

## “NEW HOMES BONUS” CONSULTATION

**SUMMARY:** This report sets out the consultation questions posed by the Government on the New Homes Bonus. This Bonus is within the Local Growth White Paper and is being proposed as an incentive to Local Authorities to increase their housing supply.

Members are asked to consider the issues with a view to agreeing the core content of a Copeland Borough Council response to this consultation by the deadline of 24<sup>th</sup> December 2010.

### 1.0 Introduction

- 1.1 Commitment in the Coalition Agreement “to provide incentives for Local Authorities to deliver sustainable development, including for new homes and businesses”. The New Homes Bonus is a key part of incentives set out in the October 2010 Government’s Local Growth White Paper.
- 1.2 District and Unitary Councils are the strategic housing authorities and as such are able to best influence and control the non ring fenced spend of the New Homes Bonus.
- 1.3 2009 saw the lowest level of housebuilding since 1923/24. The latest published household projections show that around 252,000 new households could form each year between now and 2031; this is 134,000 above the current build levels.

### 2.0 New Homes Bonus

- 2.1 Government through the Growth White Paper will not be directing Local Authorities on what type of development or homes they should build or where, but will reward authorities and communities where growth takes place ie additional homes being built.
- 2.2 The New Homes Bonus provides six years of grant based on the council tax income which will be equal to the national average for the Council Tax Band on each additional new home. In practice the average this would mean that the amount of grant relating to an additional council tax band D property would be about £1,439 per annum or approximately £8,634 over six years and to an additional council tax band E property would be about £1,759 per annum or £10,553 over the six years. These figures would be reviewed if council tax rises.

- 2.3 The Government's preferred option for data gathering to enable calculations for the New Homes Bonus is the Council Tax base form, this contains all the data on additions, demolitions and empty homes and is already used to calculate formula grant.
- 2.4 The Government proposes to split the payment of the new homes bonus between tiers where there are two tier arrangements outside London: For Copeland this would mean 80% to the lower tier (Copeland) and 20% to the upper tier (Cumbria County Council).
- 2.5 The DCLG has set aside nearly £200 million to fully fund the scheme in its first year 2011/12. The spending review has set an increase in the scheme funding for the following three years until 2015.
- 2.6 The Bonus will be provided as an unfenced reward grant so Local Authorities can decide how to spend the funding in line with local community and neighbourhoods most affected by growth wishes. We anticipate this being within Neighbourhood Plans as part of the Localities planning and recognised within the LDF Core Strategy for Copeland.
- 2.7 The Government see this scheme offering rewards for growth driven as a permanent feature of local government funding.
- 2.8 Within the Bonus scheme the Government are keen to sufficiently prioritise the added value of additional "affordable" homes being delivered within and for local communities and is proposing an affordable homes enhancement for each of the six reward years. Over six years an affordable home would receive an enhancement of £2,100 on the current proposal of £350 enhancement per additional home per year.
- 2.9 Government have stated their vision for this financial incentive to be long term, stable and predictable and hence have set out the intention to set out the allocations annually in line with local government finance timetable.
- 2.10 The Government sets out its view that the housing market should be balanced and offer a range of affordable housing options. The New Homes Bonus plans to use the definition for affordable housing within PPS3 (see appendix A) Affordable rent homes will be eligible for the same bonus as other affordable homes. Provision of public Gypsy and Traveller sites is now included in the Homes and Communities Agency's (HCA) affordable house programme. The HCA are using the Local Investment Planning process to ensure an overall package of housing, including affordable housing, and regeneration in an area.

### 3.0 **Government Consultation**

#### 3.1 The consultation has identified a list of issues for comments on:

- How should the Government reward Local Authorities for the additional properties made available in their community for the following six years?
- How should an affordable home be defined and what should be the level of enhancement for additional “affordable homes” be?
- Should Local Authorities be rewarded for bring empty properties back into use as part of the New Homes Bonus scheme?
- Whether in two tier areas, such as Cumbria, allocating 80% of the reward bonus to the district authorities and 20% to the county authority is an appropriate split. What would be an appropriate split?
- To gather views on the appropriateness of the proposed methods of data collection to track increases to the housing stock.
- General and specific issues on the proposed New Homes Bonus and model of delivery.

#### 3.2 Consultation question 1

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

See 2.2.

#### 3.3 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?”**

See 2.8.

#### 3.4 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?”**

See 2.10 and Appendix A

#### 3.5 Consultation question 4

**“Do you agree with the proposals to reward local authorities for bringing empty homes back into use through the new homes bonus? Are there any practical constraints?”**

Empty Homes are a priority within the improvement plan for Strategic Housing and officers would strongly encourage the government to include this within the New Homes Bonus. The panel may have particular views on the practical constraints for some empty homes linked to renewal areas.

3.6 Consultation question 5

**“Do you agree with the proposal to split the payment of the New Homes Bonus between tiers as a starting point for local negotiation?**

**If not, what would the appropriate split be, and why?**

The District Council's Network sets out a clear position supported by officers of this council that our argument must be for 100% payment to the lower tier, the District Councils, in line with their SOLE RESPONSIBILITY for the approval of housing development and securing related Section 106 contributions.

There is a suggestion in the consultation to pool New Homes Bonus to support LEP infrastructure planning. The Cumbria partnership working on housing and investment planning is in place and opportunities to pool bonus reward grant could be proposed from the Cumbria housing authorities in clusters or collectively if this enables joint infrastructure under the investment plan. The principle would still be that the strategic housing authorities are the district and hence it should be their decision as part of the joint investment planning activity.

3.7 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?**

Officers feel this is a robust enough data collection mechanism. See 2.3.

3.8 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?**

3.9 Consultation question 8

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

### 3.10 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?**

The Government propose to use the Department for Communities and Local Government official statistics on gross additional affordable housing supply to calculate the affordable homes enhancement. This data is collected for financial years and published 7 months later in October. Hence the proposal to pay reward grant one year in retrospect against official figures.

### 3.11 Consultation question 10

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

The data collected for 3.10 is gross additional homes and does not include demolitions. The question is should the New Homes Bonus be net. In Copeland we have been delivering housing market renewal which is about ensuring the housing mix is relevant – the key focus for this consultation. The Panel may like to consider the pros and cons of including demolitions eg loss of potential bonus if net where we have housing market renewal balance issues still to address vs inclusion of demolitions requiring housing developments to consider redesign as long as bringing empty homes into use is included within the scheme.

### 3.12 Consultation questions 11 and 13

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

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

Possible issues here for consideration include equalities and diversity impacts, conservation and heritage constraints.

## **4 Making the Consultation Response**

4.1 A full response will be compiled following the Panel discussion and agreed comments. This will then be shared with Corporate Leadership Team which includes Section 151 comments on the financial issues.

4.2 Copies of the final response will be sent to the Panel.

## **Appendix A – PPS3, affordable housing definition**

This appendix should be read in conjunction with [Planning Policy Statement 3](#).

### **Affordable housing is:**

Housing which includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.

Affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.

### **Social rented housing is:**

Rented housing owned and managed by local authorities and registered social landlords. For which guideline target rents are determined through the national rent regime. The proposals set out in the *Three Year Review of Rent Restructuring* (July 2004) were implemented as policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant.

### **Intermediate affordable housing is:**

Housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (e.g. HomeBuy), shared ownership, other low cost homes for sale and intermediate rent.'

For the purposes of the New Homes Bonus, this definition can include homes provided by private sector bodies and homes without grant funding provided that the above criteria are met.