

NORTH LINCOLNSHIRE COUNCIL

HOUSING AND STRATEGIC PLANNING CABINET MEMBER

New Homes Bonus Consultation

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report sets out key details of the consultation paper on the proposed new homes bonus, and what this may mean for North Lincolnshire Council.
- 1.2 The key points in this report are:
- The new homes bonus is proposed to come into effect in 2011/12, and will provide a payment in respect of each new property for six years after it is provided. Empty properties brought back into use will also receive a payment.
 - Enhancements will be paid for each affordable home provided.
 - The scheme is being funded primarily by taking money out of the formula grant settlement and redistributing it through the parameters of the scheme, and the government expects that in the long run it will be revenue neutral. Funding from the abolition of the Housing and Planning Delivery Grant will also contribute to the costs of the scheme.
 - Those local authorities that deliver large amounts of new housing are therefore likely to benefit from the introduction of the scheme.
 - Officers have prepared a draft response to the questions posed in the consultation paper.

2. BACKGROUND INFORMATION

- 2.1 The Coalition Government recognises that current rates of house building are insufficient to meet the existing and future pressures on housing supply, and when they came to power they indicated that they would provide incentives for local authorities to deliver sustainable development, including for new homes and businesses.
- 2.2 The Government feels that centrally determined, top-down targets for new housing supply do not succeed in delivering housing growth, and create tensions within local communities. As a result it has signalled its intention to abolish Regional Spatial Strategies, which set out targets for housing supply for local authorities within each region in England, and to replace this with locally focused initiatives to promote and encourage development, including Right to Build powers and a presumption in

favour of sustainable development. Further details on these proposals are expected to be published in the forthcoming Localism Bill.

2.3 By way of financial incentives, the Department for Communities and Local Government (DCLG) published a consultation paper on their proposals for a New Homes Bonus on 12th November, and have invited comments on a number of aspects of the proposals by 24th December. They propose to finalise the details of the scheme early in 2011. The New Homes Bonus aims to incentivise local authorities to increase housing supply by rewarding them with a payment for each additional property built, with enhancements for affordable homes in order to further promote the delivery of this tenure, which can be difficult in some areas.

2.4 The key details of the scheme are as follows:

- The scheme will provide a payment equal to the national average for the council tax band on each additional property built, which will be paid for six years for each home as an unringfenced grant.
- The total grant paid to each local authority will rise during each of the first six years of the scheme as the grant rolls forward, with the grant rising cumulatively in line with the number of new homes provided each year.
- The level of grant for each additional dwelling will be linked to the national average of the council tax band for the following six years.
- There will be an enhancement for each affordable home provided, proposed at £350 per annum per home, equivalent to £2,100 over six years. This will be paid in addition to the bonus payment. Affordable homes will be defined using Appendix B of Planning Policy Statement 3 (PPS3), but it is proposed that the provision of pitches on Gypsy and Traveller sites owned and managed by a local authority or Registered Social Landlord will also be included in the definition.
- The scheme also proposes to reward local authorities for bringing empty homes back into use as part of the scheme, with the same payment as for providing a new home.
- The New Homes Bonus would be paid alongside the local government finance timetable, with provisional allocations being announced in early December each year and final allocations made in early February. In 2011/12 allocations will be issued as soon as possible after the consultation.

2.5 The DCLG has set aside nearly £200m to fund the scheme in 2011/12, and a further £250m per annum for each of the following three years of the spending review (2012/13 to 2014/15). The government expects the scheme to be cost neutral, with funding coming from the abolition of the Housing & Planning Delivery Grant (an estimated £900m) and from the redistribution of a portion of formula grant. If there are any additional costs the government proposes that these will be met by formula grant.

2.6 In developing the scheme the government expects that some local authorities will be 'winners' and some 'losers', depending on the level of

- 2.7 The bonus will be paid through section 31 of the Local Government Act 2003 as an unringfenced grant, and it will be for local authorities to decide how to spend the funding in line with community wishes. The Government expects authorities and elected members to work closely with their communities to understand their priorities for investment, and to communicate how the money will be spent and the benefits it will bring. Those neighbourhoods that are most affected by growth are expected to be closely involved in this process.
- 2.8 The government intends that the scheme can be used to promote new housing supply in areas where there may be opposition to building, so that such communities can potentially realise a direct benefit from the new homes that are built in their neighbourhood. This could be in the form of services, infrastructure or facilities, but such communities could equally benefit from the bonus payment being invested to deliver wider regeneration priorities which would deliver more comprehensive outcomes across not only their area, but surrounding neighbourhoods. Alternatively, as an unringfenced grant, it can be used to deliver other council priorities or support the council's overall financial position.

3. OPTIONS FOR CONSIDERATION

- 3.1 Option 1 – note the report and agree to receive a further joint report on the financial implications for the Council, and approve the proposed response to the DCLG on the questions set out in the consultation paper.
- 3.2 Option 2 – note the report and direct that no response be provided to DCLG on the proposals.

4. ANALYSIS OF OPTIONS

- 4.1 Option 1 – This option will ensure that the Council is able to make its views on the proposed scheme known to the government and attempt to influence the scheme in order to provide the maximum benefit for the local community. A further report on the financial implications of the scheme will allow officers to undertake more detailed work as part of the budget setting process to ensure that this can be built into the budget for 2011/12.
- 4.2 Option 2 – This option will not enable the Council to influence the government's proposals for the scheme.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 The New Homes Bonus has not been allocated any new resources by the government. Instead it is being funded through the abolition of Housing and Planning Delivery Grant (H&PDG) and a redistribution of formula grant. This will have implications for the Council, as there will be no H&PDG paid in future, and the amount of formula grant will also be reduced. In order to remain in a 'standing still' position, the Council will

5.2 The Council is working to deliver significant new housing supply at key sites, in particular through the Lincolnshire Lakes project, but it will be some years before much of this development is delivered.

5.3 The DCLG have published an online calculator which gives an estimate of the potential bonus that an authority could receive, based on its existing housing stock profile and the proportion of properties in each council tax band. This indicates that if the Council's annual target of 750 new homes were delivered in Year 1 this would generate a bonus payment for that year of £864k, or £5,191k over six years. If 10% of these homes were affordable this would generate an additional 158k over the six years, bringing the total to £5,349k. The actual bonus payment that the Council would receive in Years 2-6 would increase to take account of the additional bonus generated by the supply delivered within each of the subsequent years.

5.4 The Council, in consultation with its local community, will have to determine how the bonus should be spent and invested, and will have to make decisions about the priorities for this funding and how it can be most fairly invested in order to deliver benefits for the area and the people that live in it.

5.5 The consultation document states that the government intends the scheme to be a permanent fixture of local government funding and will therefore continue beyond the six year cycle. However, it is prudent to note that there will be a general election in year 5 of the scheme, and a spending review will also take place. Both of these could have implications for the future of the scheme and the funding that can be allocated to it in the longer term.

5.6 There are no IT implications associated with the proposed scheme.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 CRIME AND DISORDER)

6.1 There are no additional environmental, diversity or crime and disorder implications associated with this report.

7. OUTCOME OF CONSULTATION

7.1 Key Council officers have been consulted on the proposals and their views have been included in the proposed response to the consultation paper.

8. RECOMMENDATION

8.1 That the Cabinet Member approves the proposed response to the consultation paper set out in Appendix 1.

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Background Papers used in the preparation of this report

New Homes Bonus Consultation, Department for Communities and Local Government November 2010

<http://www.communities.gov.uk/housing/housingsupply/newhomesbonus/>

Appendix 1

Proposed response to questions posed in the New Homes Bonus Consultation Paper

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?

North Lincolnshire Council agrees with the proposal to link the grant for each additional dwelling to the national average of the council tax band. This will help to provide clarity on the amount of funding to be delivered through the Bonus and enable the Council to make medium term financial plans for a number of years.

However we do not share the government's confidence that it will help to ensure that it will incentivise the types of homes that people want and need, as those areas where small homes are needed would receive a smaller amount of bonus if new supply was skewed towards smaller, and therefore lower council tax banded properties, than if larger properties were built. We accept that it is for local authorities, in consultation with their communities, to make this decision but would challenge the assumption that it will ensure that supply matches local needs.

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

North Lincolnshire Council welcomes and supports the proposal for an enhancement for affordable homes.

However, we do not feel that the level of the enhancement will be sufficient to persuade local communities in areas that are very strongly opposed to the provision of new affordable housing supply to support this type of supply. We feel that a higher level of enhancement, equivalent to at least half of the bonus and possibly up to the full amount of the bonus, may be necessary if the views of such communities are to be swayed.

Increasing the level of the enhancement would also provide additional scope for local authorities to work with registered social providers to develop alternative funding models to deliver new affordable supply.

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?

North Lincolnshire Council supports the proposal to include new Gypsy and Traveller pitches in the definition of affordable homes. However we would question why this should be limited to only those sites that are in the ownership and management of the local authority or a registered social landlord. We believe that supporting and enabling the Gypsy and Traveller community to provide their own sites can be an effective way to meet their needs and can reduce the burden on local authorities. Providing an incentive in respect of these sites may help to encourage local communities to accept the provision of such sites.

However we believe that there would need to be a balance struck between the wider community benefiting from the provision of such pitches, and the provision of services to benefit the Gypsy and Traveller community, which could have the potential to create local tensions.

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?

North Lincolnshire Council welcomes and supports the proposal to provide a bonus in respect of properties brought back into use. The work that is necessary to bring such a property back into use is often lengthy and time consuming, and can cost a significant amount in terms of both revenue funding for officer time and capital costs in respect of physical works or incentives. Any additional funding that can be used to help meet some of these costs is therefore welcome, although the bonus would be likely to only fund officer costs rather than any improvement work that is required to make the property habitable.

We would therefore like to use this opportunity to highlight that the £100m that is being provided nationally through the HCA is a very small amount of resources when considered against the scale of empty properties nationally, and would request that additional funding be provided to support the delivery of initiatives in this area.

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?

North Lincolnshire Council supports this proposed split.

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?

North Lincolnshire Council notes that there can often be inaccuracies in Council Tax data, which could mean that the overall level of new housing supply and numbers of empty properties brought back into use is not fully taken into account, and this could have a detrimental impact on the payment of the bonus.

Local authorities work to ensure that the data they hold is accurate, but nonetheless inaccuracies can exist for a variety of reasons, particularly in respect of empty homes. Properties can often be classified as occupied when they are in fact empty.

We agree with the proposal to use the data collected at October in order to allow for the payment of the bonus to be agreed as part of the allocation of resources.

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?

North Lincolnshire Council supports this proposal.

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

North Lincolnshire Council supports this proposal.

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?

North Lincolnshire Council has identified some conflicts between the official statistics that are produced on the delivery of affordable homes and those prepared by the Council. We have reviewed the figures that are published on the DCLG website in the live tables, and these do not concur with the figures we collate locally. We understand that a number of different data sources are used to collate these statistics.

As a local authority we have done a great deal of work to ensure that the information we collate is accurate and we are aware that the collection of data on affordable homes is not straight forward. We therefore feel that more guidance should be provided to provide clarification on what should and should not be included in the definition and counting of affordable homes. The increasing number of affordable home products that are available, and the fact that some of these will be included in the proposed definition used to calculate the bonus, makes this particularly important. In particular we feel there needs to be consistency and transparency around exactly when a home should be classed as completed and amongst the number of different data sets that are used.

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

The significance of demolitions will depend on the circumstances and market conditions found in each local authority area. Some areas with concentrations of poor quality housing and failing housing markets may be delivering comprehensive regeneration proposals that will involve the demolition of significant numbers of obsolete and poor quality housing, which do not meet local needs and do not provide quality accommodation. Such areas would therefore potentially be penalised for their aim to ensure that housing in the area is high quality and fit for purpose and we would not support such a proposal.

In terms of collecting data, the local authority will obviously hold information on the amount of its stock that it has demolished. Building Control data will provide details of the overall number of demolitions, but properties in the ownership of RSLs or other social housing providers are unlikely to be easily identified.

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

We have not identified any groups.

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

We feel that the impact assessment does not appear to have taken into account the potential re-distributive effect to places with higher value properties and lower social deprivation. In North Lincolnshire we have plans for significant growth, and so we

are likely to gain through the bonus. However those areas that will have bigger challenges to overcome in order to deliver new supply, for example where the housing market is weaker, will have no incentive as they will receive a lower bonus.

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

North Lincolnshire Council welcomes the proposal to introduce the New Homes Bonus, and acknowledges the government's intention that payments through the bonus should be invested in accordance with locally determined priorities and needs. However we would like to highlight that this will lead to obvious difficulties in determining how this is spent.

As the New Homes Bonus is directly linked to the provision of new housing supply we would have liked to see some direction in terms of investing this in continuing to ensure housing supply into the future, and in ensuring that vulnerable communities and areas are not disadvantaged by higher quality new supply in adjacent neighbourhoods.

We also feel that it is likely that some communities could still remain opposed to new development, and yet benefit from growth elsewhere as a result of how the funds are spent, for example if they are spent on wider service delivery. This does not seem to be in alignment with the overall aims of the scheme.

We would also make the point that merely incentivising numbers does not necessarily address the quality of the new homes being provided, and help to raise sustainability standards. We would ask whether homes developed to the highest eco standards should receive a higher level of bonus, perhaps through a sustainability enhancement. This would also help the government to achieve its sustainability objectives.