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Plan to offer incentives for new housing

By Jim Pickard,
Political Correspondent

Councils will receive additional funding for each new property built in their area under a government plan intended to encourage the construction of more homes.

Under the New Homes Bonus scheme, announced yesterday, the government will match the council tax raised on each new house for six years as a carrot to encourage more development.

Grant Shapps, housing minister, said action was needed as home building was at its lowest level since

'We could see government robbing Peterborough to pay Poole'

the 1920s. His scheme was in the Tory manifesto and was previously called "council tax incentive matching". It involves a transfer of funds from within the £29bn revenue grant account – by which councils are funded – to reward those where more homes are built.

John Healey, shadow housing minister, said the policy could mean cuts in services in other areas of the country. "We could quite literally see government robbing Peterborough to pay Poole," he said.

But Mr Shapps said the system would ensure that communities that "go for growth" would reap financial rewards. The money transferred each year is likely to amount to several hundred million pounds.

The housing minister has been criticised by house-builders since the election for dismantling Labour's system of regional housing targets, which would have

seen hundreds of thousands of new homes effectively forced through the planning system.

Some builders have warned that there will now be a "hiatus" as planners adjust to the new, less top-down approach.

However, Mr Shapps said yesterday that the new, more "democratic" system, was much more likely to result in extra homes being built.

"We think this top-down system which pitted communities against developers meant they spent loads of time in court and at planning appeals. We think that's crazy," he said.

"A better system is to get people actually saying there's something in it for our area – we can have a new swimming pool, or town centre, or something that we want in our area if we allow some house building to go ahead. That rebalances the argument and we believe they will build more homes."

Stewart Baseley, executive chairman of the Home Builders Federation, said property companies wanted to see more details of the proposals swiftly.

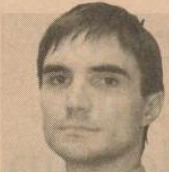
"It is imperative that government provides local authorities with full and complete proposals as soon as possible if it is to deliver its oft stated commitment to increasing housing delivery, and avoid worsening the country's already acute housing shortage," he said.

The Local Government Association welcomed the move but said any new building would need the support of local people.

The move comes amid a separate row prompted by David Cameron last week when he proposed ending lifetime tenure for new social housing tenants – an idea criticised by Simon Hughes, deputy leader of the Liberal Democrats.

Daniel Thomas, Page 18

Cash-for-homes carrot will clash with planning move



Daniel Thomas
PROPERTY

The cash-for-homes promise to local authorities is likely to go some way to restarting the derailed planning system but new housing development will fall far short of the national requirement without firmer guidance.

Until the confirmation of the government's New Home Bonus scheme yesterday, the main supporters would surely have only been top-ladder homeowners, feeling safer in the knowledge that a tighter control on development could only be good for shaky house values.

Under its "Big Society" initiative, the government has sought to hand more power to the people, with planning policy

reverting to local authorities as it tore up regional planning strategies and density targets, banning so-called "garden-grabbing" developments and proposing that communities build what they want as long as there was majority support.

People often do not want new houses, unfortunately, at least not that many and not nearby. They are happy in their own homes, could be happier again in the slightly bigger and older ones with the mock-Tudor beams in the next road, and may not want new people congesting local supermarkets and making it more difficult to get Toby and Tabitha to school.

Not In My Backyard – Nimbyism – is well-named for this sort of policy. It has not made planning less political, it has just shifted the politics to the local level where dispute inevitably leads to delay. The effects have been immediate as the lack of national guidance meant councils sought to revoke or postpone proposals, causing upset among property groups.

Industry estimates suggest that plans for more than 42,000 new homes have been delayed or dropped since the election,

including thousands of homes in designated growth areas in Ashford, Southampton and Milton Keynes.

The uncertainty caused by the lack of policy has meant that some recent big decisions have ultimately been subject to appeal at a ministerial level, although it seems perverse to give that right to central government under the localism umbrella.

Yesterday, the government tried to move to the front foot with confirmation of previously announced plans for a system of incentives, which will see it match the additional council tax raised by every new house built for the next six years. This is hoped to motivate councils to start agreeing developments again.

A council that agreed 100 new 'Band D' homes would be entitled to £863,400 of extra funding, for example, which could be spent on any amenities and infrastructure for the area. This policy is about replacing the "stick" of national housing targets with the "carrot" of the incentive money. It will take time to see how effective this proves, but there are certainly doubts

whether this will be enough to increase significantly housing delivery as long as authorities remain under obligation to defer to local residents.

The scale of Britain's housing problem should not be underestimated, with the age and wage of the average first-time buyer increasing steadily as more find the housing ladder out of reach.

The former government's target of building 240,000 homes every year was laughable but still laudable. No government should be able to tell builders what to build and how many. Market forces will do that. But the government can facilitate the process with benign planning law set to address a national – not a local – crisis. This means overruling opposition where necessary, particularly when affordable housing – possibly the least popular of any development – is expected to be further impaired by public sector cuts.

Moreover, without national frameworks there is the risk of building the wrong sort of homes in the wrong places, ignoring the chronic undersupply of family homes in

popular areas with strident local groups.

It is also worth pointing out the councils are already incentivised to give planning permission through the section 106 payments they receive in return for infrastructure. EC Harris estimates that 2,000 units could mean as much as £70m in planning gain taxes.

Housebuilders can certainly use some help after enduring a torrid recession.

There is planning legislation promised in 2012, but until then builders face considerable uncertainty. Many will not feel confident about development pipelines – or future profits – with the number of planning applications likely to fall in the face of the greater political complexities.

Planning policy has always been trouble at a national level – something in need of constant reform that has seen countless housing ministers come and go without untangling the system. But there needs to be a stronger hand to direct homes to be built where needed, not just where wanted.

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