



PORTFOLIO HOLDER DECISION NOTICE

INDIVIDUAL DECISION BY THE PORTFOLIO HOLDER FOR TRANSFORMATION AND RESOURCES

TOPIC – GOVERNMENT CONSULTATION ON THE ‘NEW HOMES BONUS’

PROCEDURAL INFORMATION

The Access to Information Procedure Rules – Part 4, Section 22 of the Council’s Constitution provides for a decision to be made by an individual member of Cabinet.

In accordance with the Procedure Rules, the Corporate Director (Governance), the Chief Executive and the Head of Finance are consulted together with Chairman and Vice Chairman of the Principal Scrutiny Committee and all Members of the relevant Scrutiny Panel (individual Ward Members are consulted separately where appropriate). In addition, all Members are notified.

Five or more of these consulted Members can require that the matter be referred to Cabinet for determination.

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SUMMARY

The Coalition Government has published a [consultation document](#) on its proposed ‘New Homes Bonus’. The aim of the New Homes Bonus is ‘to create a powerful, simple, transparent and permanent incentive which rewards local authorities that deliver sustainable housing development.’ The Bonus would replace the previous ‘Housing and Planning Delivery Grant’ which the Government feels was ineffective and complicated.

The consultation document sets out the details of the Bonus and poses 13 consultation questions. These are reproduced at Appendix A to this report, along with a series of recommended responses.

DECISION

That the Portfolio Holder for Transformation and Resources approves Appendix A as the City Council's response to the Government's consultation document on the New Homes Bonus.

REASON FOR THE DECISION AND OTHER ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

The Coalition Government has published a [consultation document](#) on its proposed 'New Homes Bonus'. The Bonus would replace the previous 'Housing and Planning Delivery Grant' which the Government feels was ineffective and complicated. It feels that the New Homes Bonus would be more effective in encouraging local authorities to deliver increased levels of housing development.

The Government argues that there is currently little economic gain for councils that promote housing development and therefore residents and councillors tend to see only the pressures resulting from new development rather than the benefits. The aim, in conjunction with the abolition of regional housing targets, is to reward rather than penalise local authorities for delivering housing.

The consultation document sets out the details of the Bonus and poses 13 consultation questions. The Council has the option of responding/not responding to the consultation. The document includes some details of the funding levels proposed and it is clear that this could be a very significant source of funding in the future. The consultation questions cover some key matters such as the split of funding between lower tier authorities (districts) and upper tier authorities (counties), the way the Bonus is calculated and how it is paid. These are key issues which it is recommended that the City Council should respond to.

The Government proposes that the New Homes Bonus is calculated on the basis of the increase in new homes on an annual basis, with information derived from Council Tax returns. The Bonus would be paid for the coming financial year (2011/12) and for a further 5 years subsequently. There would be enhancements for affordable housing provision (£350 per affordable dwelling provided) and gypsy and traveller pitches (Band A Council Tax + £350 per pitch), and for bringing long-term empty homes into use (or a reduction in Bonus where there was an increase in empty homes).

Appendix A to this report reproduces the consultation questions and recommends a series of responses. Some of these raise key issues which warrant explanation in this report.

Questions 2 & 3: affordable homes and gypsy & traveller enhancements. The proposal is that an enhancement would be paid for each affordable home created. This would be based on a gross figure and would therefore include acquisitions and some forms of housing which are not counted in planning statistics as independent dwellings. This is to be welcomed as it maximises the enhancement available. The

document proposes that the gypsy & traveller enhancement would only be paid on pitches provided by local authorities or registered social landlords. However, given the nature of most gypsy and traveller provision in Winchester District and the Government's encouragement for gypsies to provide their own sites, the recommended response to question 3 is that the enhancement should apply to all new authorised pitches, whether on public or private sites.

Question 5: split between lower and upper tier authorities. The consultation document suggests that in two-tier areas 80% of the Bonus would be paid to lower tier authorities (districts) and 20% to upper tier authorities (counties and unitaries). This is recognition of 'the role of the upper tier in the provision of services and infrastructure and the contribution they make to strategic planning' and is put forward as 'a starting point for local negotiation'. The recommended response is that all of the Bonus should be given to lower tier authorities as these are the only authorities that can permit (or refuse) housing development. Developer contributions would continue to provide for upper tier authorities' provision of services and infrastructure (where justified) through S106 and S278 agreements, or the new Community Infrastructure Levy, and upper tier authorities no longer have statutory strategic planning responsibilities (and regional plans are about to be abolished).

Question 13: other issues. It is considered important to stress, in response to this 'catch-all' question, that planning decisions should continue to be made on the basis of planning policies and considerations and that any proposed financial rewards should not become a planning consideration. It is also recommended that concern is also raised about the danger of the Bonus favouring the provision of large dwellings (the payment for a Band H dwelling would be double that for a Band D). Because of this concern, the recommended response suggests that the Bonus should be paid at a flat rate (at Band D or E). Currently this would favour the City Council as more than half of new dwellings are at or below Band D. However, as planning policies move towards favouring family dwellings, there may be limited future benefit or even a disadvantage for the Council. The Portfolio Holder should therefore weigh up the benefits of promoting small/medium sized dwellings to meet housing needs against the potential financial effects (although these are thought to be very limited).

RESOURCE IMPLICATIONS:

The table below sets out an estimate of the income that the City Council may receive from the New Homes Bonus, but this should be treated with great caution as the actual sums will depend on future housing provision and the outcome of the consultation. However, the replacement of the Housing and Planning Delivery Grant by the New Homes Bonus could clearly have significant financial implications.

	£200m Year 1 funding, then £250m Years 2,3, & 4				Funding currently uncertain		
	1	2	3	4	5	6	7
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Year 1	547,319	547,319	547,319	547,319	547,319	547,319	
Year 2		683,867	683,867	683,867	683,867	683,867	683,867
Year 3			597,067	597,067	597,067	597,067	597,067
Year 4				642,133	642,133	642,133	642,133
Year 5					742,267	742,267	742,267
Year 6						743,600	743,600
Year 7							764,000
Total	547,319	1,231,186	1,828,252	2,470,386	3,212,652	3,956,252	4,172,933
Formula Grant Reduction *							
		(547,037)	(1,144,104)	(1,786,237)	(2,528,504)	(3,272,104)	(3,488,785)
Forecast annual net benefit	547,319	684,149	684,149	684,149	684,149	684,149	684,149

* Formula Grant Reduction as described below, actual reduction will depend on WCC new homes compared to the national average

The estimated housing completions shown below, and used to estimate the above figures, are taken from the draft Annual Monitoring Report 2010 (Appendix 6) and are based on 'Option 1' housing requirements. The Council is in the process of reviewing its housing needs, which may result in a different housing target and level of delivery. The estimates for Year 2 onwards include new and affordable homes but no adjustment has been made in respect of empty properties.

Housing projections	New homes	Affordable homes
Year 1	437	100
Year 2	512	110
Year 3	444	110
Year 4	476	125
Year 5	560	100
Year 6	561	100
Year 7	577	100

The Government has indicated that it has set aside £200m nationally to fund the scheme in 2011/12 and £250m per annum for the next 3 years, with future years funding uncertain at this stage. However, the cost of the scheme is likely to be in

excess of £1bn per annum by year 6, with the shortfall expected to be top sliced from the formula grant distribution. This means that whilst the first year's bonus is likely to be received in full, any future year's bonus will be netted off with the reduction in formula grant distribution and will depend on how many new homes the City Council has compared to the national average. i.e. > average means a net benefit, < average means a net reduction.

It is, therefore, impossible to estimate the net financial impact on the City Council. Nevertheless, the Council may benefit relative to other authorities. Estimates of house building show an improvement from the current level of 286 dwelling completions in 2009/10 to a typical average of about 500 per annum from 2012/13, comprising largely of planned development at West of Waterlooville and Whiteley.

CONSULTATION UNDERTAKEN ON THE DECISION

Internal officer consultation only.

FURTHER ALTERNATIVE OPTIONS CONSIDERED AND REJECTED FOLLOWING PUBLICATION OF THE DRAFT PORTFOLIO HOLDER DECISION NOTICE

n/a

DECLARATION OF INTERESTS BY THE DECISION MAKER OR A MEMBER OR OFFICER CONSULTED

n/a

DISPENSATION GRANTED BY THE STANDARDS COMMITTEE

n/a

Approved by: (signature)

Date of Decision: 16.12.10

Councillor Kelsie Learney – Leader with Portfolio for Transformation and Resources

PHD320 Appendix 1

New Homes Bonus - Consultation Questions and Recommended Responses

Consultation question 1

Do you agree with our proposal to link the level of grant for each additional dwelling to the national average of the council tax band?

Recommended response:

The City Council supports this approach.

Consultation question 2

The Government proposes an affordable homes enhancement of £350 for each of the six years - what do you think the enhancement should be?

Recommended response:

The City Council welcomes the proposal to have enhanced payments for affordable housing provision. It would wish to see the enhancement set at the highest realistic level to encourage affordable housing provision and to provide a level of funding to assist future provision, but is not in a position to offer an alternative figure.

Consultation question 3

Do you agree with the proposal to use PPS3 and also include pitches on Gypsy and Traveller sites owned and managed by local authorities or registered social landlords to define affordable homes?

Recommended response:

The City Council supports the use of the PPS3 definition of affordable housing. While the proposed enhanced payment for the provision of gypsy and traveller sites is welcomed, these should not be included within the PPS3 definition of affordable housing as this would cause confusion and concern about provision within market housing schemes. The City Council also considers that the enhanced payment should apply to all new authorised gypsy and traveller sites (public and private), not just local authority sites, given the encouragement given to gypsies and travellers to acquire their own sites.

Consultation question 4

Do you agree with the proposal to reward local authorities for bringing empty properties back into use through the New Homes Bonus?
Are there any practical constraints?

Recommended response:

There are not a significant number of empty properties in this District so the City Council is neutral on this proposal. If this reward is retained, the City Council agrees that Council Tax information on empty properties is the best that is available universally.

Consultation question 5

Outside London: Do you agree with the proposal to split the payment of the New Homes Bonus between tiers: 80 per cent to the lower tier and 20 per cent to the upper tier, as a starting point for local negotiation?
If not, what would the appropriate split be, and why?

Recommended response:

No, this is not agreed as all of the payment should be to lower tier authorities. If the New Homes Bonus is intended to incentivise housing provision there is no benefit in paying it to upper tier authorities which do not deal with planning applications for housing development. Upper tier authorities (outside London) will also have no statutory strategic planning responsibilities with the proposed abolition of regional strategies. Contributions towards the provision of services and infrastructure provided by upper tier authorities will continue to be made through the S106, S278 and Community Infrastructure Levy arrangements. Therefore the City Council suggests that all of the New Homes Bonus should be directed to lower tier authorities and that this should not be subject to local negotiation. If it is nevertheless decided that upper tier authorities should receive a share, this should be set at a minimal level.

The City Council would of course pass sums onto the higher tier authority where that fits in with local residents wishes (for example for education and highways improvements over and above those that would be required through the normal planning process) and equally to Parish Councils where they may be the appropriate channel for local improvements.

Consultation question 6

Do you agree with the proposal to use the data collected on the Council Tax Base form as at October to track net additions and empty homes?

Recommended response:

The City Council supports this approach.

Consultation question 7

Do you agree with the proposal for one annual allocation based on the previous year's Council Tax Base form, paid the following April?

Recommended response:

The City Council supports this approach.

Consultation question 8

Do you agree that allocations should be announced alongside the local government finance timetable?

Recommended response:

The City Council supports the approach.

Consultation question 9

Do you agree with the proposal to reward local authorities for affordable homes using data reported through the official statistics on gross additional affordable supply?

Recommended response:

Yes, this proposal is welcomed.

Consultation question 10

How significant are demolitions?
Is there a proportionate method of collecting demolitions data at local authority level?

Recommended response:

Demolitions are not significant within the City Council's area, but it considers that the payment should be based on the net gain in affordable properties. The inclusion of demolitions could distort the payments in favour of authorities that have large programmes of social housing replacement. While such areas might have high gross affordable housing completions, many of these would replace existing provision rather than leading to an increase in the overall affordable housing stock.

Consultation question 11

Do you think the proposed scheme will impact any groups with protected characteristics?

Recommended response:

The scheme seems aimed at helping to make provision for key groups such as gypsies and travellers and those in need of affordable housing, so should have a positive effect.

Consultation question 12

Do you agree with the methodology used in the impact assessment?

Recommended response:

Yes.

Consultation question 13

We would welcome your wider views on the proposed New Homes Bonus, particularly where there are issues that have not been addressed.

Recommended response:

The City Council welcomes the introduction of the New Homes Bonus. It is however, important that planning legislation and advice continues to require that planning applications are determined on the basis of the development plan and other material planning considerations, not on the basis of the potential financial benefit to the Council.

The City Council is concerned about the effect of the New Homes Bonus on the type and size of dwellings provided. The current proposal relates payments to the Council Tax bands that the new properties fall into, with the payment being twice as much for a Band H property as for a Band D, and with an even greater differential between Band A and Band H. There is a danger that this could become an incentive for some authorities to favour large dwellings, as these may be seen as more lucrative, which may conflict with the housing needs in the area and the need to make efficient use of housing land. The City Council therefore suggests a single flat-rate sum for each dwelling (at the mid point - Band D or E), to overcome this potential problem.

The City Council is concerned that the Government appears to be promising to benefit local communities but that the meaning of 'local' is unclear. The Government is raising expectations that the money will go to the 'neighbourhood' which is very different to going to the local authority. Expectations are also being raised that this is additional money for new things in the areas where building takes place but if it is raised by top slicing RSG then revenue cuts will be felt throughout the local authority area which can only be mitigated by appropriating the new homes funding.