

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
29 November 2011

Subject: NEW HOMES BONUS

All Ward(s)
Scrutiny Committees
Cabinet Member for Housing & Planning : Councillor M Robson

1.0 PURPOSE AND BACKGROUND:

1.1 This report seeks Member approval to a scheme for the allocation of the New Homes Bonus.

1.2 In 2010 the Government launched the New Homes Bonus (NHB) – a funding stream designed to incentivise local authorities to promote housing growth. Key elements of the Bonus are:

- An annual un-ringfenced grant for 6 years equal to the national average for the Council Tax band of each additional property delivered. (For a national average Band D property this is currently £1,439 pa, or £8,634 over the six year period).
- An enhancement of £350 pa for affordable homes (as per PPS3 definition). (This increases the total amount payable for a Band D affordable home to £10,734).
- To reward for reducing the stock of long term empty homes (6 months+).
- To reward additional Gypsy and Traveller pitches owned and managed by local authorities or Registered Providers.
- A payments split in two tier areas 80:20 (District Council:County Council).

1.3 The Government has stated that " The New Homes Bonus is designed to create an effective fiscal incentive to encourage local authorities to facilitate housing growth....Local authorities will be able to decide how to spend the funding in line with local community wishes. The Government expects local councillors to work closely with their communities - and in particular the neighbourhoods most affected by housing growth - to understand their priorities for investment and to communicate how the money will be spent and the benefits it will bring.....This may relate specifically to the new development or more widely to the local community."

1.4 The New Homes Bonus is not meant to replace the former Housing & Planning Delivery Grant (HPDG). HPDG's aim was "always...about targeting funding to recognise and incentivise growth" principally through plan making, "rather than supporting other housing outcomes". NHB instead "addresses the disincentive within the local government finance system for local areas to welcome growth. Until now, increased housing in communities has meant increased strain on public services and reduced amenities. The New Homes Bonus will remove this disincentive by providing local authorities with the means to mitigate the strain the increased population causes. This will ensure that the economic benefits of growth are returned to the local authorities and communities where growth takes place. In addition, in doing so the New Homes Bonus should help engender a more positive attitude to growth, and create an environment in which new housing is more readily accepted."

1.5 HDC received its Year 1 (2011-12) allocation of £315,221 on 15 April 2011. This payment is based on the “growth” between October 2009 and October 2010 and will be repeated over the next six years, together with further payments for additional homes provided each year. Appendix 1 shows the bonus to be paid over the six years along with an estimation of the bonus that will be earned in Year 2. The Bonus has been paid into a separate “New Homes Bonus” reserve.

1.6 It is expected that the Council will set out a scheme which describes how the NHB will be allocated. This report sets out proposals for such a scheme which has been developed with the support of the views of the Housing & Planning Board and with a limited review of what other councils in North Yorkshire are proposing. It is proposed that the Bonus be apportioned to support three objectives:

- **Re-investment:** A percentage to re-invest in the communities where the growth has taken place
- **Housing Growth:** a percentage to support housing growth across the district
- **Investment:** A percentage to invest in those communities where we have strategically determined that growth will not take place.

1.7 The following table provides further detail on each of these:

1	<p>RE-INVEST: A percentage to re-invest in the communities where the growth has taken place including</p> <ul style="list-style-type: none"> • Funding a Community Development Worker to work with communities in securing grant funding • Participatory budgeting exercises involving relevant parishes or via Area Partnership for those parishes • For Parish and / or Neighbourhood Planning
2	<p>HOUSING GROWTH: A percentage to support housing growth across the district including</p> <ul style="list-style-type: none"> • Rural housing enabler contribution • Match fund developer contributions via s106 to increase affordable housing • Fund to incentivise owners of empty homes to bring back into use • Enabling work to release sites e.g. Northallerton station, Northallerton auction mart • Promoting gypsy and traveller sites provision
3	<p>INVESTMENT: A percentage to invest in those communities where we have strategically determined that growth will not take place. These may include dealing with locally determined issues such as planning enforcement, infrastructure, or joint working with partners on relevant issues (e.g. NYCC on elderly persons provision)</p>

National Park

1.8 The Government, in allocating NHB, has not determined that National Parks should receive a set share of the Bonus as they expect this to be agreed at a local level. In determining a scheme, therefore, Members need to consider whether any of the bonus should be passported to the North York Moors National Park Authority (NYMPA). Appendix 2 shows the growth which has occurred in the National Park and which has contributed to the overall bonus for HDC.

- 1.9 In determining the best way to recognise the contribution NYMPA it can be argued that if the above three elements of a scheme are agreed then allocating the bonus to these will inevitably lead to share of the bonus being spent within the boundaries of the National Park. Conversely if Members were to passport a specific share of the bonus to NYMPA (Appendix 2 includes some options which describe this) it could be argued that areas within the Park may benefit twice – firstly by being allocated bonus from HDC under the above three elements and secondly by the NYMPA spending its share on projects within the Park boundary.
- 1.10 It is therefore proposed that rather than passport an element of the bonus to the Park, Members agree to the three elements outlined in the table in paragraph 1.6 and that we enter into consultation with the NYMPA to identify schemes which would meet these three elements and which would take place within the boundaries of the park.

North Yorkshire County Council

- 1.11 The bonus is split between the District and County Council. It would therefore be appropriate to consult with the County Council over any scheme proposals.

The Scheme

- 1.12 By way of reminder, it is proposed that the NHB scheme is based on three objectives:
- **Re-investment:** A percentage to re-invest in the communities where the growth has taken place
 - **Housing Growth:** a percentage to support housing growth across the district
 - **Investment:** A percentage to invest in those communities where we have strategically determined that growth will not take place.
- 1.13 In supporting these objectives, Members are asked to determine the percentage to be allocated under each objective for the Bonus earned for 2010/11 and paid in 2011/12 - some possible scenarios are shown at Appendix 2. Officers recommend option A.
- 1.14 It is proposed that to keep flexibility in the scheme Members review the percentage allocation to support the objectives on an annual basis. This annual review will also provide Members with an opportunity to review the objectives, where appropriate. Equally there are emerging discussions on how sub regional growth (and incentives) might be coordinated beyond individual Council boundaries and an annual approach will not fetter the Council in engaging in these discussions.
- 1.15 Members should note that there is an option to retain some or all of the grant so that it can be added to future years' grant to increase the fund available to spend on say a particular project which could not be afforded in a single year.
- 1.16 There is also an option to use some of the grant to support corporate objectives. This is not proposed at this stage because the council is able to use the Service Improvement Reserve to support this.
- 1.17 Once the scheme is determined, work will commence on the particular schemes to be funded, the details of which will be brought back to Cabinet for decision.

2.0 DECISIONS SOUGHT:

- 2.1 Cabinet is asked to the approve the New Homes Bonus Scheme.

3.0 LINK TO CORPORATE PRIORITIES:

3.1 This links to the Housing and Planning priority in the Council Plan

4.0 RISK ASSESSMENT

4.1 Risk in approving the recommendation(s)

There are no significant risks in approving the recommendations.

4.2 Risk in not approving the recommendation(s)

There are no significant risks in not approving the recommendations.

5.0 SUSTAINABILITY IMPLICATIONS:

5.1 None directly for this report.

6.0 FINANCIAL IMPLICATIONS AND EFFICIENCIES:

6.1 This report deals with the financial implications of the New Homes Bonus.

7.0 LEGAL IMPLICATIONS:

7.1 None

8.0 SECTION 17 CRIME AND DISORDER ACT 1998:

8.1 None

9.0 EQUALITY/DIVERSITY ISSUES:

9.1 None for this report.

10.0 RECOMMENDATIONS:

10.1 Cabinet is asked to the approve the New Homes Bonus Scheme based on the objectives and details set out in paragraph 1.6.

10.2 Consultation be undertaken with the NYMPA about the scheme design and to identify schemes which would meet these three elements and which would take place within the boundaries of the park.

10.3 Consultation be undertaken with North Yorkshire County Council on the scheme design

10.2 Members are asked to determine the percentage to be allocated under each objective for the Bonus earned for 2010/11 and paid in 2011/12.

10.3 Members review the scheme on an annual basis and receive further reports setting out the specific projects to be funded.

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Background papers:

None

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HDC - Options for the split of the New Homes Bonus between the proposed elements of the scheme

NYMNPA benefit from support for the objectives of Re-investing; Housing Growth; and Investment.

ACTUAL Bonus 2010/11 £ 315,221

Option A	% in year 1	£ in Year 1
Reinvest	40%	£ 126,088
Housing Growth	40%	£ 126,088
Investment	20%	£ 63,044
National Park	0%	£ -
Total	100%	£ 315,221

Option B	% in year 1	£ in Year 1
Reinvest	33.3%	£ 105,063
Housing Growth	33.3%	£ 105,063
Investment	33.3%	£ 105,063
National Park	0.0%	£ -
Total	100%	£ 315,189

ADDITIONAL Estimated Bonus for 2011/12

£ 220,936

Option A	% in year 2	£ in Year 2
Reinvest	40%	£ 88,375
Housing Growth	40%	£ 88,375
Investment	20%	£ 44,187
National Park	0%	£ -
Total	100%	£ 220,936

Option B	% in year 2	£ in Year 2
Reinvest	33.33%	£ 73,638
Housing Growth	33.33%	£ 73,638
Investment	33.33%	£ 73,638
National Park	0.0%	£ -
Total	100%	£ 220,914

NYMNP – amount passported directly.

ACTUAL Bonus 2010/11 £ 315,221

ADDITIONAL Estimated Bonus for 2011/12 £ 220,936

Option C	% in year 1	£ in Year 1
Reinvest	40%	£ 126,088
Housing Growth	40%	£ 126,088
Investment	11%	£ 34,674
National Park	9%	£ 28,370
Total	100%	£ 315,221

Option C	% in year 2	£ in Year 2
Reinvest	40%	£ 88,375
Housing Growth	40%	£ 88,375
Investment	11%	£ 24,303
National Park	9%	£ 19,884
Total	100%	£ 220,936

Option D	% in year 1	£ in Year 1
Reinvest	30.3%	£ 95,617
Housing Growth	30.3%	£ 95,617
Investment	30.3%	£ 95,617
National Park	9.0%	£ 28,370
Total	100%	£ 315,221

Option D	% in year 2	£ in Year 2
Reinvest	33.0%	£ 72,909
Housing Growth	33.0%	£ 72,909
Investment	33.0%	£ 72,909
National Park	1.0%	£ 2,209
Total	100%	£ 220,936

Basis of NHB calculation for 2011/12

	NP	HDC	Total	NP %	HDC %
Net additions to CT base	22	228	250	9%	91%
Empties brought back in to use			42		
Total			292		