

**CONSULTATION FROM COMMUNITIES AND LOCAL GOVERNMENT (CLG) ON  
'NEW HOMES BONUS'**

*To:* **Cabinet**

*Date:* **14<sup>th</sup> December 2010**

*From:* **Service Director, Growth and Infrastructure**

*Electoral division(s):* **All**

*Forward Plan ref:* **N/a** *Key decision:* **No**

*Purpose:* **To consider the draft response to the Communities and Local Government (CLG) consultation on the proposed 'New Homes Bonus'.**

*Recommendation:*

**Cabinet are invited to:**

- a) Consider and approve the draft consultation response set out in Appendix 1 of this report; and**
- b) Delegate to the Cabinet Member for Growth, Infrastructure and Strategic Planning, in consultation with the Acting Executive Director, Environment Services to make any minor textual changes as appropriate prior to submission.**

<b><i>Officer contact:</i></b>		<b><i>Member contact:</i></b>	
Name:	Joseph Whelan	Name:	Cllr Roy Pegram
Post:	Head of New Communities	Portfolio:	Growth, Infrastructure and Strategic Planning
Email:	<a href="mailto:Joseph.whelan@cambridgeshire.gov.uk">Joseph.whelan@cambridgeshire.gov.uk</a>	Email:	<a href="mailto:roy.peggram@cambridgeshire.gov.uk">roy.peggram@cambridgeshire.gov.uk</a>
Tel:	(01223) 699 867	Tel:	(01223) 699 173

## 1. INTRODUCTION

- 1.1 In 2009 only 118,000 homes were completed in England and Wales, the lowest level of house-building since 1923-24. To try and address this, the Coalition Government has proposed a new system of incentives called the New Homes Bonus.
- 1.2 The New Homes Bonus was proposed in the Local Government White Paper published on 28th October 2010 and is designed to create an effective financial incentive to encourage local authorities to facilitate housing growth. It will operate by authorities being paid grant for each new home and each new affordable home that is built and each empty house that is brought back into use. This report contains the draft response to the consultation on the New Homes Bonus that was published in November 2010 by the Department for Communities and Local Government (DCLG).
- 1.3 The New Homes Bonus proposes paying funds as follows:
- New Home - the equivalent of the average Band D Council tax for each new house completed for a period of six years following its completion.
  - New Home that is classed as an 'affordable home' – as for new home **plus** an additional £350 payable for each of the 6 years following completion of the new affordable home
  - Empty Home that is brought back into use – identical calculation as for New Home noted above.
- 1.4 The consultation document on the New Homes Bonus can be found at the following link:
- 1.5 In the consultation document, the Government has set down a number of principles. These are that the New Homes Bonus should be:

<http://www.communities.gov.uk/publications/housing/newhomesbonusconsult>

*Powerful* - the grant will be payable for six years (for each individual new house), so the total paid will rise for at least the first six years. By year six, even at a steady rate of build, it is expected that it will total over £1bn. In fact, the expected building rates will increase and the grant will be significantly higher by year six. DCLG has set aside nearly £200m to fully fund the scheme in 2011-12. For the following three years of the spending review (2012-13 to 2014-15) it has set aside £250m per annum and funding beyond these levels will come from Formula Grant. Those authorities that respond to the incentive will receive the direct financial benefits.

*Simple* - additional homes will be rewarded with six years of grant based on the council tax, returning the economic benefits of growth to the local community.

*Transparent* - easy for Councillors, the community and developers to calculate and see the early benefits of growth.

*Predictable* - the scheme is intended to be a permanent feature of local government funding and will therefore continue beyond the six year cycle. It will keep the design features simple and stable to ensure that expected rewards for growth are delivered.

*Flexible* - local authorities can decide how to spend the funding in line with local community wishes and priorities. The Government expects local Councillors to work closely with their communities – and in particular the neighbourhoods most affected by growth – to understand their priorities for investment and to communicate how the money will be spent and the benefits it will bring. Examples in the Consultation include that authorities may wish to offer Council Tax discounts to local residents, support frontline services like bin collections, or improve local facilities like playgrounds and parks.

The new Homes Bonus will be paid through section 31 of the Local Government Act 2003 as an unringfenced grant.

## **2 KEY ISSUES**

2.1 The full draft response to the consultation questions is set out in Appendix 1 to this report. In summary the key points are:

- The suggested 80% to 20% split in favour of lower tier authorities over upper tier authorities is inequitable given the range of services that both provide and the financial pressures from growth that result;
- The government should consider more widely distributing the New Homes Bonus to all organisations who provide public services to underpin growth – this would more genuinely reward those responsible for ensuring new development moves forward and that the new development is supported by all the vital public services the residents will use;
- The ‘additional’ payments in relation to affordable housing and bringing empty houses back into use should be allocated in the same way as the ‘base’ funding.
- The consultation document suggests (at Paragraph 3.2) some potential uses that the New Homes Bonus can be put to such as to improve local playgrounds and parks or improve bin collections. Whilst it is understood that these are only suggestions, it must be recognised that the scope of uses is much wider than those in the document. The draft consultation response picks this point up in detail.

2.2 When considering the draft response Cabinet are asked to note that

- Officers recommendations are based on the position at the time that the new house is delivered. The draft consultation response does not reflect the funding streams or responsibilities of (public sector) organisations in reaching that point.
- It is proposed that the New Homes Bonus will be paid in arrears in the financial year following the provision of the new homes that qualify for the award of funding.

### **3 SIGNIFICANT IMPLICATIONS**

#### **Resources and Performance**

- 3.1 The delivery of much needed new housing remains critical but the financial impacts on Councils and particularly the County Council are significant. This is particularly the case in terms of service provision where education, transport and social care facilities are required alongside new development and the funding through s106 agreements is not always adequate to cover the full cost of those facilities. The New Homes Bonus can be used by the County Council to directly meet the additional costs that growth places on Council budgets but this may not be the case if the Council does not receive an appropriate proportion of the overall figure collected.

#### **Statutory Requirements and Partnership Working**

- 3.2 Cambridgeshire County Council has statutory duties to provide public services to residents of new housing. Therefore, if funding is not made available through s106 or the proposed New Homes Bonus, the County Council will still have to provide those facilities at its own cost.

#### **Climate Change**

- 3.3 New homes are built to higher environmental code standards, although this may be off set, in part, by the bringing back into occupation of empty homes that may have been constructed to previous (lower) environmental standards.

#### **Access and Inclusion**

- 3.4 Incentivising provision of affordable housing and bringing back into use empty housing will increase the range and options available to citizens wishing to access the housing market and increase the supply of housing.

#### **Engagement and Consultation**

- 3.5 This report is represents the proposed consultation response of the County Council. Should the legislation be enacted, significant further community engagement on the potential uses of the New Homes Bonus will be required.

<b>Source Documents</b>	<b>Locations</b>
<ul style="list-style-type: none"><li>Communities and Local Government, 'New homes bonus Consultation, November 2010</li></ul>	<ul style="list-style-type: none"><li>New Communities Service, Castle Court, A Wing, 2<sup>nd</sup> Floor</li></ul>

# Appendix 1

## DRAFT COUNTY COUNCIL RESPONSE

### Preamble

The principle of the New Homes Bonus is supported by Cambridgeshire County Council. There is an acute shortage of housing in the County and the previous approach of high level targets clearly hasn't worked and so a new approach is needed.

The delivery of this new housing will have two-fold benefits. It will provide housing in appropriate locations near to existing and future expanding areas of employment and also provide an economic stimulus through employment created to construct the new housing and associated infrastructure. To make it effective and workable, the County Council does, however, suggest some amendments to the proposals and these are noted in the following consultation responses.

In addition to the answers noted below to the individual questions, Cambridgeshire County Council also wishes to make the following comments. The consultation document (at Paragraph 3.2 page) suggests some potential uses that the New Homes Bonus can be put too. The examples listed are to improve playgrounds and parks or improve bin collections. Whilst it is understood that these are only suggestions, it must be recognised that the scope of uses is much wider than those in the document. From the perspective of Cambridgeshire County Council, this could include:

- 0-19 education
- waste management
- adult social care
- libraries and other community infrastructure
- cultural, community development and adult learning services
- highways and transportation

Finally, it should be noted that Cambridgeshire County Council's response to Question 5 sets down the apportionment that should be used for ALL New Homes Bonus grant. It is important that this point is borne in mind when reading the full response.

### **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?**

Background: The proposal is that reimbursement through the New Homes Bonus is linked to a national average rather than reflecting individual local council tax levels.

Suggested Response: Needs and Council Tax levels differ significantly across the country. Therefore, whilst the simplicity of just one rate of reimbursement is understood, it may be appropriate to consider a link to a more local level average reflecting more local pressures. Thus the level of grant payable to Cambridgeshire County Council should be assessed by comparing average Band D Council tax charges of the following authorities: Cambridgeshire,

Hertfordshire, Essex, Suffolk and Norfolk.

**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?**

Background: The consultation document proposes this enhancement as a means of encouraging affordable housing provision. The housing market needs to offer a range of housing types, including affordable provision, to meet people's needs. Incentivising affordable housing provision will increase opportunities for access to housing. This need is significant as noted in the recent Cambridge sub-regional Strategic Housing Market Assessment (SHMA).

Suggested Response: The principle of the enhancement is supported and welcomed. This is partly because it will incentivise the provision of affordable housing and also because affordable housing, regardless of type or tenure often houses proportionally more children, young people and more vulnerable groups than market housing. This can result in additional pressure on a wide range of Council services.

It is suggested that the enhancement should be allocated on the basis suggested in the response to question 5 below.

**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?**

Background: Traveller sites in public ownership contribute towards the supply of affordable homes and such provision is now included in the Homes and Community Agency's affordable housing programme.

Suggested response: Yes, this seems an appropriate approach.

**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?**

Background: Nationally, around 300,000 privately rented homes have been vacant for over six months, many of which are considered a blight on local communities.

Suggested response: The general principle of incentivising empty homes being brought back into use is supported. In terms of the reimbursement, the proposal of rewarding local authorities when such homes are brought back into use is also supported as all the same arguments apply in terms of service provision in new and recently returned housing.

It is suggested that the funds for bringing empty houses back into occupation should be allocated on the same basis as that proposed in the response to Question 5 below.

**Question 5: 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?**

Background: The proposal within the consultation document very much weights the New Homes Bonus in terms of the district councils whereas the greatest financial pressure from growth falls on the County Councils. County Councils hold a greater range of statutory duties, such as for education, local roads and waste, and therefore provide a greater range of services to new development.

Suggested response: The principle of there being a split between different tier authorities is supported as both provide services and will face pressures as a result of growth. However, the starting point of 80% and 20% is inequitable and is therefore not supported.

A number of public sector organisations are responsible for the successful provision of new housing, the development of new communities and the provision of the wide range of public services that residents will use.

An alternative to the split proposed in the consultation is that the New Homes Bonus will be allocated on the basis of current proportions of the existing overall Council Tax bill.

In Cambridgeshire this would equate to:-

- County Council – 71%
- District Council – 10.5%
- Parish Council – 2.5%
- Fire Authority – 4%
- Police Authority – 12%

Including the Parish Council as a recipient of the New Homes Bonus funding is very much in keeping with the emerging Government thinking on funds being made available at a very local level and will assist the implementation of Neighbourhood Plans.

Allocating New Homes Bonus funds to Parish Councils is also consistent with the recent Ministerial announcements on the Community Infrastructure Levy where there is a requirement to allocate a "meaningful proportion" of levy revenues to the neighbourhood where new development takes place.

**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?**

Background: The basis on which the grant is calculated must be fair and equitable and ultimately increase housing supply. Council tax data already brings together much of the need data for this grant calculation

Suggested response: Yes but the critical point is that Councils need to be satisfied that the information being used to calculate this is accurate and this is not necessarily always the case now.

**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?**

Background: The grant needs to be predictable and fit with the local government finance time table.

Suggested response: The Council Tax Base form is completed consistently in October each year and used by CLG for formula based grant purposes. It therefore, in the absence of a more practical, convenient and transparent alternative, seems to be the most appropriate and timely vehicle for this purpose.

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

Background: The grant needs to be predictable and fit with the local government finance time table.

Suggested response: This approach would seem reasonable and offers the opportunity to ensure that services are secured and planning of budgets is well co-ordinated. As the consultation notes, this approach will mean that in some cases there will be a time lag between occupations and the money coming available. This is inevitable no matter what approach is undertaken, and the opportunity to have coherent planning of services should offset this delay.

Careful consideration by local authorities will be needed to ensure there is appropriate transparency over where these monies are spent. This will be increased if monies are included alongside wider local government finance announcements as there will be a risk that this could be incorporated within general budgets.

***Question 9: Do you agree with the proposal to reward local authorities for affordable homes using data reported through the official statistics on gross affordable supply?***

Background: The consultation document notes that overall affordable housing figures published through the Homes and Communities Agency are gross



figures and do not take into account where houses/flats have been demolished.

Suggested response: Yes since the award of New Homes Bonus is based on reward for the provision of new affordable housing.

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

Background: Current DGLG statistics on gross additional affordable housing supply do not deduct demolitions or other losses to housing stock.

Suggested response: Cambridgeshire County Council does not directly own or manage affordable housing stock. Therefore this matter is better addressed by lower tier authorities and other affordable housing providers.

***Question 11: Do you think the proposed scheme will impact any groups with protected characteristics?***

Background: The equality Act 2010 provides a full list of groups that may be affected.

Suggested response: No since the expenditure will not be ring fenced – local authorities can therefore ensure that the needs of groups with protected characteristics (as defined in the Equality Act 2010) are met with appropriate allocation of New Homes Bonus funding.

***Question 12: Do you agree with the methodology used in the impact assessment?***

Background: A suggested impact assessment is proposed based on assumptions, empirical evidence, international comparison and previous reviews.

Suggested response: On the basis of the information provided this appears to be a reasonable approach.

***Question 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?***

The allocation of funding of 80% to lower tier authorities may incentivise the granting of planning permission for inappropriate schemes. Development that comes forward outside of planned strategy, in locations that are less sustainable, may result in additional burdens being placed on public service providers. Such impacts could be increased traffic congestion as residents travel to work by car from development that is not near employment or adequate local services. A requirement on two tier authorities to pay School transport costs could also arise. This could be addressed by a more equitable split of the funding based on the proportionate impact of growth as noted in our consultation responses.

A further concern is that developers may view the New Homes Bonus as a mechanism that allows them to offer less S106/Community Infrastructure Levy contributions to support development. Any final scheme needs to avoid this possibility.

The spirit of the New Homes Bonus aims to deliver community benefits in consultation with communities. It should not be used as an opportunity to offset budget cuts from elsewhere. Further explanation and clarity is needed as to how the Bonus will be funded once the initial CLG pot described in the consultation document is used up.

The consultation refers to the possibility that Local Enterprise Partnerships could be used as a vehicle for receiving and spending some of the New Homes Bonus funding. This would be a decision for individual areas to make, but if the funding from the New Homes Bonus is to reflect the pressures that individual authorities face as a result of growth, it still needs to be focused on those areas.