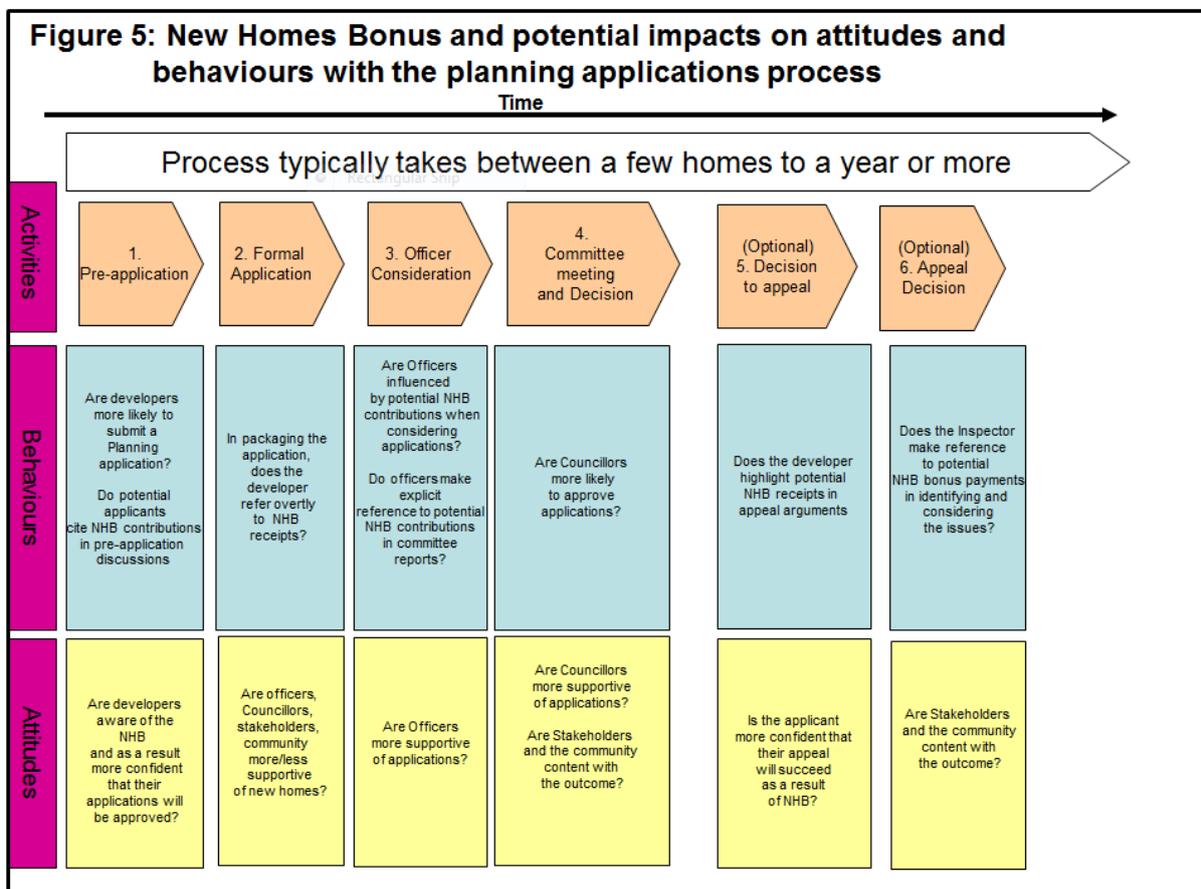
20. The main operational mechanism through which an authority can influence housing development and subsequent Bonus receipts is the planning system.

The New Homes Bonus and the Planning System

21. Figure 4 below illustrates how, in theory the New Homes Bonus could influence the attitudes and subsequent behaviours / decisions of key actors (for example, planning officers, members, community, house builders, amongst others) through the Local Plan making process. In principle the existence of the Bonus should encourage local planning authorities to allocate land for housing through plans, although this is against the backdrop of authorities also being required (by the National Planning Policy Framework) to identify and plan for the housing needs of their areas so far as possible.



22. The timescales involved in plan making mean that the Bonus will have been a potential influence on the process in some areas more than others, since the policy began to be implemented in 2011/12. To this extent the Bonus should be considered a long term policy mechanism which will, in some places, take time before its influence is fully realised.
23. The prospect of receiving a Bonus is, in principle, capable of being taken into account as a 'material consideration' in determining a planning application. Whether potential Bonus payments are in fact a material consideration in relation to a particular application will depend on whether those payments would be used in a way which is connected to the application and to the use and development of land.
24. For example, potential Bonus payments could be a material consideration if they were to be used to mitigate impacts resulting from development. But if the use to which the payments are to be put is unclear or is for purposes unrelated to the development concerned a decision maker would not be entitled to take them into account when making a decision on a planning application.
25. Figure 5 illustrates how the New Homes Bonus may influence the attitudes and behaviours of key actors within the planning application and decision making process.



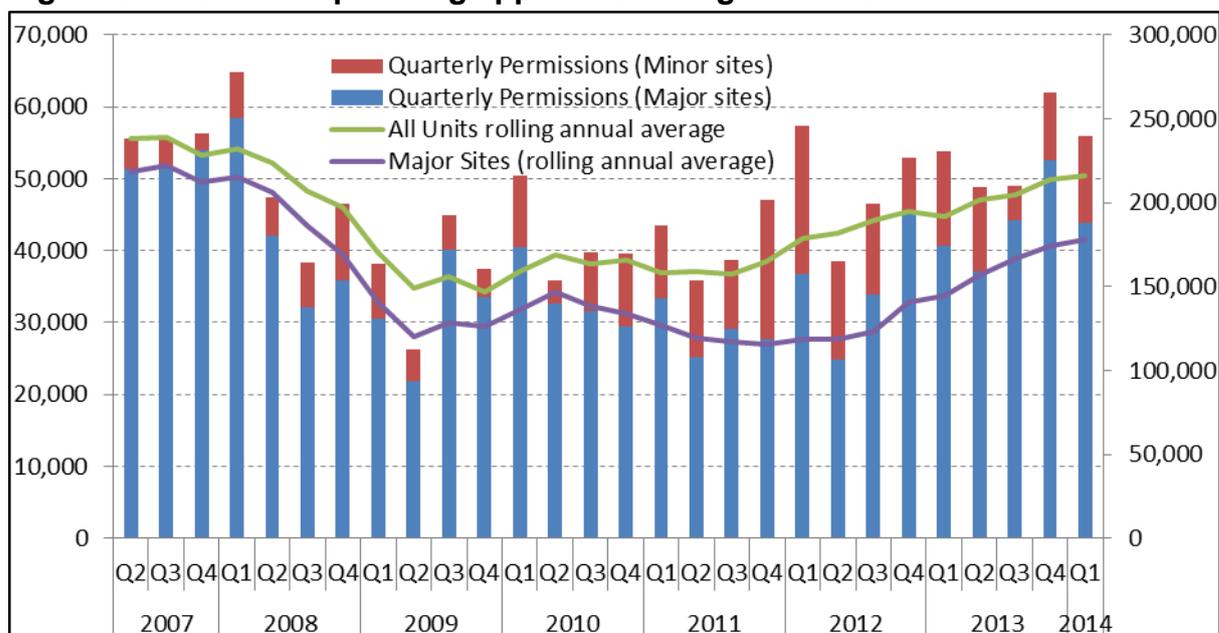
26. There are other challenges in being able to isolate the potential impact of the Bonus specifically on attitudes and behaviours and subsequent housing outputs. There are a wide range of factors which, over the period of the evaluation, will also be influencing attitudes and behaviours. These include the state of the economy and housing market, wider planning reforms, house builder confidence and changes in the state of local government finances amongst others. The National Audit Office in their report⁵ into the Bonus concluded (para 1.25) *“It is not possible to separate out the impact of the Bonus from other policies and wider factors affecting housebuilding. Neither is it possible to robustly assess what the housing supply would have been without the Bonus.”*
27. Finally, the New Homes Bonus is still at a relatively early stage in terms of the size of the financial incentive involved. Because increases in housing stock receive Bonus payments for six years, the amount of payments gained will accumulate over time as more homes are added in each financial year. Consequently, an increasing amount of Bonus payments will also be derived from the redistribution of local government funding. As we are only four years into the programme the full effects of the policy are yet to be seen.

⁵ “New Homes Bonus”, National Audit Office (March 2013)

Section 2: Market and planning context

28. This section provides some wider context to help inform the assessment of the impact of the Bonus since the first payments were made in the financial year 2011/12. In particular, it looks at recent trends in planning approvals and subsequent housing outputs.
29. Figure 6 illustrates the volume of residential units granted planning permission on both major and minor sites from the second quarter of 2007 to the end of 2013. The number of homes permitted for development fell following the financial crash in 2008 to mid-2009. Permissions then stabilised over the period to mid-2012 before rising.

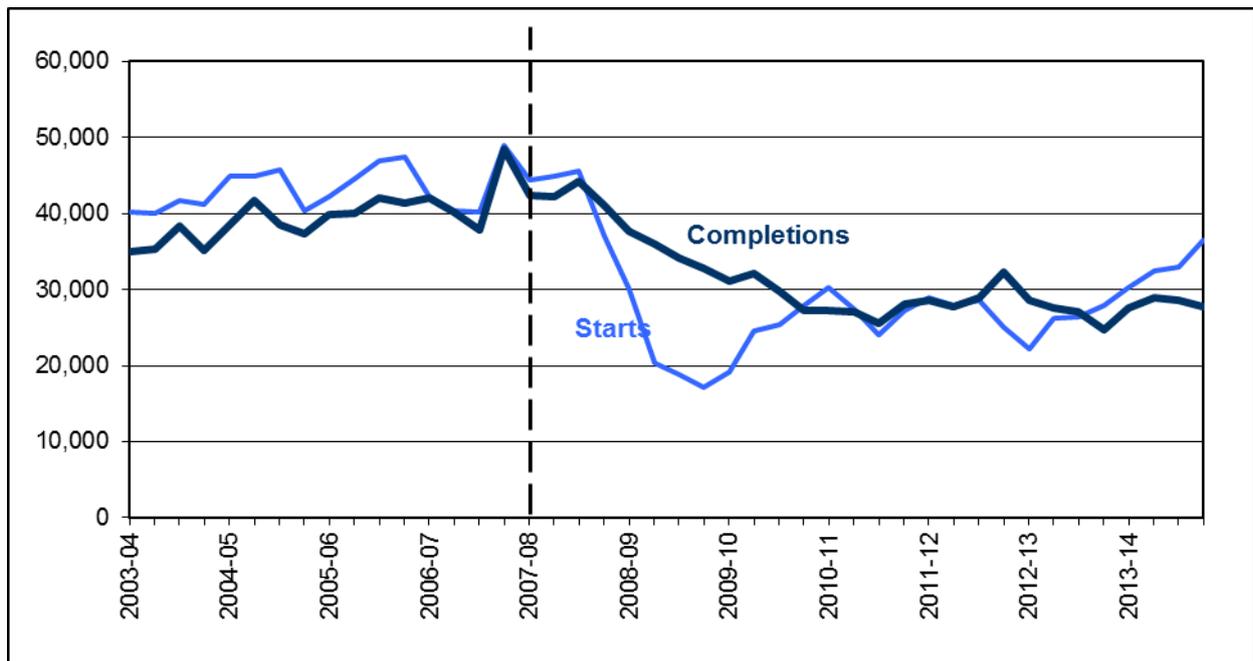
Figure 6: Residential planning approvals in England: 2007 to 2014



Source: DCLG analysis of Glenigan data

30. Figure 7 illustrates how housing starts also declined following the financial crash in 2008, bottoming out in 2009 before recovering for a while and levelling off at around 25,000 starts a quarter between 2010-11 to 2012-13. Housing completions saw a more gradual decline from 2008, but also began to level off in 2010-11 at around 25,000 units per quarter. Since the beginning of 2012-13 there has been an upward trend in the number of housing starts.

Figure 7: Total housing starts and completions per quarter in England: 2003-04 to 2013-14⁶



31. The New Homes Bonus was introduced on the back of very challenging housing market conditions following the financial crash of 2008. The statistics show that the market has subsequently stabilised with some positive signs of recent recovery.
32. As mentioned in the previous section, the New Homes Bonus is a long term policy mechanism that will take time to realise its full potential and influence in some areas than in others. It is therefore likely to be some time before the policy begins to make a measureable impact on actual planning approvals and subsequent housing starts and completions. It is also important to note that given the number and interaction of factors involved, it is not possible to disentangle and specifically identify the separate contribution the Bonus has had and will have on such measures.

⁶ Derived from DCLG Table 213, permanent dwellings started and completed, quarterly in England

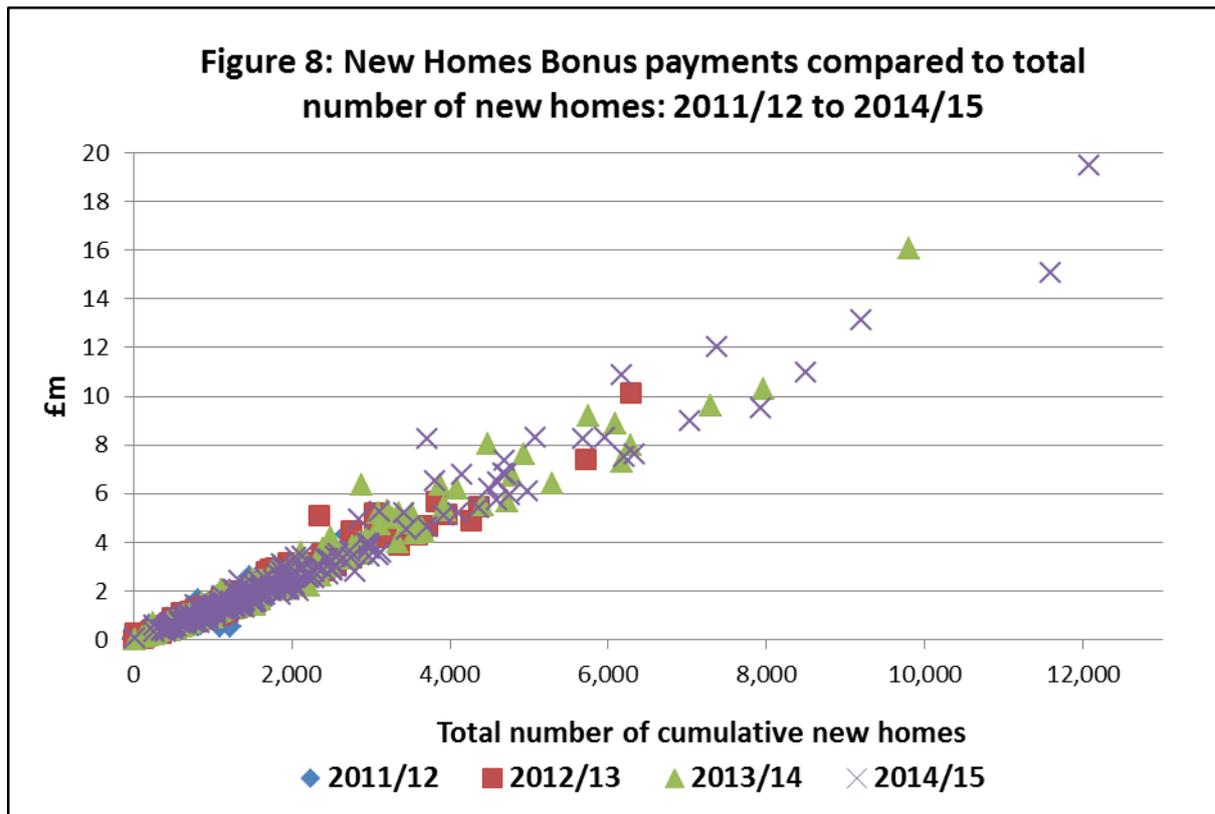
Section 3: Impact of the New Homes Bonus on local authority finances

Introduction

33. This section provides the key findings from the DCLG in-house analysis of the financial impact of the New Homes Bonus on local authorities from the introduction of the policy in 2011/12 to the latest allocation in 2014/15. The analysis considered:
- The extent to which the Bonus provided a fiscal incentive for local authorities to increase housing delivery and;
 - How the Bonus has impacted upon the finances of individual authorities', and across different types of authority and geographical areas.
34. The focus of the analysis is net financial impact on local authorities as a result of:
- New Homes Bonus payments funded by the £250m per annum grant; and
 - The redistribution of local government funding
35. In order to assess net financial impact of the Bonus it is necessary to compare, for each authority, their financial position as a result of the policy with an estimate of what this would have been in the absence of the policy – what is commonly referred to in evaluations as the “counterfactual”.
36. This analysis assumes a counterfactual where, in the absence of the policy there would have been no redistribution of local government funding and no New Homes Bonus grant going to local government from central government. Further details of the interaction of the New Homes Bonus with the local government finance settlement, the calculation of the counterfactual and the analysis undertaken are provided in appendix B.

The fiscal incentive of the New Homes Bonus

37. Figure 8 shows total cash Bonus payments made to individual authorities from 2011/12 to 2014/15 in relation to the total cumulative number of new homes relating to such payments. The amount of total Bonus payments for authorities has risen over time as annual payments accumulate from an increasing stock of homes. This illustrates the clear fiscal incentive from the policy in terms of the increasing level of Bonus payments resulting from higher numbers of newly available homes.



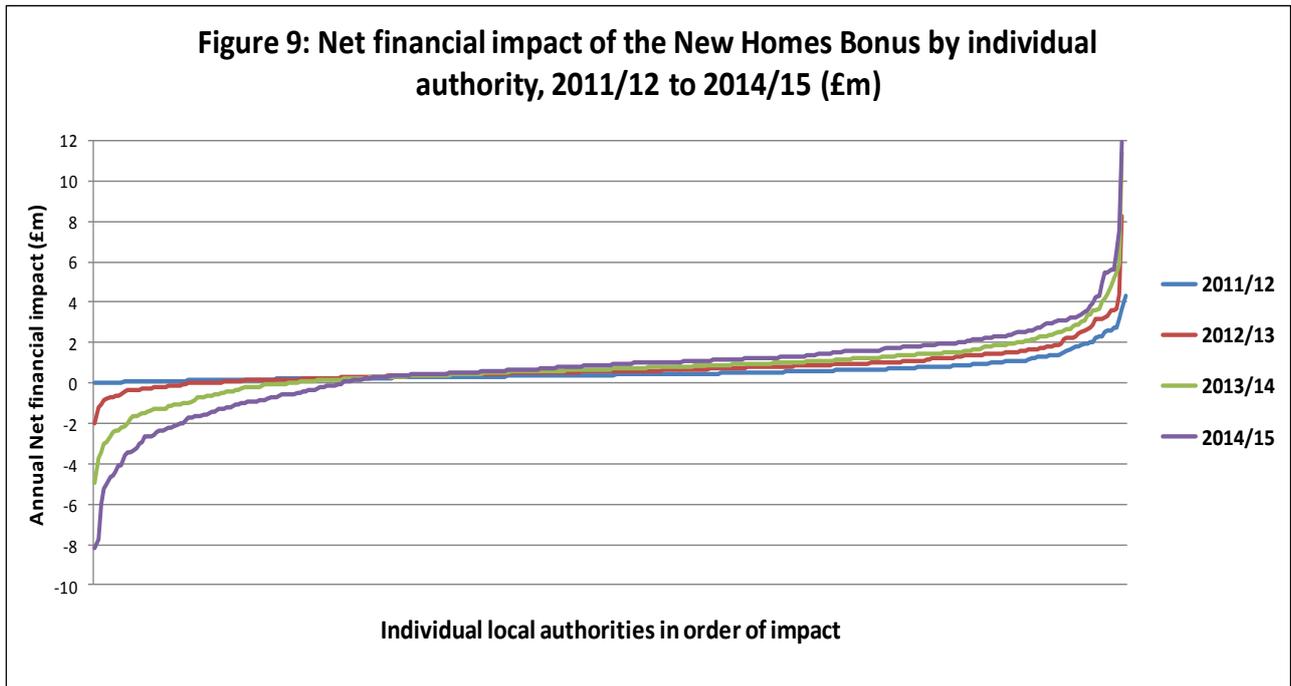
Impact on individual authorities

38. There are a number of factors that will affect the net financial impact of the Bonus on local authority finances. The variables include:

- **The level of housing growth** – Housing growth for the Bonus is measured by calculating the net change in the housing stock from year to year resulting from the building of new homes, conversions, empty homes returned to use, but also takes into account reductions due to demolitions and conversions that reduce the number of homes;
- **Property values** - Bonus payments are calculated by the national average council tax for properties within the relevant council tax band (as at 1992). So higher priced areas will mean more properties in higher council tax bands and higher subsequent receipts;
- Whether an authority is a **shire county or district** - in two tier areas 80% of payments go to the shire district with the county receiving the remaining 20%;
- **Base level of funding from the local government finance settlement** – starting baselines vary significantly for different types of authorities affecting the relative percentage performance of a local authority. For example the average counterfactual baseline for a shire county in 2014/15 is £205m, whereas for a shire district it is £6m;

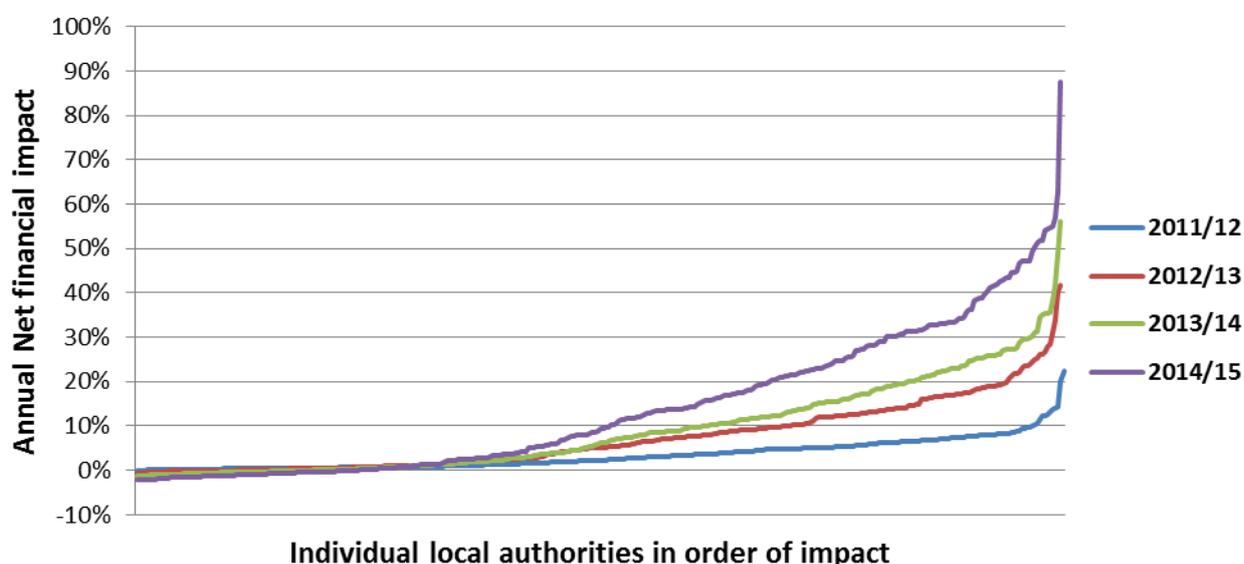
- **Level of redistribution required from local government funding** – the greater the Bonus in any year the greater the need to redistribute funds from the local government finance settlement. As the upper tier element of the local government finance settlement is larger than the lower tier element, holding back funding for redistribution has a greater cash impact on upper tier authorities, such as shire counties.

39. In most cases the level of housing growth, and new house building in particular, will be the main driver of Bonus payments received by an authority. However, it should be noted that the actual net financial impact will be the result of a combination of different variables which will vary in importance and relevance across different authorities and contexts.
40. In particular, for some shire counties, there may be overall increases in their housing stock resulting in their districts receiving increased funding, but they may receive less funding. This would be as a result of the New Homes Bonus payments system requiring a redistribution of the local government finance settlement providing 20% of the Bonus payments to shire counties.
41. Figure 9 illustrates the estimated net financial impact of the Bonus on all individual authorities in England over the first four years of the policy's implementation in each individual year from 2011/12 to 2014/15. By "net financial impact" we mean the difference in the amount of funding the authority would have received through the local government finance settlement in the absence of the policy. A positive (negative) net figure indicates an authority is better off (worse off) by a given amount in any particular year, compared to the counterfactual.
42. Figure 9 shows how the profile of net fiscal impacts on individual authorities has changed over time. In 2011/12 when there was no redistribution from the financial settlement, the top three "outlier" authorities were considerably better off (by between £3.2m to £4.3m), a small group of around ten authorities were significantly better off (by between £2m and £2.7m), with a long tail of positive and relatively neutral net impacts for the remaining authorities.
43. As per the design of the policy, the size of the Bonus has increased over time and has increasingly been financed from a redistribution of local government funding. This has resulted in a number of authorities facing net losses to help fund net gains for a much larger number of authorities. The size of net impacts, both positive and negative, have also increased over time. By 2014/15 around three quarters of authorities were receiving more funding than they would have otherwise (i.e. relative to the counterfactual) with the remaining quarter worse off. One outlier authority was substantially better off (by around £12m), with a small group of authorities significantly better off (by between £4m and £8m), followed by a long tail of net beneficiaries. There was then a fairly steep tailing off of around a quarter of authorities who were worse off, with the highest net financial annual losses for an authority of around £8m.



44. Figure 10 illustrates, in percentage terms, the extent to which the net financial impact on individual authorities was greater or lower than it would have been in the absence of the policy. As for Figure 9, there has been a shift in the balance of impacts from all authorities being better off towards a reducing / increasing number being better / worse off respectively. However, the profile is quite different with much larger positive net financial impacts being experienced compared to the negative financial impacts. By 2014 the lowest quartile of authorities were worse off by up to a maximum of 2.2% under the policy, compared to the highest outlier authority being almost 88% better off, and a group of around ten authorities being better by 50% or more. This is followed by a tailing off of net positive impacts across the remaining authorities.

Figure 10: Net financial impact of the New Homes Bonus by individual authority, 2011/12 to 2014/15, %



45. Overall, the distribution of impacts has shifted, with the size of the absolute financial impact increasing over time for both those gaining under the policy and those worse off. In percentage terms, the impacts were much less significant for authorities facing negative impacts than for those authorities seeing positive net impacts. Whilst there is an increasing net financial impact over time for both those facing net positive and negative impacts, in percentage terms losses were seen to be much less significant in comparison to the gains.

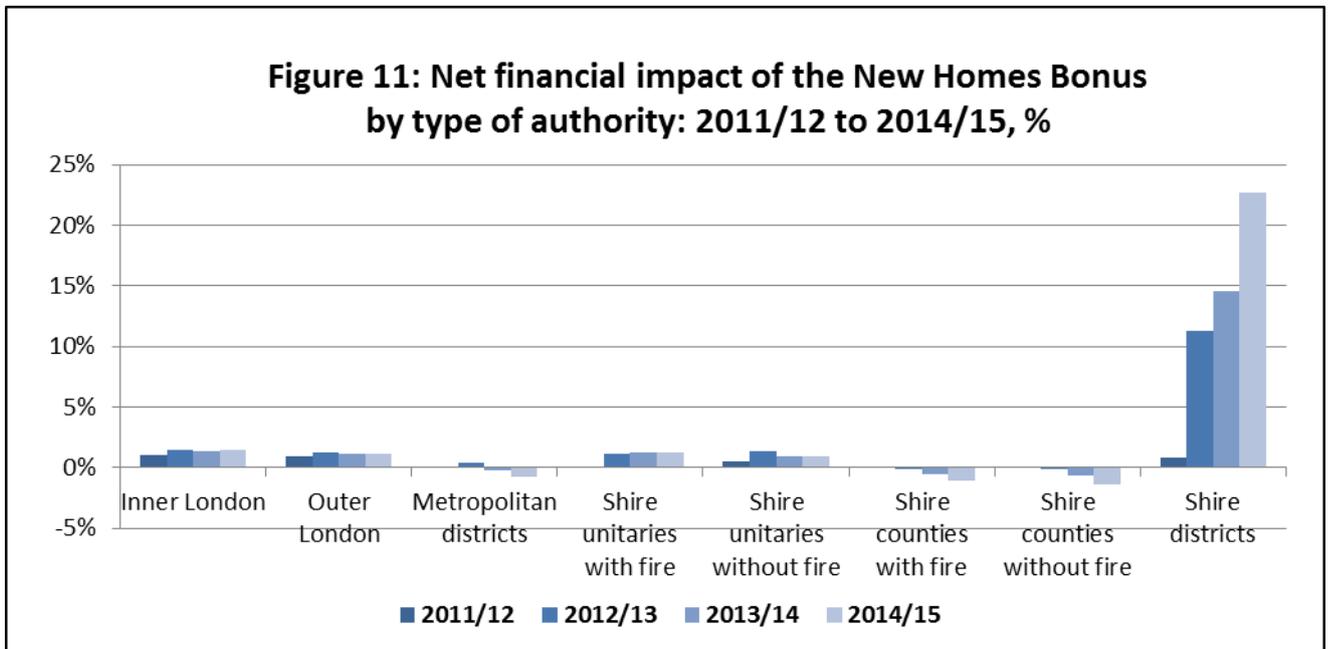
Impact by type of authority⁷

46. Figures 11 and 12 illustrate how net financial impacts vary by different types of authority and how these impacts have changed over the study period in percentage terms and in terms of aggregate amounts. Figure 11 shows how shire districts as a group have continued to receive by far the greatest positive net impacts from the policy over the study period, and these impacts have increased significantly year on year. This reflects the fact that shire districts deliver the bulk of new homes making up around 42% of total homes recognised in the 2014/15 Bonus allocation as well as recognising that the increased funding is on top of a relatively low starting baseline.

47. London authorities and shire unitaries as a group also saw positive net impacts over the period, though these were at a much lower level compared to shire

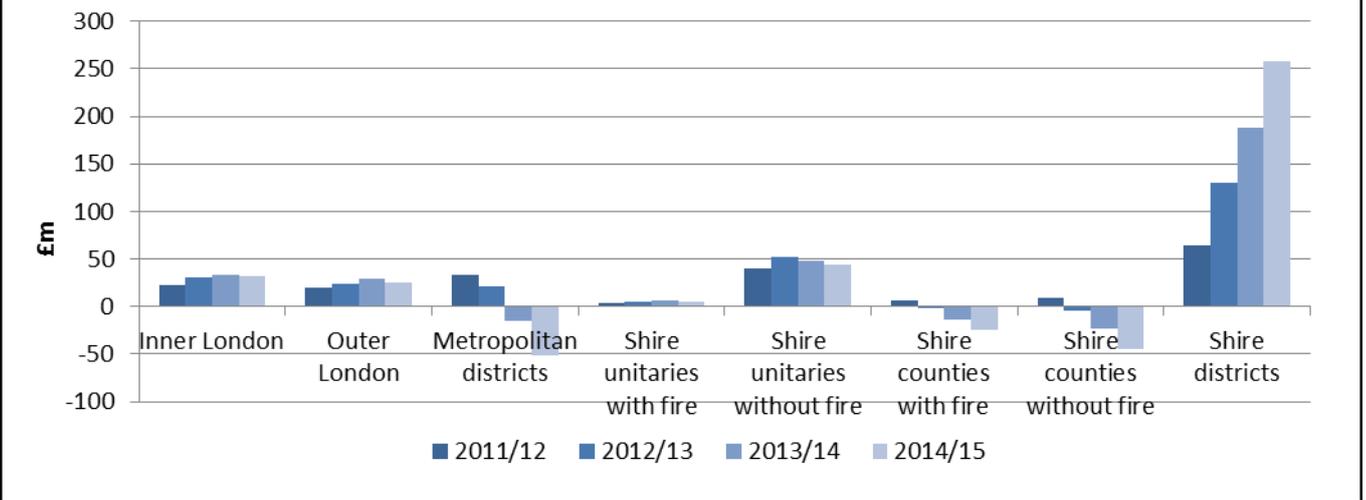
⁷ [DN: provide definition for types of authority]

districts and more stable over time. By contrast, shire counties as a group have begun to see small percentage negative net financial impacts in later years and these have also increased over time. The small percentage negative impact on shire counties is driven by their relatively high funding baseline. Metropolitan districts have begun to see negative net impacts in the last two years.



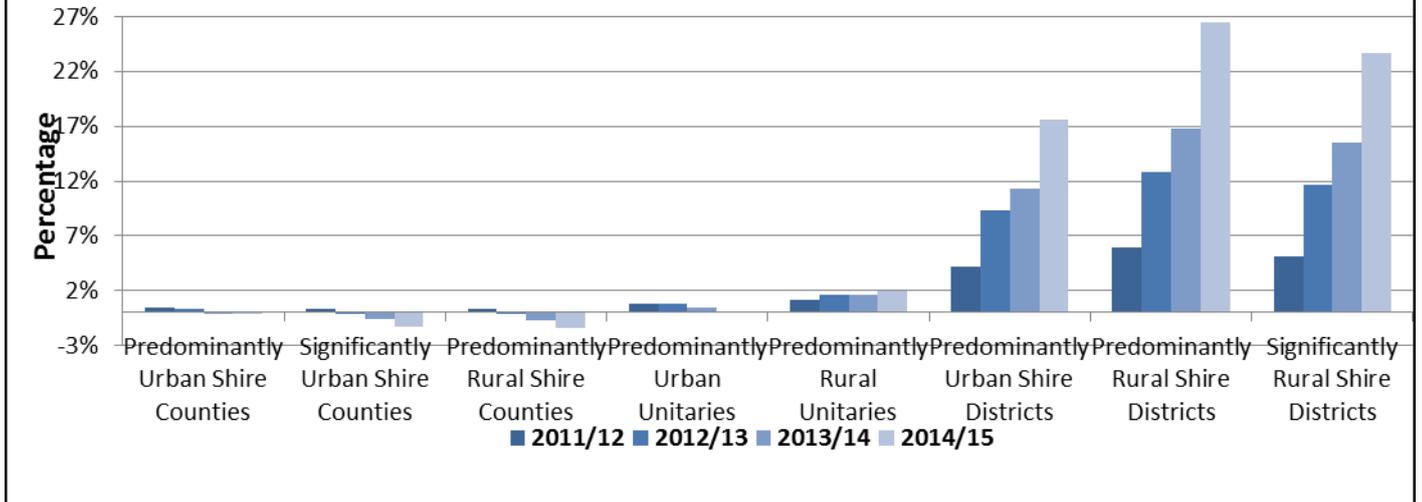
48. Figure 12 shows that in terms of net financial impact in aggregate value, shire districts as a group also received the largest net positive impact from the policy, and that these have also increased significantly year on year. The estimated total value of net positive financial benefits for this group of authorities rose from just over £50m in 2011/12 to just over £250m by 2014/15. Shire unitaries without responsibility for fire services were the group with the next largest net positive impact from the Bonus, rising to just over £50m by 2012/13, though falling back somewhat in the following two years to around £44m by 2014/15. In terms of negative net financial impacts, again as a group metropolitan districts and shire counties with and without fire responsibilities have begun to see negative financial impacts. By 2014/15 metropolitan districts were estimated to be worse off by around £50m followed by shire counties without fire (estimated £45m worse off) and counties with fire responsibilities (£25m worse off).

Figure 12: Net financial impact of the New Homes Bonus by type of authority: 2011/12 to 2014/15, £m



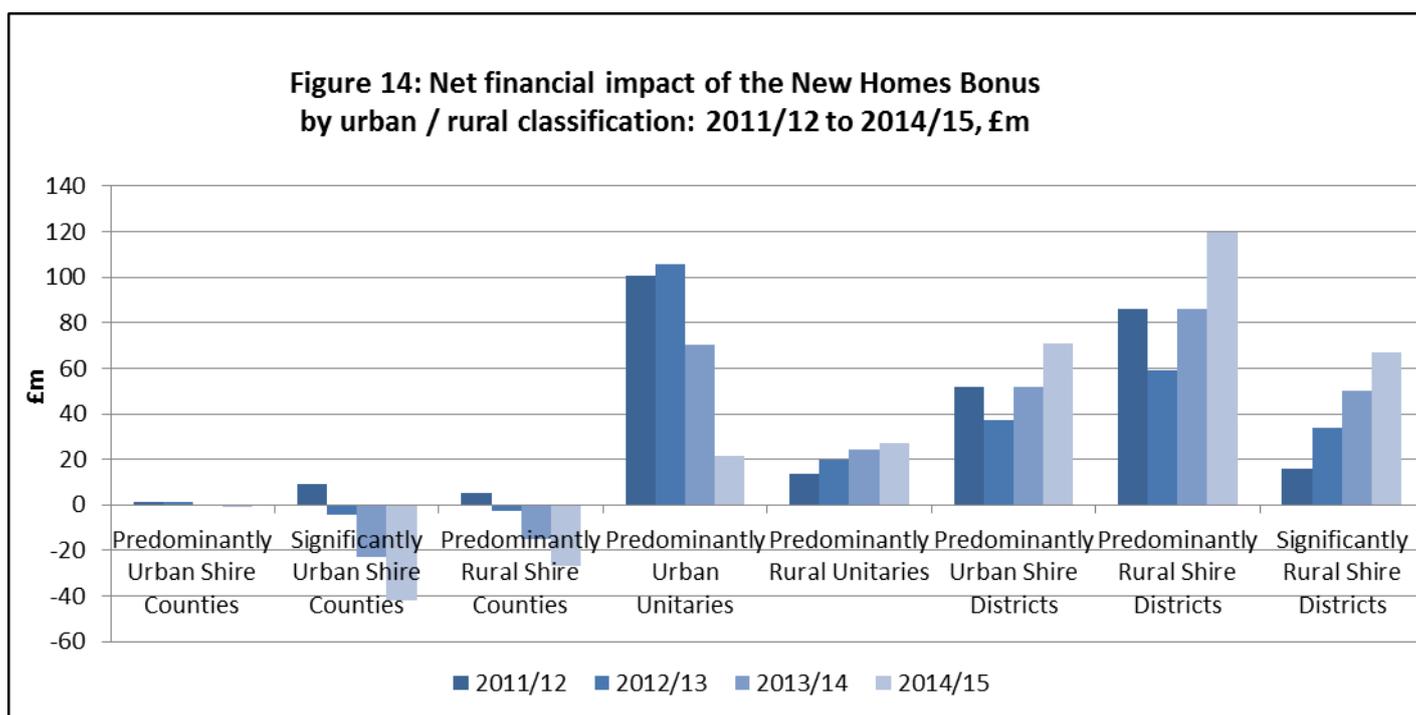
49. Figures 13 and 14 illustrate how net financial impacts varied grouped by urban and rural authorities, first by percentage impact and then by aggregate value. Overall in percentage terms rural authorities are seeing slightly better net financial impacts from the Bonus than their urban counterparts. “Predominantly rural districts” and “significantly rural shire districts” saw greater positive net impacts in every year compared to “predominantly urban districts”. In terms of unitary authorities, rural unitaries saw slightly higher positive percentage increases each year than urban unitaries, with positive gains increasing each year for rural unitaries and falling for urban unitaries. There was very little difference between impacts on rural and urban shire counties.

Figure 13: Net financial impact of the New Homes Bonus by urban / rural classification: 2011/12 to 2014/15, %



50. In terms of the aggregate value of net impacts by types of authorities, Figure 14 illustrates how aggregate net financial impacts for “predominantly rural shire districts” have been higher in each year than for “predominantly urban shire districts”, rising to around £120m for such rural shire districts by 2014/15. The chart also shows more starkly the fall in the amount of positive net impacts for “predominantly urban unitaries” from around £100m in 2011/12 to just over £20m by 2014/15, compared to the rise in aggregate impacts for “predominantly rural unitaries” increasing from just under £14m in 2011/12 to £27m by 2014/15.

Figure 14: Net financial impact of the New Homes Bonus by urban / rural classification: 2011/12 to 2014/15, £m



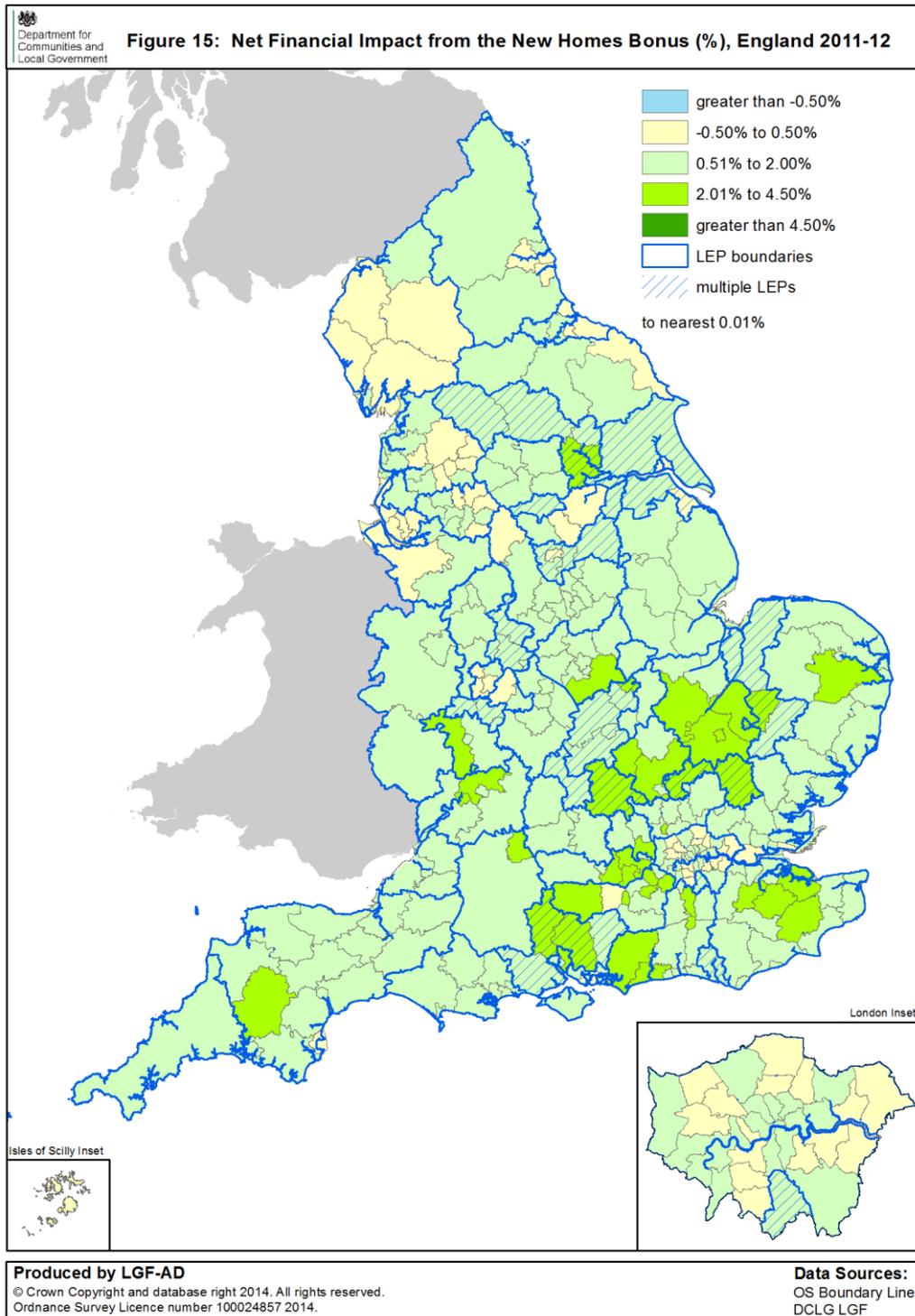
Impact by geography

51. The analysis also estimated the net financial impact of the Bonus by local authority area across the study period. For the purposes of this mapping exercise, funding for counties was redistributed throughout the local authority areas within their boundaries. The full range of maps of net financial impacts is provided in appendix F. Net impacts for the first (2011/12) and last years (2014/15) of the study period are illustrated and described below.

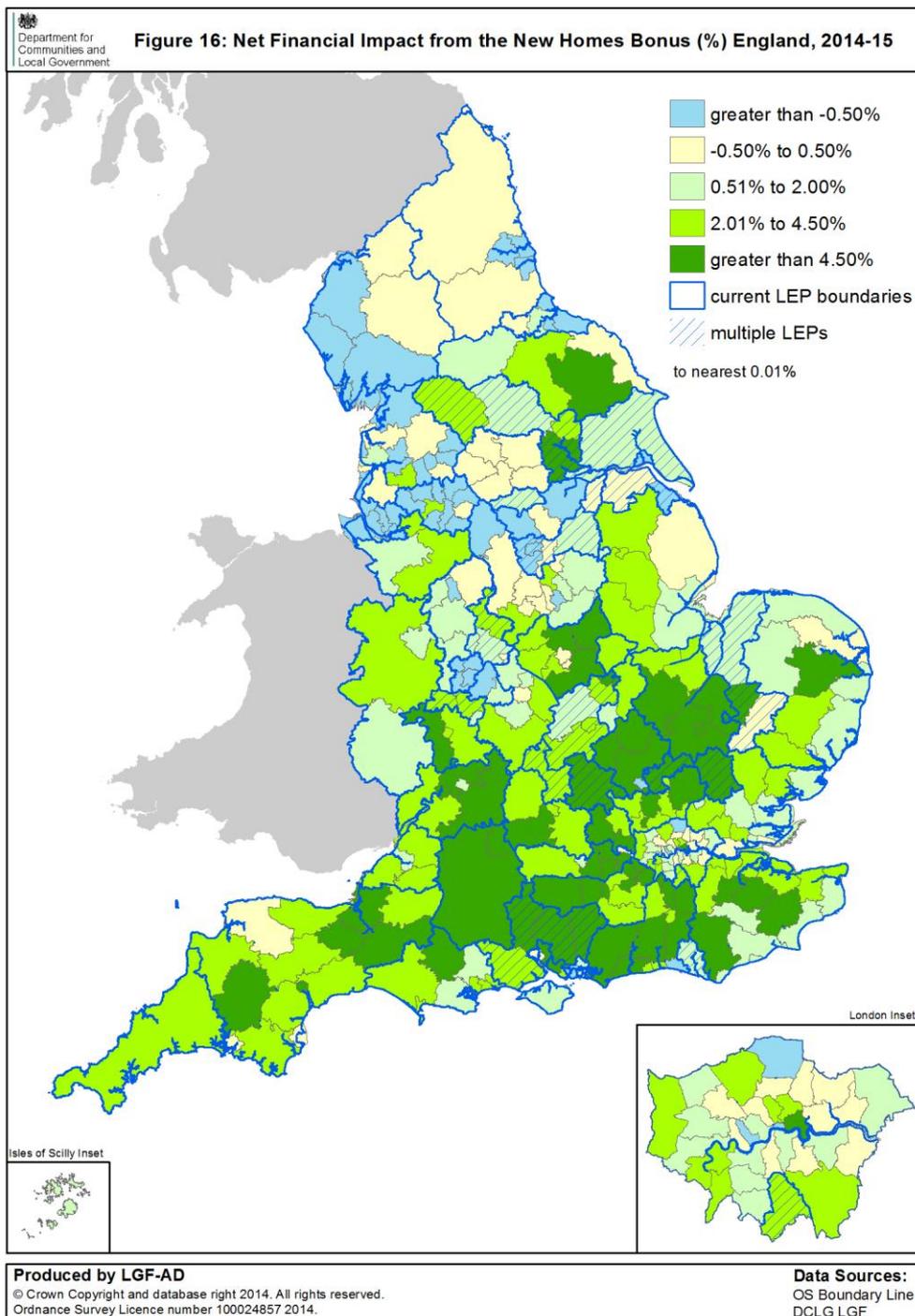
52. Figure 15 illustrates the distribution of the net financial impacts of the Bonus across England for 2011/12. This first year in the Bonus did not involve any redistribution of funds from local government funding, so all authorities were better off in with positive net impacts. The map shows some of the highest positive impacts in authorities within a broad commuter belt of authorities around London, stretching from Cambridgeshire around to Oxfordshire and down to Surrey and West Sussex. There were also higher net positive impacts in

authorities down through the East Midlands and pockets around York, in Shropshire and west Suffolk and Norfolk. The lowest positive impacts were spread through a number of authorities across the north west of England, pockets of authorities in the north east and in and around Yorkshire and a number of boroughs throughout London.

53.



54. Figure 16 illustrates how both the level and distribution of impacts by authority had changed by 2014/15. By looking across the maps for each year over the study the pattern of impacts did not vary significantly. By 2014/15 the geographical distribution of impacts was still very similar to that experienced in 2011/12. The size of the financial impacts has become more pronounced over time, with a deepening of both positive and negative percentage net impacts across a similar geographical distribution.



55. When Figure 11 and 16 are considered together, it is clear in two tier authorities that positive net impacts can flow across a county area overall, whilst impacts may vary between the respective shire district and shire county.

Comparison of New Homes Bonus with housing need

56. Although it is not an explicit objective of the New Homes Bonus to specifically incentivise properties to be built in areas of highest housing “need”, the analysis did explore the broad patterns of impacts of the Bonus against measures of “housing need”. Whilst there is no formal agreed measure for housing need, three measures were agreed with members of the external technical advisory group to provide a range for comparison. Appendix G provides three maps providing three different measures of housing need:

- (i) Ratio of median house prices to median incomes;
- (ii) Number of households in temporary accommodation per 1,000 households and;
- (iii) Annual projected change in population from 2011 to 2021.

57. In terms of comparing net impact from the Bonus and housing affordability (the ratio of house prices to incomes – Figure G1), there is a significant broad overlap with a number of authorities in a commuter belt around London facing high affordability ratios whilst being amongst those benefiting the most from the Bonus. This was less the case in London where high affordability ratios were not matched by the highest positive impacts from the Bonus. There were also some similarities in the distribution of lowest affordability ratios in authorities throughout the north west and north east of England, who were also often facing the highest negative impacts from the Bonus.

58. Using the distribution of households in temporary accommodation as a measure of housing need (Figure G2) shows that authorities within a wide commuter arc around London saw high proportions of households in temporary accommodation and also were amongst the highest positive net beneficiaries from the Bonus. Again, this was less the case for London where the highest levels of temporary accommodation were not matched by the highest positive impacts from the Bonus. However, it was the case that those authorities in the midlands and the north of England who were facing the highest negative impacts from the Bonus also had amongst the lowest proportions of households in temporary accommodation.

59. The final measure considered here of projected population growth (Figure G3) differs from the previous two in respect of providing an estimate of potential future housing need, rather than as a snap shot of estimated housing need today. There are a number of similarities in the broad distribution of lower projected population growth in the north west, north east and west midlands and

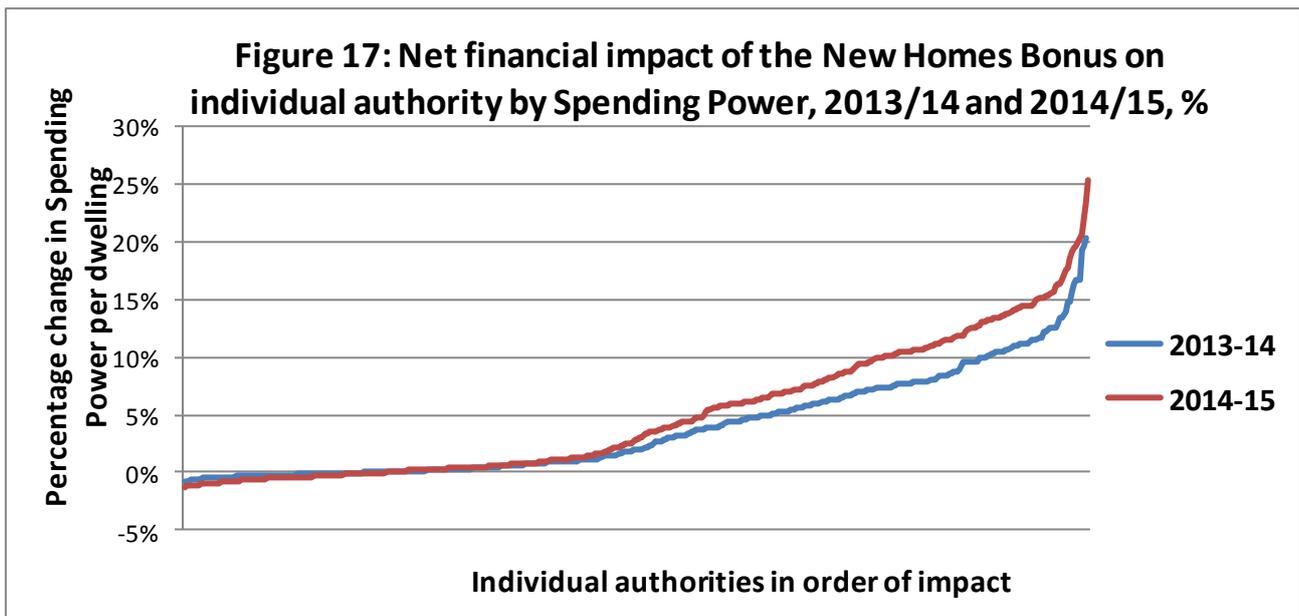
negative impacts from the Bonus. There was also significant overlap between commuter areas outside of London, and in particular through the central and east midlands and towards Cambridgeshire. Again, there was less of a relationship between authorities in London where projected growth in populations was amongst the highest in the country, compared to the impacts of the Bonus which were more mixed.

60. Whilst we might expect the number of new homes and therefore the Bonus to be strongly correlated with housing need, this will not necessarily be the case. The Bonus is only one of a complex interplay of factors which influence housing growth and these factors will also vary in importance and relevance by authority. Some authorities may for example face constraints on land and housing supply and this is likely to be the case in areas such as London.
61. Nonetheless, looking across these three measures of housing need, the financial impacts of the Bonus appear to largely be matching the distribution of housing need, though there are some areas of mismatch, in particular for London authorities.

Impact on overall Spending Power

62. In order to provide a wider perspective of significance of the Bonus on overall local government finances, the analysis also estimated net impacts as a percentage of overall individual authority “spending power”⁸. Spending power is the overall level of funding made available for local authority services, including council tax, locally retained business rates and central government grants.
63. Figure 17 illustrates the estimated absolute net financial impact of the Bonus on spending power for all individual authorities in England for 2013/14 and 2014/15. By “net financial impact” we mean the estimated change in the authority’s spending power per dwelling compared to what it would have been in the absence of the policy. So a positive / negative net impact will mean they are better off / worse off by this proportion of their financial position in the absence of the policy.
64. By 2014/15, for around a half of all authorities, the impact of the Bonus was an increase in their spending power per dwelling by over 5% and a very small number of highest growth outlier authorities seeing impacts as a percentage of spending power of up to a maximum of around 25%. It is worth noting that for the minority of authorities facing negative impacts, the percentage impact was much less pronounced than for those facing positive impacts, with those authorities losing the most facing a reduction in their spending power per dwelling of just 1.41%.

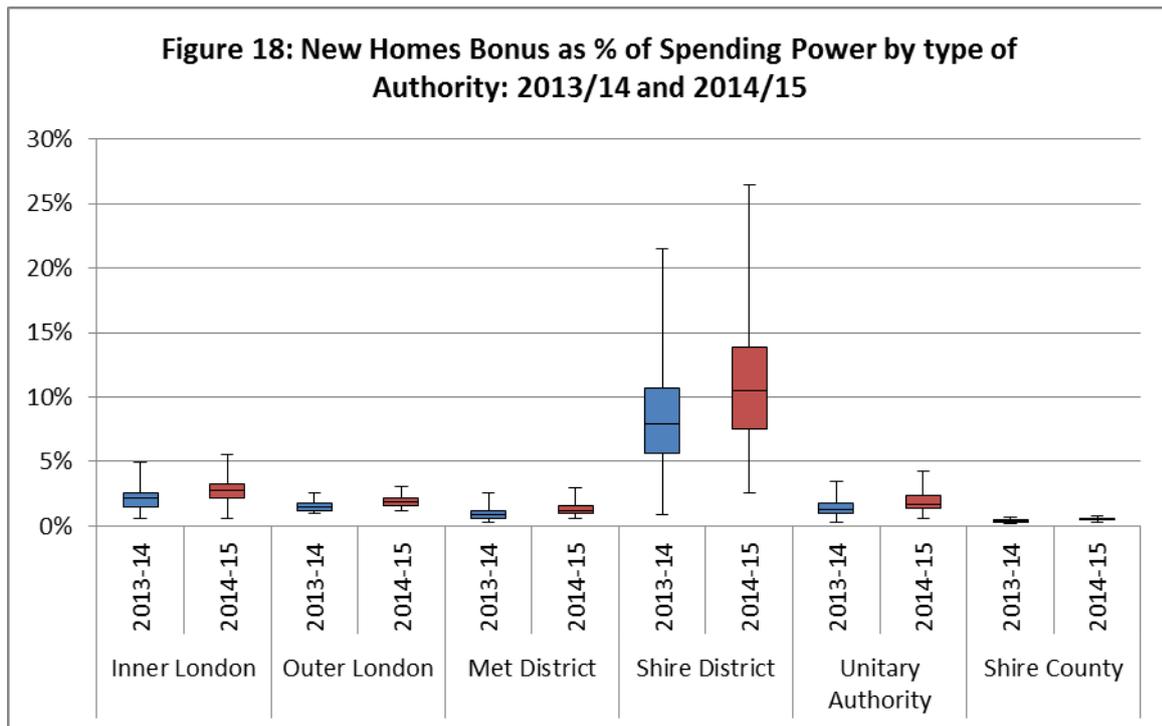
⁸ The analysis of spending power was only able to be undertaken for the 2013/14 and 2014/15 financial years. An explanation for this is provided in Appendix B.



65. Figure 18 uses a “box and whisker plot” to illustrate in more detail the level of spending power that is comprised of New Homes Bonus payments by different types of authorities. The upper and lower points of the “whisker” represent the minimum and maximum value, the centre line the average, and the top and bottom of the box the upper and lower quartiles.

66. The chart shows the most significant and positive impacts being derived by shire district councils, though there is significant variation, from a high of over 25% of spending power in 2014/15 to a low of around plus 2.5%. As a group shire counties by 2014/15 were seeing the smallest net impact from the Bonus, with the other groups of authorities seeing the New Homes Bonus comprise between 0-5% of their overall spending power.

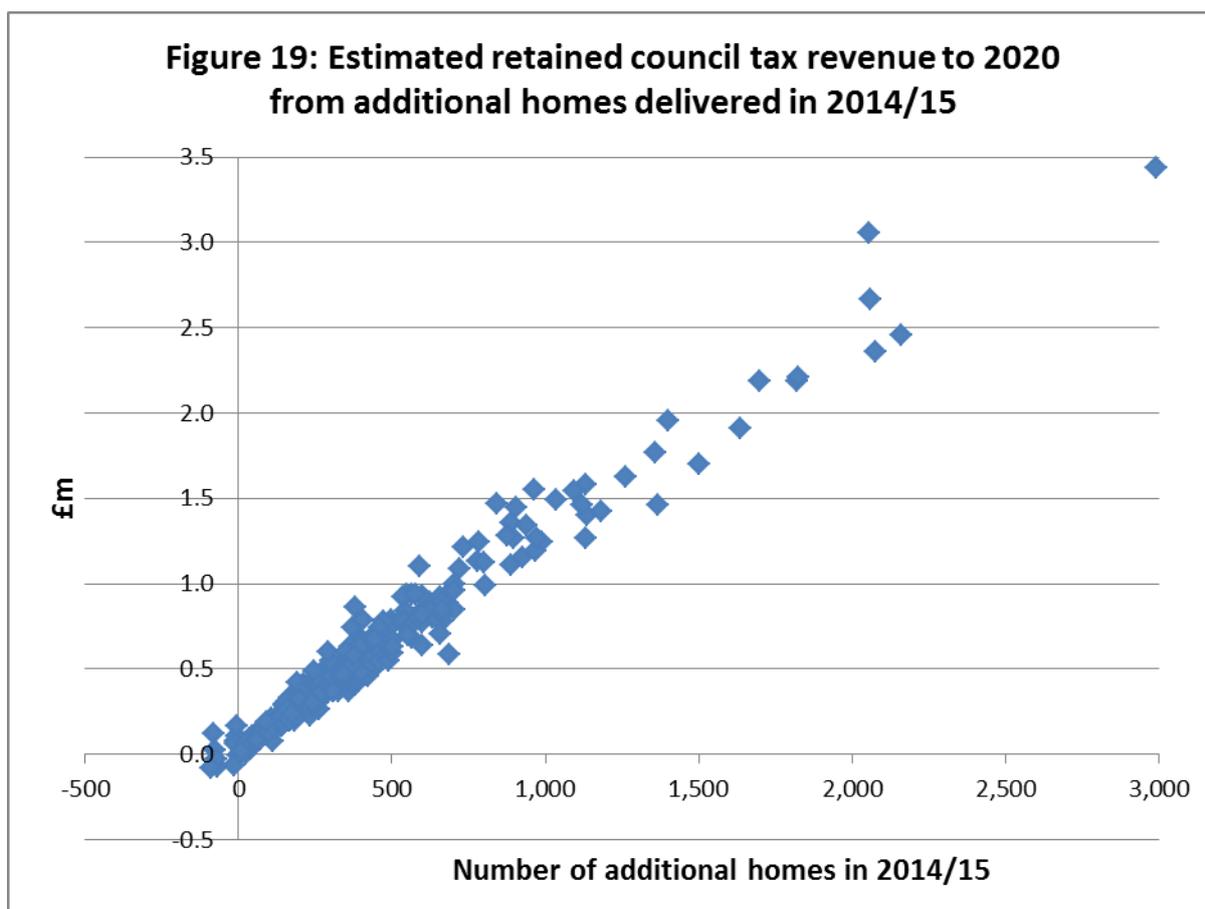
67. Figure 18 shows how, as the New Homes Bonus increases over time the percentage of spending power the Bonus comprises also increases. This suggests the fiscal incentive of the Bonus may also be strengthening over time and may act as a stronger incentive in future as the Bonus is expected to continue to increase.



Additional incentives from council tax receipts for new homes

68. In addition to the financial impacts observed above, recent changes in local government finance have also increased the financial benefits for authorities from new house building.
69. Prior to 2014/15 the calculation of the local government finance settlement has either taken into account actual changes in the council tax base, or forecast changes for where there has been a multi-year settlement, when assessing the relative resources of a local authority.
70. This equalization meant that increasing housing supply effectively reduced the level of support through the local government finance settlement. Therefore under the system prior to business rates retention a local authority did not receive on-going financial benefit for increasing the number of dwellings in their area.
71. Under the business rates retention system the starting position was fixed in 2013/14 for seven years based upon a similar formula to the previous system. Therefore 2014/15 was the first year in which local authorities would benefit from not having their local government finance settlement adjusted downwards to take into account the increase in their resources as a result of an increase in council tax from new dwellings.
72. As such, there is a higher combined financial benefit and a subsequent enhanced fiscal incentive to encourage authorities to facilitate housing growth from both the Bonus and through these financial reforms.

73. By way of illustration Figure 19⁹ illustrates the estimated increase in council tax revenues for each authority in England from 2014/15 that can now be retained by authorities until 2020 without having their local government finance settlement adjusted downwards to take into account the increase in their resources. So for example, the highest housing growth authority that delivered around 3,000 additional homes relevant for 2014/15, is estimated to be able to retain over £3m in council tax revenue without having their local government finance settlement adjusted downwards to take into account the increase in their resources. All of these revenues are additional to any receipts derived from the New Homes Bonus.



⁹ It is possible for an authority to receive less council tax from additional dwellings in their area. This can be as a result of changes in bands of the additional dwellings replacing existing higher banded properties. For example, if two Band H properties are lost (demolished or split into smaller units) but replaced by say five Band A properties the actual tax base has reduced despite there being three more dwellings than previously.

Section 4: Understanding, awareness and views on the New Homes Bonus

Introduction

74. This and the subsequent sections are largely based on evidence derived from local authorities within the external research led by the University of Sheffield into the impact of the Bonus on attitudes and behaviours. Appendix B provides some more detail on the scope and methods used in the external research.
75. Three of the stated principles of the Bonus are that it is “simple”, “transparent” and “flexible”. The external research found that “taken together, the survey and qualitative evidence suggest that the New Homes Bonus is viewed as being simple, transparent and flexible” and that “relevant officers (planning, housing and finance), senior leadership teams and key elected members (leaders, chairs of planning committee) are generally well informed about the New Homes Bonus and its financial implications.”

Understanding and awareness

76. The online survey of local planning officers found that almost all (98%) of respondents agreed they had “a good understanding of the New Homes Bonus and its role in helping to facilitate growth”. There was also a very high understanding of the financial implications of the Bonus with 86% of officers agreeing that they had “a good understanding of the likely overall impact of the New Homes Bonus on the finances of my council” with only 4% disagreeing.
77. Three quarters (75%) of officers agreed that it was “relatively simple to calculate the revenue that would derive from the New Homes Bonus”, with only 12% disagreeing.
78. The researchers found a good understanding of the Bonus both within planning, housing and finance departments and at the Chief Executive level and that senior officers were well informed and engaged with the Bonus across all the case study areas. Although in most cases understanding of the Bonus by elected members was found to be good, it was found to vary within councils, with key cabinet members and those members closest to planning and housing services having the best understanding.
79. The level of understanding of the Bonus amongst house builders was seen by planning officers to be somewhat lower with 41% of officers agreeing that “in my council area house builders have a good understanding of the New Homes Bonus that would result from new development”, with 16% disagreeing with this

statement and around 30% not giving a view either way. The case study research found that understanding of the Bonus was highest for major house builders and planning consultants, some of whom have developed strategies for drawing attention to the Bonus receipts that would derive from their proposed development in negotiations with local authorities. In one case study area a developer saw the Bonus as a way of articulating the financial benefits of development. In some areas there were examples of applicants putting forward information on Bonus receipts as part of their planning application material. Awareness and references made to the Bonus were, however found to be more mixed amongst smaller local and regional house builders / applicants.

80. All authorities in the case studies felt understanding and awareness of the Bonus within the wider community was very low or limited. In some cases this was felt to be the case because councils had not carried out publicity or communication work about the Bonus with residents. There were some examples where the Bonus receipts from development had gained some local press coverage, where councils had mentioned Bonus receipts within press notices and when some community groups were encouraged to bid for a share of receipts. There were also some instances where applicants were referring to Bonus receipts in their pre consultation engagement with local residents.

The New Homes Bonus as a “powerful incentive”

81. Another key stated principle of the Bonus is for it to be a “powerful” incentive to help facilitate housing growth. In the online survey officers were asked to what extent they agreed or disagreed that the Bonus was “a powerful incentive for my council in helping to facilitate housing growth”. Around half (49%) of all officers agreed that the Bonus was a powerful incentive, with only a quarter disagreeing and a further 22% neither agreeing nor disagreeing. Agreement varied somewhat by different types of authorities with those “pro-development housing growth”¹⁰ areas and rural areas most likely to agree (66% and 60% respectively). County Councils were least likely to agree with more of these councils disagreeing (46%) than agreeing (31%). Views were less marked in authorities categorised as being in “high demand areas with a cautious planning stance” and in London metropolitan areas, however even here there were found to be more respondents agreeing than disagreeing (43% and 44% agreeing respectively). Respondents in areas with high Bonus receipts per capita tended to be more positive about the power of the policy with 62% of those in the highest quartile of receipts agreeing.

82. Of those authorities who neither agreed nor disagreed that the Bonus “is a powerful incentive”, the researchers felt, from the case study research that many of these responses “might reflect the view that it is too early for those respondents to make a clear assessment”.

¹⁰ See Appendix B for detail on the types of authorities used

Section 5: Impact on attitudes

Introduction

83. We illustrated in the logic model in section one how the Bonus could influence the attitudes of key actors (council officers, elected members, house builders, the community, etc.) at different points throughout the planning system. This section provides evidence from the external research on how the Bonus is beginning to impact on attitudes in practice.

Impact on support for new homes

84. In the survey planning officers were asked to provide views on the extent to which they thought the Bonus was beginning to impact on attitudes towards new homes within their respective authorities.

85. The researchers found the survey findings “suggest that the New Homes Bonus is helping to slightly increase overall support for new house building in a large number of local authorities”. There were slightly more officers agreeing that the Bonus “has helped increase overall support for new homes being built in my council area” (39%), compared to those disagreeing (37%) and the remainder (23%) neither agreeing nor disagreeing.

86. Agreement varied depending on the extent to which authorities were benefiting from receipts, with those in the highest quartile of Bonus receipts with higher agreement (37% for the highest quartile of receipt authorities, and 56% for the next highest) compared to those authorities in the lowest quartile of receipts (just 28% agreement for the lowest, and 24% for the next highest quartile authorities).

87. Planning officers were also asked if the Bonus had resulted in their elected members being more supportive of new house building. More authorities agreed (39%) than disagreed (33%) that the Bonus had made members more supportive.

88. Authorities were also asked about the impact the Bonus has had to date on overall support for new homes specifically “within the local community”. Perhaps reflecting the low / limited levels of awareness and understanding of the Bonus within the community touched upon in section four above, only 10% of authorities agreed the Bonus had increased support for new homes within the local community compared to 59% disagreeing. The impact on community support was slightly higher in rural areas where 19% of authorities felt the Bonus had helped to increase support, followed by those in pro-development housing growth areas and London metropolitan areas (both 13%).

The attitudinal change process

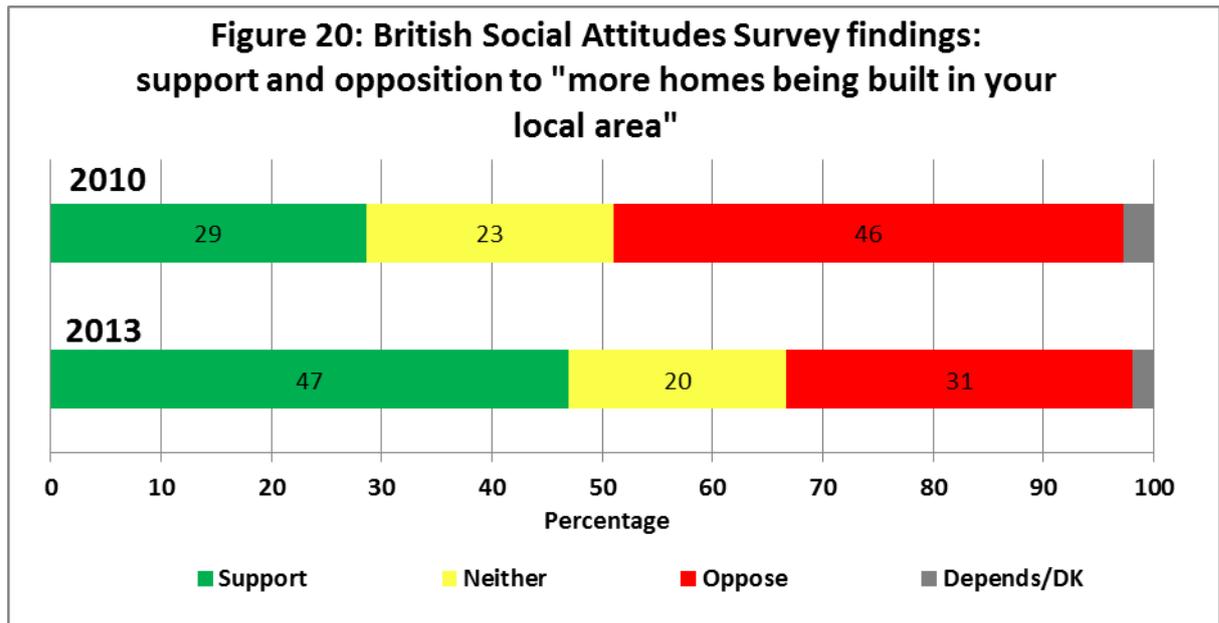
89. The external researchers noted that there were a considerably higher number of planning officers who perceived the Bonus to be a “powerful” incentive, than believed it to have affected attitudes towards new homes. For example, only two thirds of those who agreed the Bonus was a powerful incentive also agreed it had so far helped to increase overall support for new homes. Drawing on evidence from the case studies, the authors suggest that this may point to a time lag between policy implementation and this feeding through to attitude change (and subsequent behaviour). They note that the numerous interviews with a range of actors across the case study areas stated the policy was still very much bedding in and that “attitudes and behaviours are still evolving”.
90. The researchers also noted that all of the 12 case study areas stated they had become increasingly accepting of housing development over the previous five to ten years. As such the researchers found that “the New Homes Bonus is part of a number of factors that are encouraging and supporting a more proactive approach to new house building” and that there was a “degree of support for the New Homes Bonus *principle* that new housing provision should be incentivised and rewarded through a funding Bonus”.
91. The case studies frequently made clear that the Bonus was not seen to be acting in isolation but instead was seen as part of a package of pro-development policy changes. In this regard the Bonus was perceived not to be directly and significantly shaping attitudes so far, but it was seen as a contributory factor and was helping to reinforce attitudinal shifts towards new homes. In some cases the financial contribution was seen to have helped build political support for (and ease resistance to) a more supportive and proactive approach to new housing delivery. The Bonus was also seen to be widening and sharpening a more strategic debate within authorities about new housing.

Wider public support and opposition to new homes

92. In order to provide some wider context in terms of public attitudes to new homes over the study period, the evaluation draws on findings from a question asked in the British Social Attitudes survey in 2010 and 2013. The surveys asked respondents about the extent to which they were supportive or opposed to “more new homes being built in your local area”. Although the findings cannot be directly attributed to government policy or specifically the New Homes Bonus, the findings do provide a helpful context to shifting public attitudes over the evaluation study period.
93. Figure 20 illustrates how there has been a substantial shift in public support towards new homes over this period. In 2010 more respondents said they would oppose new homes than support new homes (46% compared to 28%

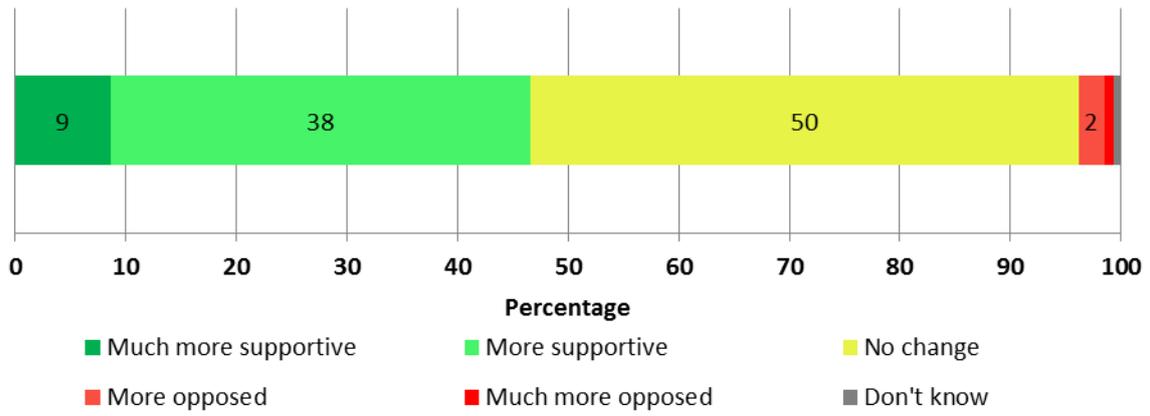
supportive). However by 2013 this had turned around with more respondents now saying they are supportive of new homes than opposed (47% supportive compared to 31% opposed). Support increased across all key households types and geography.

94. It is also noteworthy that support has shifted most significantly at the extremes, with those strongly opposed dropping by about a half (from 15% down to 8%) and those strongly supportive doubling (from 5% to 11%). There continues however to be a sizable group who have no view either way (20%).



95. In the same 2013 survey, respondents were also asked if they would be more supportive of new homes "if the government provided councils with more money to spend on services for each new home that is built". Although not specifically naming the New Homes Bonus, this statement is very similar to the Bonus where the receipts from new homes can be spent on local services. Figure 21 shows that 47% of respondents stated that this would result in them becoming more supportive of new homes, with 9% of these saying they would be become much more supportive as a result. Half of respondents said more money would not make any change to their level of support, with around 3% saying it would make them more opposed.

Figure 21: British Social Attitudes Survey finding: Support if the government provided councils with more money to spend on services for each new home built



Section 6: Impact of the New Homes Bonus on behaviour

Introduction

96. Building on the evidence illustrated in the previous section on impact of the Bonus on attitudes, this section sets out evidence on the subsequent impact the Bonus is beginning to have on the behaviours and decision making of key actors.
97. The external researchers explored in both the survey of local authorities and the case study analysis the extent to which the Bonus has impacted to date on behaviours within both the plan making process and in the context of making decisions about individual planning applications.

Impact on strategy and the plan making process

98. There was evidence, both in the survey and case studies that the Bonus has begun to have an impact on broader strategic thinking about housing provision and the external researchers found that “senior Executive Officers and Elected Members are taking greater interest in strategic decisions about planning for housing as a result of the NHB”. One case study felt that the Bonus had “perhaps reinforced the direction of travel in terms of making links between housing, planning and finance”. In the survey 31% of planning officers agreed that the Bonus “has contributed to a more strategic and coordinated approach to new housing provision” with 43% disagreeing.
99. While the financial implications of the Bonus on authorities may be resulting in increased dialogue between senior colleagues across different policy areas of the authority (finance, housing, planning etc), there is a question as to the extent to which this is translating into impacts on behaviour within the planning system.
100. As illustrated in the logic model in section one, the plan making process can take a number of years to progress from the pre-production stage to formal adoption. This means the ability of the Bonus to have impacted on local plans from the implementation of the policy in 2011/12 depends on what stage individual authorities were at in the plan making cycle. Additionally, the Bonus is only one factor amongst many that will influence the number of homes proposed in a Local Plan. Against this backdrop the survey found only 11% of authorities agreeing that the Bonus had so far been “an important influence on the number of new homes proposed or adopted in my Local Plan” with 71% disagreeing.
101. Similarly only 5% of authorities agreed that the Bonus had so far been a “significant factor in public consultation and discussion for my Local Plan” compared with 72% disagreeing. Again, the potential for the Bonus to influence

such consultation and discussions will very much depend on where a local authority was in the plan making process at the time of the interview.

Impact on planning applications

102. The external research found that, to date the Bonus was having “a limited impact on planning applications involving new homes”. Over a third (36%) of officers said they “always / almost always or often/sometimes“ took into account the revenues from the Bonus when considering planning applications for new homes”. This was slightly higher for elected members where 38% of officers felt members often took into account Bonus revenues in this context. At the same time 56% of officers stated that they never took into account Bonus revenues when considering applications and 44% of officers felt members never took this into account. There was little variation in these views across different types of authorities.
103. The case study work found that there was a clear and consistent view from officers and members that the Bonus should not influence the requirement to make decisions in accordance with “law and planning policy”. In a number of cases the Bonus was not considered to be a “material consideration” in informing a planning decision. It was however suggested by some authorities that if the Bonus receipts were ring fenced and / or focused on planning and housing spending, that this might result in the Bonus becoming more significant and as such more relevant to planning decisions.
104. The research also found that consideration of the Bonus when making such decisions was likely to change in future, as understanding of how it may be used continues to develop. The researchers noted that “officers and members have become more relaxed about considering Section 106 and CIL [when considering applications] and it was frequently suggested that the views on the New Homes Bonus are evolving”.

Section 7: New Homes Bonus receipts

105. The externally commissioned research used the survey and the case studies to explore how authorities were making use of the flexibilities available to them, what types of activities they were funding and to what extent they were devolving funds and communicating any spending to local communities.
106. The local authority survey suggested that Bonus receipts were largely being used to support core local authority services. When asked what the top or first category of spending was for Bonus receipts, the majority of authorities (60%) said this was primarily for general council services (33% treating such receipts as part of the “general fund” and 27% to “maintain existing services”). The third most popular category was spending on “infrastructure for new housebuilding” chosen by 10% of authorities, followed by “keeping council tax low” at 6.5%.
107. Perhaps representing a better spread of what Bonus monies are spent on, authorities were also asked to rate the top three categories their council spent receipts on. On this basis, the most popular category was “maintaining council services” (57%), followed by “treating it as part of the general grant” (42%), followed by “keeping council tax low” (34%) and “infrastructure for new house building” (21%).
108. The case study research found wide variation in the way in which Bonus receipts were being used and the extent to which authorities were making use of the flexibilities in the use of payments. Some authorities were using the funds in a very strategic way to help support planning and housing over a longer term period. For example, one case study used receipts to “support infrastructure delivery for growth” by building up an earmarked reserve over time. The receipts were able to help plug gaps when they arose in the development process and brought valuable flexibility to complement other funding streams. This has enabled them to provide funding across financial years to support strategic planning and the allocation of resources. There was a sense in some cases that uncertainty around the future of local government grant and whether the Bonus was going to continue meant that authorities were taking a cautious approach by continuing to direct funds to the base budget.
109. In other cases authorities were taking a more project based or case by case approach, using receipts to fund a wide range of projects of varying sizes right down to small scale community projects.
110. There was also wide variation in terms of the types of activities authorities chose to spend Bonus receipts on. In the case studies, some authorities were allocating all of the receipts into the base budget to help support the delivery of core council services. Others were using all of the funds to support housing development delivery, the provision of affordable housing and addressing empty properties. One authority had begun with all its payments going into a housing

reserve, then had moved towards 50/50 allocation to housing and general fund, and had now moved to all Bonus payments going into the general fund.

111. The use of receipts to support housing was found to be most effective where existing delivery mechanisms were in place. Examples of the types of housing related activities authorities were spending Bonus receipts on are:

- Funding empty homes officers and initiatives;
- Interest free loans for private registered providers to support new affordable housing that would be recycled over time;
- Loans to assist vulnerable households to improve and repair their home;
- Additional funding to complement the disabled facilities grant;
- Implementing the authority's housing strategy;
- Feasibility work to fund new road to unlock significant proposed development;
- Development of a reserves budget to support growth projects;
- Equity loans for first time buyers;
- Used strategically to support infrastructure delivery for growth;
- Being used to plug funding gaps in the development process;

112. It was clear from the case study interviews recent reductions in local government funding to help address the national deficit meant there were considerable demands on Bonus payments to help support core council service delivery. However, despite this actual allocations were mainly found to reflect political priorities in the authority. Some planning officers reported a degree of frustration that receipts were not being used to support planning and housing initiatives. There was also a feeling that if the Bonus was seen as a recognizable "extra" rather than as a redistribution of existing local government funding, authorities would be more willing to ring-fence funding to support housing.

113. There was very little evidence that authorities were raising awareness of the Bonus within the community, or communicating what activities the fund was being spent on. This raises questions as to the extent to which Bonus receipts are being spent "in line with local community priorities" as was intended by the policy.

114. There were some examples where a proportion of the Bonus was being devolved directly to community groups. Two of the twelve case study areas devolved a proportion of Bonus receipts directly to the community. In one case this represented 25% of all receipts and in another 40% of receipts were devolved to parish councils to support a range of community projects.

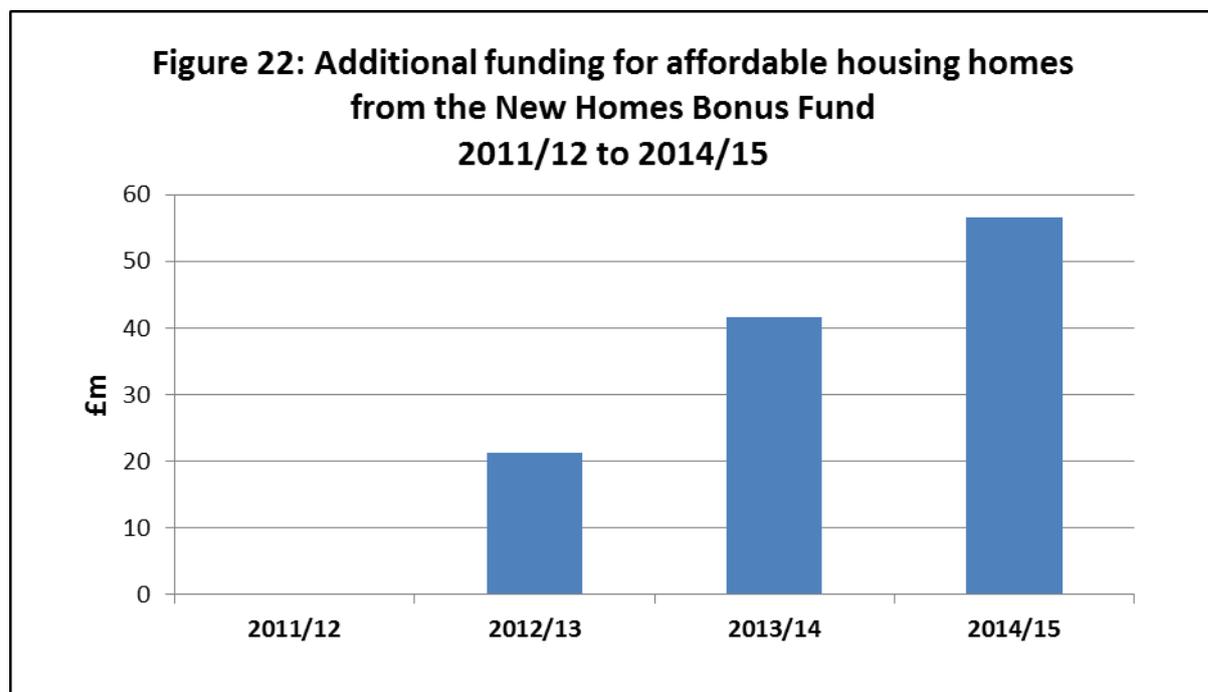
115. The researchers also found that Bonus receipts were particularly valued by authorities for the flexibility in their use and the way they could be combined with other funding sources. However many authorities argued that receipt levels were still too small to make a significant difference. This situation may however improve over time for higher housing growth areas, as the amounts of Bonus payments accumulate and are expected to continue to rise.

Section 8: Affordable housing, empty homes and county councils

Affordable housing provision

116. As mentioned in the introduction, to further incentivise the provision of affordable housing there was an enhancement of new homes payments for each additional affordable home of £350 per annum for the six years of payments.

117. Figure 22 provides the total amount of the Bonus fund in each year that was used to fund this affordable housing enhancement. In addition to this, affordable housing units will also raise the standard Bonus revenues for each additional home. The affordable housing premium was not introduced until 2012/13, so no enhancement payments were allocated in 2011/12. Total enhancement payments increased from £21m in 2012/13 to £57m by 2014/15. By 2014/15 total funds allocated to the affordable housing premium represented 6.2% of the total New Homes Bonus Fund in that year.



118. The evaluation explored the extent to which the affordable housing enhancement was resulting in any additional incentive to make available more new homes, and affordable homes in particular. Planning officers were asked within the survey to what extent they agreed that the Bonus “helped increase overall support for affordable housing built within my council area”. Only 29% of

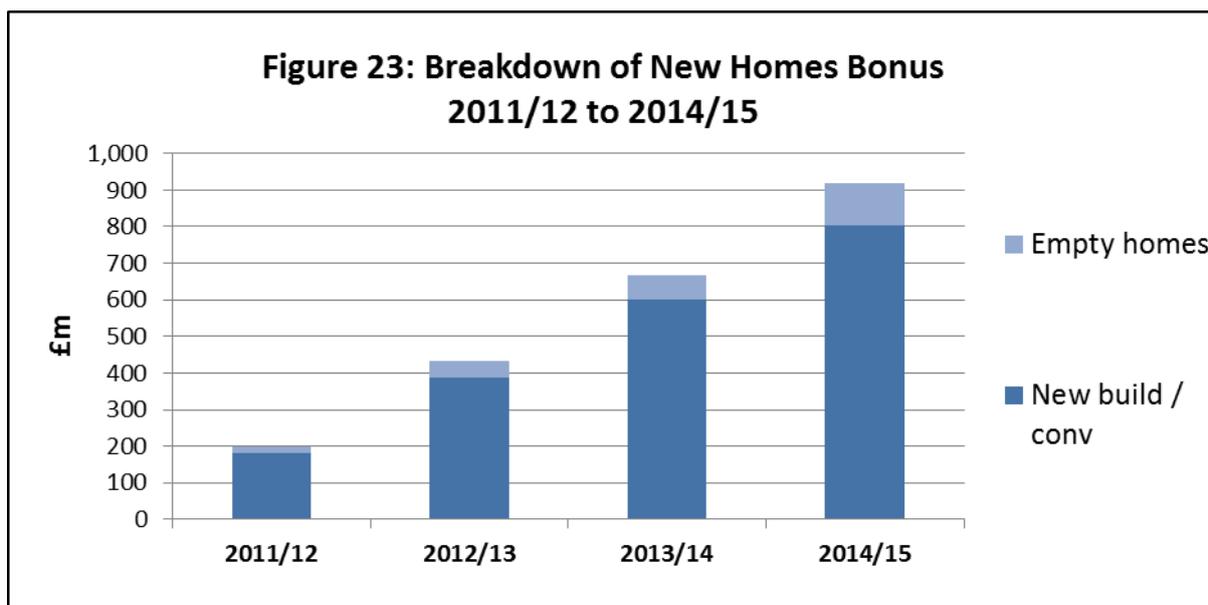
officers agreed or strongly agreed with this statement compared to 41% who disagreed. Responses to this question varied significantly across different types of authorities with agreement highest in “pro-development housing growth” areas were 44% of authorities agreed (44% disagreeing) with this statement and 38% of those from London metropolitan authorities (31% disagreeing). Agreement was lowest amongst county councils (15% agreed and 39% disagreed), followed by “low demand urban” authorities (25% agreed, 40% disagreed).

119. In the in-depth interviews with the case study authorities, it was found that the majority were already very supportive of the principle of new affordable housing, though respondents often felt they lacked the financial and policy levers to influence its delivery. Evidence from the survey and case studies suggested that numerous local authorities were using Bonus receipts to support the delivery of additional affordable housing in their areas. For example, two authorities were using the funds to provide interest free loans to private registered providers to help deliver affordable housing. Others were using funds to complement “Section 106” affordable housing provision, whilst another found the additional contribution to affordable housing costs had helped support their case for the Community Infrastructure Levy in the face of developer opposition.
120. So, although there were numerous examples of where Bonus receipts were being used to directly and indirectly support the delivery of affordable housing, the research did not find any evidence the Bonus and its accompanying affordable housing enhancement was providing an additional incentive in increasing support specifically for more affordable homes.

Empty homes

121. The New Homes Bonus rewards authorities for bringing long term empty properties¹¹ back into use by including the net annual change in the number of such properties as part of its calculation of Bonus payments. When the policy was launched, making use of empty homes was also seen as an important way of helping to overcome local opposition to new homes.
122. Figure 23 provides a breakdown of the amount of the New Homes Bonus fund that has been attributed to empty homes being brought back into use in each year compared to newly built homes and existing homes that have been converted. Funds attributed to empty homes have increased from £18m in 2011/12 to £114m by 2014/15. As a proportion of the total New Homes Bonus fund empty homes have increased slightly, making up for 9% of the total fund in 2011/12, rising to around 12% by 2014/15.

¹¹ Those empty for six months or longer



123. The online survey of local authorities asked planning officers to what extent they agreed that the Bonus had “helped reduce the number of empty homes in my council area”. Almost half (47%) of authorities agreed that the Bonus had helped to reduce empty homes. Only 28% of authorities disagreed that the Bonus had helped to reduce empty homes.

124. The impact on empty properties was found to be particularly high in housing growth and rural areas (with around 60% agreeing), but was still considerably high in low demand areas (42%). There was also seen to be a strong correlation between the extent to which authorities felt the Bonus was reducing empty homes and the (per capita) level of Bonus receipts. Those authorities in the top quartile of per capita receipts were most in agreement (around 56%), compared to those receiving the least payments (around 34% agreement).

125. The external researchers found from the case study research that “the New Homes Bonus offers significant incentives for local authorities to invest in empty homes support”. There were numerous examples across the case study areas where authorities were using Bonus receipts to further reduce empty homes which would then have a positive impact on future Bonus receipts. Some authorities were using the Bonus to fund empty property officers, to match fund other funding sources to bring properties back into use.

County Councils

126. In the original consultation on the New Homes Bonus policy¹² it was noted that, “for the incentive to be most powerful, it must be strongest where the planning decision sits”. However it also recognised the role of the upper tier

¹² “New Homes Bonus: Consultation”, DCLG, November 2010

authority in the provision of services and infrastructure and the contribution they make to strategic planning. As such, for two tier authorities, Bonus receipts are distributed with 80% being allocated to the local authority and the remaining 20% going to the upper tier authority.

127. Thirteen County Councils responded to the online survey for planning officers with a response rate for this group of authorities at 46% (compared to 58% overall). Because of the low number of responses involved and the lower response rate, caution should be taken in inferring representative views of county councils as a group from this small sample size. However a breakdown of the findings by those county councils participating is still of interest in terms of the views given by these authorities and how they may differ from others.
128. Looking at the breakdown of the survey findings, county councils tended to be more negative about the Bonus than other authorities. For example, only 31% of county councils agreed the Bonus was a “powerful incentive” (compared to 49% overall), only 23% agreed it had “helped to increase overall support for new homes being built” (compared to 39% overall), only 15% agreed it has increased support specifically for new affordable housing (compared to 25% overall) and only 7.7% agreeing it had increased support for new homes within the local community (compared to 10% overall). In terms of empty homes, only 25% of county councils agreed that the Bonus had helped reduce the number of empty homes (compared to 42% overall).
129. A number of questions were also asked specifically of authorities who operated in two tier areas on the impact of the Bonus on joint working between districts and county councils. The views of County Councils and from planning officers operating in two tier authorities tended to diverge from those in unitary authorities. These officers tended to be more likely to disagree with the suggestion that the Bonus had improved joint working. This was corroborated in the case study research that suggests that, in these contexts, the Bonus is contributing to more individualistic decisions at the local authority level and is not leading to an improved co-ordinated environment.
130. Of authorities operating in a two tier area, only 16% agreed that the Bonus had “led to better communication and negotiation between county and district councils in my area with regard to new housing”, with 47% disagreeing. Only 15% of such authorities agreed that the Bonus had “let to better strategic coordination between county and district councils in my area on new house building”, with 48% disagreeing. Such authorities were also asked “in general I am satisfied with the allocation of receipts between county and district councils in my area”. Views were very different between districts and counties, with no county councils agreeing to this statement and eleven of the twelve county councils disagreeing, compared to 52% of such district councils agreeing.

Section 9: Conclusions

131. In terms of the New Homes Bonus meeting its aim of providing a financial incentive to facilitate housing growth, there was evidence it had significant potential for doing so, in particular given almost half of all planning officers agreed the Bonus was a “powerful incentive”. However, although there was evidence the policy was beginning to impact positively on attitudes such as support for new homes, the impact has been more limited in relation to plan making or planning decisions to date.
132. There were, however positive aspects in terms of the policy contributing to a more strategic and co-ordinated approach to housing provision, and the Bonus was seen as part of a number of factors and government measures that together were encouraging and supporting a more proactive approach to house building. This was set against evidence that wider public opposition to new homes had fallen substantially over the study period.
133. Since the positive financial impacts from the Bonus were seen to be proportionately higher than the negative impacts, this may suggest the fiscal incentive is likely to more readily incentivise and encourage higher growth authorities to increase growth further. Though the actual net financial impact for individual authorities and subsequent strength of the incentive will also depend on a number of other factors such as their financial position, original planning stance and the state and potential of the local housing market.
134. Although the external researchers found the policy was delivering to the key stated policy principles of being “powerful”, “simple”, “transparent” and “flexible”, there were some questions raised around the extent to which the community was aware of the Bonus and what it was being spent on. Although the government had set out a clear funding approach for the first four years of the policy, looking forward there was less evidence the policy was fulfilling its “predictable” element, with some authorities sceptical as to the long term future of the policy.
135. Four years into the policy, there remains some way to go before it can reach its full potential to impact on attitudes and behaviours such as housing targets in Local Plans and subsequent planning decisions. This is partly because, as a non ring-fenced form of revenue, authorities have the freedom to spend receipts in ways that may be unrelated to specific development proposals.
136. The size of the Bonus fund and subsequent net financial impacts is expected to continue to increase over time. Awareness and understanding - not just of the Bonus, but of how it can be used to best effect - is also likely to continue to increase as the policy works its way through individual local authority plan making and subsequent planning decisions. As such, the financial incentive of the policy and the observed impacts to date on attitudes and behaviour are also likely to also continue to rise over time.

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Appendix A: Terms of Reference of the New Homes Bonus Evaluation

Aims and objectives

The aim of the review is to assess the extent to which the New Homes Bonus (NHB) has been an incentive to help facilitate housing growth. This is being examined by exploring the five key stated elements of the policy:

- how **powerful** the incentive has been in terms of its significance and impact;
- how **simple** it has been in terms of understanding and implementation;
- how **transparent** it has been in terms of its understanding, recognition and significance;
- how **predictable** it has been in terms of expected future funding and;
- how **flexible** it has been in terms of the extent to which local authorities have been able to spend the proceeds in line with local community priorities.

Scope

The main focus of the evaluation will be on the impact of the NHB on attitudes and behaviours by local authority officers, councillors, house builders and the public / community in England from the outset of the policy to the present.

Programme of work

The evaluation involves a programme of work, drawing from evidence across the following work-strands:

- (i) Logic model:** A mapping of how in theory the NHB is likely to impact on and influence attitudes and behaviours of key agents within the planning and local government finance systems;
- (ii) Attitudinal and behavioural research:** Research carried out by a consortium led by the University of Sheffield Qualitative exploring the impact of the NHB on the attitudes and behaviours of local planning authorities, local authority members, house builders and others.

Key elements of this work are:

- Survey of all local authority planning authorities (upper and lower tier);
- Case study analysis across 12 local authority areas involving interviews with a range of officers, members, local house builders, community groups etc;
- Interviews with national house builders, planning inspectors etc;

- (iii) British Social Attitudes (BSA) survey analysis:** Analysis of findings from the 2010 and 2013 BSA national surveys to assess support and opposition for new homes and how this may have changed over time;
- (iv) Local Government financial analysis:** Analysis of the net financial impact of the NHB on individual authorities to date (2011/12 to 2014/15);
- (v) Analytical synthesis:** Synthesis of evidence across the above work-streams to derive an overall assessment of the NHB.

Technical Advisory Group

The review is being informed by a technical advisory group chaired by DCLG non-executive director Nick Markham. The group includes experts from the planning, housing, local government finance and house building sectors as well as an expert from the government's Behavioural Insight Team to help inform the evaluation approach, implementation and analytical inputs and outputs over time.

Appendix B: Background to the analytical work-strands

External research on attitudes and behaviours

In January 2014 a consortium led by the University of Sheffield were commissioned to undertake quantitative and qualitative research into the impact of the Bonus on the attitudes and behaviours of key actors such as planning officers, local government officials, elected members, housebuilders, planning consultants, planning inspectors and community groups.

The work consisted of:

- (i) An online survey planning officers across all local authority planning authorities in England. The researchers achieved 202 useable responses (a response rate of 57%);
- (ii) Case study interviews with key actors across a range of twelve area based case study areas across England. This involved 99 in-depth interviews (face-to-face and telephone).

This approach has produced:

- robust, statistically representative attitudinal evidence from across the local authority sector in England in respect to the NHB; and has allowed us to explore the extent to which it is impacting on attitudes and behaviours towards housing growth;
- in-depth qualitative evidence about the impact of the NHB on attitudes and behaviours amongst key actors in local planning for housing and has allowed us to explore the implications of these attitudes and behaviours for the process of decision-making and its outcomes.

The key research questions addressed were:

- what is the level of understanding and awareness of the NHB policy, including its potential and actual financial impact for their local authority?;
- how, and to what extent, has the NHB influenced local authority attitudes towards new homes?;
- how, and to what extent, has the NHB influenced behaviour and decision making that may impact on the number of new homes being made available?;
- how has the NHB been implemented, including how the receipts have been spent?

Local Planning Authority typologies

The research team also designed a typology of Local Planning Authorities. The typology was constructed using data on economic and market performance, housing delivery, planning stance. The data were grouped to form five composite indices for capacity, demand, previous planning stance, current output, and financial stringency. These indices were analysed using cluster analysis and allowed us to identify five

'types' of LPA, alongside County Councils and National Park Authorities. These 'types' represent the score each LPA received for the indices and the normal characteristics of the LPAs in these groups.

Descriptive names are used to represent the most common characteristics of each 'type', but the name may not describe every LPA within the type, for example some non-London LPAs match most closely the large number of London boroughs in the third type and are hence grouped with them under the name: London Metropolitan. The 'types' were given the following names:

- Low demand urban;
- High demand, cautious planning stance;
- London Metropolitan;
- Pro-development housing growth;
- Rural with varying planning stance

County Councils and National Parks have also been included as separate categories of respondent for the analysis.

The typology was used in four ways. First, it was used to monitor survey responses and to steer follow-up activity. This allowed the research team to make telephone contact with LPAs from under-represented sub-groups and helped ensure that the survey captured the heterogeneity within the LPA population. Second, it allowed the research team to explore the potential implications of under-representation and to consider the case for weighting the data. Third, the typology was used to inform the selection of case studies. It allowed the research team to identify areas where, despite some similarities in conditions and policy stance, there have been differential levels of receipts or differential financial impacts. Fourth, the typology was used to explore patterns on the data.

DCLG analysis of British Social Attitudes survey

To provide the evaluation with evidence and context on changing public attitudes to new homes, DCLG analysts analysed findings from the 2010 and 2013 British Social Attitudes (BSA) survey. The BSA survey is an annual nationally representative survey carried out by the National Centre for Social Research (NatCen).

DCLG commissioned a housing module of questions on the survey in 2010 and a "planning for housing" module in 2013. The 2010 survey involved interviews with around 2,800 respondents and around 930 responses in 2013 in England.

Findings from the 2010 survey can be found here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6362/1936769.pdf

Findings from the 2013 BSA survey have been published and can be found here:

<https://www.gov.uk/government/publications/british-social-attitudes-survey-2013-attitudes-to-new-house-building>

DCLG Local Government Financial Analysis ***Basis of the analysis***

The analysis undertaken for this report considers the financial impact of the New Homes Bonus on local authorities. The focus of the analysis is therefore the net financial impact on local authorities as a result of:

- New Homes Bonus payments funded by the £250m p.a. grant; and
- The redistribution of the local government finance settlement.

The counterfactual used to consider the impact of the New Homes Bonus is the assumed local government financial settlement that would have been made by government to local authorities in the absence of the New Homes Bonus, i.e. what would have been the local government finance settlement without any redistribution and zero New Homes Bonus grant.

Calculation of the Counterfactual

To achieve the counterfactual we have re-calculated the settlement as if there were no redistributive element of the New Homes Bonus and zero New Homes Bonus grant from the Department for Communities and local government. For 2011/12 as the New Homes Bonus was less than the £250m grant available the counterfactual is the actual local government finance settlement that applied in 2011/12.

For 2012-13 and 2014-15 the New Homes Bonus payments required a redistribution of the local government finance settlement to those authorities that could potentially benefit from the New Homes Bonus scheme, since the funding held back for the New Homes Bonus was originally taken from these authorities.

A number of assumptions had to be made in calculating the counterfactual since the settlement includes a number of policy decisions taken by ministers e.g. the level of damping applied to the settlement. We have simply assumed that ministers would have taken the same decisions on these issues as they took for the actual settlement

Whilst it is arguable that other factors, including policy decisions over the level of the local government control total, may have affected the absolute financial position of local authorities, these are considered out of scope of our analysis as such policy decisions are common to both the counterfactual and actual scenario.

Presentation of the Analysis

The main output from the assessment is a detailed table for 2011/12, 2012/13, 2013/14 and 2014/15 setting out the financial impact for each local authority. This is set out in the separate technical annex. The impact on local government settlement is presented in this report separately for each financial year within the report. The rationale for this is:

- The funding provided through the settlement is funding for that particular year to assist authorities fund services in year and authorities are required to have a balanced revenue budget for each year; and
- The services funded through the settlement each year differ, for example nine specific grants totalling £7.9bn were transferred in to the settlement in 2013-14, and the method of funding local government through the settlement fundamentally changed in 2013-14.

The analysis does not consider the Greater London Authority, Individual Fire and Police Authorities as these bodies are neither recipients of the New Homes Bonus nor affected by the hold back from the local government spending control required to pay for the New Homes Bonus where it exceeds £250m.

Alongside the assessment of the impact on the local government finance settlement we have assessed the impact of the New Homes Bonus in the context of spending power.

Revenue spending power aggregates the resources that local councils have available to support services they deliver on behalf of local citizens. The Components of spending power includes Council Tax, Settlement Funding Assessment Figures, Specific grants, New Homes Bonus and NHS funding for spend on social care that also benefits health.

The rationale for considering spending power is that any assessment of the impacts on funding services would need to be considered in the wider context of an authority's overall ability to fund services, not just from one of their funding sources. However, the report only considers the impact of the New Homes Bonus on spending power in 2013/14 and 2014/15 as prior to those years it was not taken into account in the spending power calculations.

Appendix C: New Homes Bonus technical advisory group membership

Name	Job title	Organisation
Nick Markham	DCLG non-executive director	DCLG
John Bibby	Director of housing	City of Lincoln Council
Alan Cross	Head of finance	Reading Council
Trudi Elliot	Chief Executive	Royal Town Planning Institute (RTPI)
Dr Marcos Pelenur	Principal advisor	Behavioural Insights Team, Cabinet Office
David Illingworth	Financial Manager	Oxfordshire County Council
Mike Kiely	Director of Planning & Building Control	London Borough of Croydon
David O'Leary	Deputy Director	Home Builders Federation
David Smith	Director of Resources	Kirklees Council

Appendix D: Tables of the findings from the survey of planning officers

To what extent do you agree with the statements?	Strongly Agree / Agree		Neither Agree nor Disagree		Disagree / Strongly Disagree		Don't know		<i>Net agree score</i>	
	No.	%	No.	%	No.	%	N	%	No.	%
I have a good understanding of the NHB and its role in helping to facilitate housing growth	193	97.5	5	2.5	0	0.0	0	0.0	193	100.0
It is relatively simple to calculate the revenue that would derive from the NHB	149	75.3	22	11.1	24	12.1	3	1.5	125	72.3
I have a good understanding of the likely overall impact of the NHB on the finances of my council?	171	85.9	19	9.5	8	4.0	1	0.5	163	91.1
In my council area house builders have a good understanding of the NHB that would result from new development	81	40.7	59	29.6	31	15.6	28	14.1	50	44.6

To what extent to you agree with the following statements?	Strongly Agree / Agree		Neither agree nor disagree		Disagree / Strongly Disagree		<i>Net agree score</i>	
	No.	%	No.	%	No.	%	No.	%
The NHB has helped increase <u>overall support</u> for new homes being built within my council area	77	38.9	46	23.2	73	36.9	4	2.7
The NHB has helped increase overall support for new <u>affordable homes</u> being built within my council area	57	28.8	53	26.8	82	41.4	-25	-18.0
The NHB has helped reduce the number of <u>empty homes</u> in my council area	91	46.7	40	20.5	54	27.7	37	25.5
The NHB has helped increase overall support for new homes <u>within the local community</u>	20	10.2	49	24.9	116	58.9	-96	-70.6
Overall the NHB has resulted in <u>my elected members</u> being more supportive of new house building	76	39.2	46	23.7	64	33.0	12	8.6

To what extent do you agree with the statements?	Strongly Agree / Agree		Disagree / Strongly Disagree	
	No	%	No	%
The NHB has contributed to a more strategic and coordinated approach to new housing provision in my council	59	31	83	43
The NHB has been a significant factor in public consultation and discussion for my local plan	10	5	134	72
The NHB has been an important influence on the number of new homes proposed or adopted in my local plan	21	11	130	71

To what extent do you agree with the statements?	Strongly Agree / Agree		Neither Agree nor Disagree		Disagree / Strongly Disagree		Don't know		Net agree score	
	No.	%	No.	%	No.	%	No.	%	No.	%
The NHB has led to <u>better communication and negotiation</u> between county and district councils in my area with regard to new housing	19	16.1	42	35.6	55	46.6	2	1.7	-36	-48.6
The NHB has led to <u>better strategic coordination</u> between county and district councils in my area on new house building	17	14.5	42	35.9	56	47.9	2	1.7	-39	-53.4
In general I am <u>satisfied with the allocation of receipts</u> between county and district councils in my area	57	50.0	29	25.4	22	19.3	6	5.3	35	44.3

To what extent do you agree with the statements?	Always / Almost always		Often / Sometimes		<i>Always/Almost always / Often /Sometimes</i>		Never		Don't know	
	No	%	No	%	No.	%	No	%	No.	%
How often do <u>planning officers</u> take into account revenues from the NHB when considering planning applications involving new homes?	11	5.8	58	30.5	69	36.3	108	56.8	13	6.8
How often do <u>elected members</u> take into account revenues from the NHB when considering planning applications involving new homes?	6	3.2	66	35.1	72	38.3	82	43.6	34	18.1
How are NHB receipts spent in your council?					First / Top		Top Three			
					No.	% (of respondents)	No.	% (of respondents)		
Staff to support new housebuilding					6	3.6	26	12.9		
Staff to support bringing empty properties back into use					4	2.4	32	15.8		
Infrastructure for new housebuilding					17	10.1	42	20.8		
Community facilities					3	1.8	22	10.9		
Passing monies to community groups to spend					7	4.1	29	14.4		
Maintaining existing council services					45	26.6	115	56.9		
Keeping council tax low					11	6.5	69	34.2		
My council treats NHB as a general grant and does not identify specific areas of spending					56	33.1	85	42.1		

Appendix E: Interaction of the New Homes Bonus with the Local Government Finance Settlement

Local Government Finance Settlement

The government determines how much it can afford to spend and reviews its expenditure priorities through a spending review. The amount of money allocated and distributed to local government through this process is known as the local government spending control total. The spending review covering the four years until 2014/15 relevant to this report took place in 2010.

The local government finance settlement is the mechanism by which the government distributes the spending control totals across all local authorities. The government is required by the Local Government Finance Act 1988 to consult for each financial year on the provisional local government finance settlement.

Up to 2012/13 the local government finance settlement was distributed according to a formula which took into account the relative needs and resources of local authorities. The formula was calculated on an annual basis with floors and ceilings applied to individual grants to provide stability to the financing of local services. Floor damping then guaranteed a minimum percentage change year-on-year for all authorities. This was paid for by reducing the amount of grant to the other authorities.

From 2013/14 the government reformed the way in which local authorities are funded through the introduction of the business rates retention scheme. The local government sector (local authorities and fire and rescue authorities) are now able to benefit directly from supporting local business growth as they will be able to keep half of any increases in business rates revenue to invest in local services.

The new system provided each local authority in 2013/14 with its starting position, based upon a similar formula to the previous system plus the addition of nine specific grants, in regard the level of business rates it could keep rather than send to central government for re-distribution.

The starting position for local authorities will be fixed until the first reset of the starting position that the government intends will take place in 2020. This provides certainty that authorities can keep 50% of their business rates growth on top of their starting position for seven years.

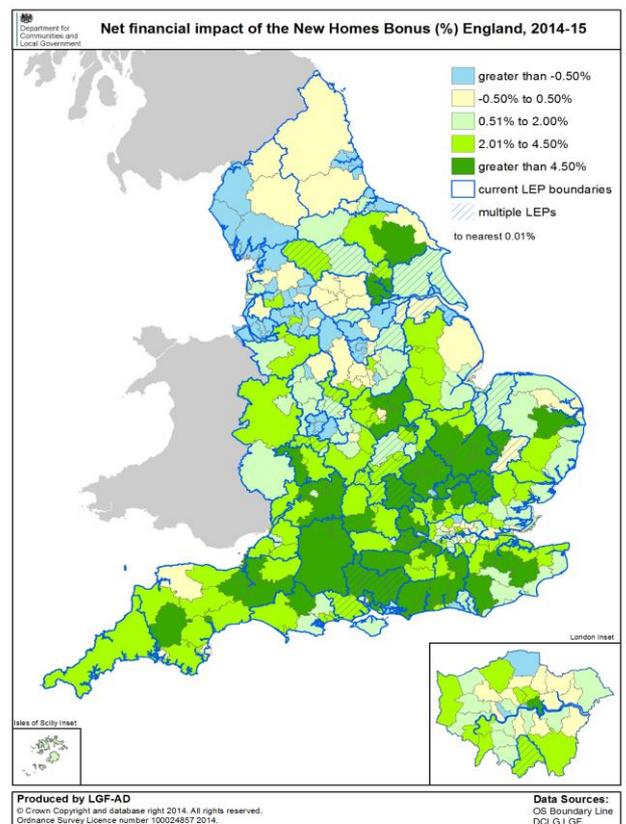
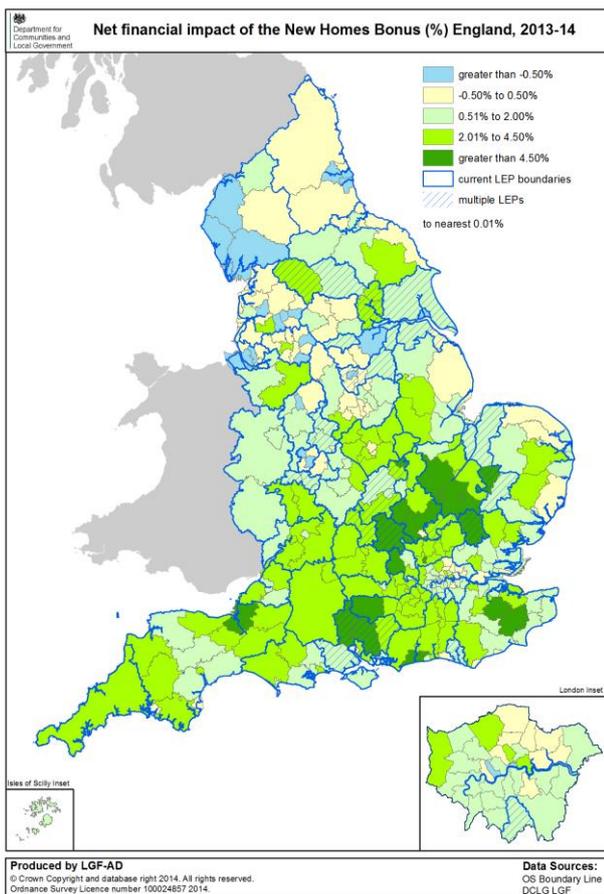
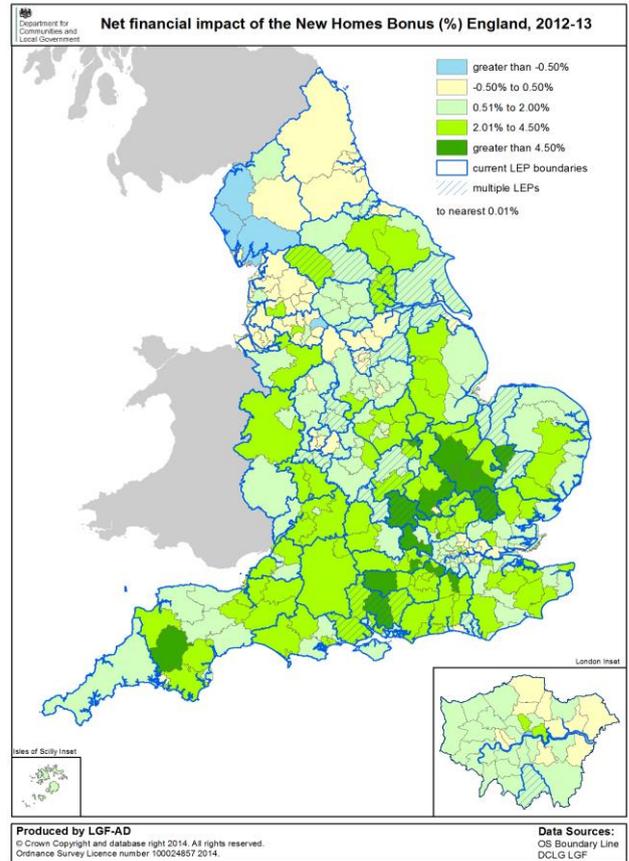
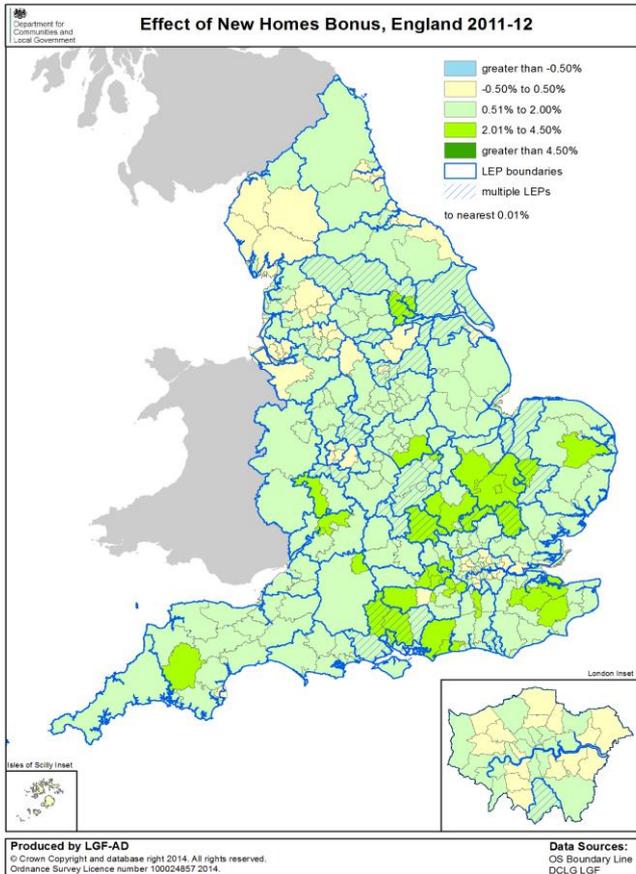
Interaction of New Homes Bonus and the Local Government Finance Settlement

The government has set aside around £1bn over the current Spending Review period for the New Homes Bonus. The Department for Communities and Local government is providing a grant worth £250m p.a. towards the costs of the New Homes Bonus to 2015-16. Decisions beyond this point will be for the next Spending Review.

As with all New Homes Bonus revenues this £250m is not ring fenced, so authorities are free to spend this revenue on their identified priorities. This £250m grant effectively increase the level of funding available for local government set out in the spending control total.

For each year where the cost of the New Homes Bonus is estimated to exceed £250m the government will hold back from the local government spending control total the level of funding it estimates will be required to pay the New Homes Bonus payments. This effectively redistributes funding that would otherwise have been provided to local authorities as part of the local government finance settlement.

Appendix F: Maps of the financial impact of the New Homes Bonus: 2011/12 to 2014/15



Appendix G: Maps of alternative measures for housing need

