

Runnymede Borough Council

CORPORATE MANAGEMENT COMMITTEE

Thursday 25 November 2010 at 7.30 p.m.

in the Council Chamber, Runnymede Civic Centre, Addlestone

SUPPLEMENTARY AGENDA

PART I

14. **NEW HOMES BONUS – RESPONSE TO CONSULTATION PAPER (DF)**

1. Purpose of Report

1.1 To report the recent publication by the Government on 12 November 2010 of a consultation paper on the New Homes Bonus.

1.2 To propose responses to the questions raised in the consultation paper.

2. Background Information

2.1 The Minister for Housing and Local Government announced in August the Government's intention to introduce a grant for local authorities known as the New Homes Bonus. The proposal was subsequently reiterated in the Chancellor's spending review on 20 October 2010 in which it was stated "the New Homes Bonus will give local authorities clear financial incentives to ensure that local communities benefit from new housing and economic development in their areas".

2.2 The proposal was also flagged in the Local Growth White Paper, published on 28 October 2010, in which the Government described the way in which it hoped to stimulate growth in the economy.

2.3 On 12 November 2010, the Government published a consultation paper explaining the proposals in detail and inviting responses to twelve questions. The consultation paper can be viewed on the web-site of the Department for Communities and Local Government (DCLG) at <http://www.communities.gov.uk/housing/housingsupply/newhomesbonus>. Responses are required by 24 December 2010.

3. Report

3.1 The Minister for Housing and Local Government wrote to all local authority Leaders on 12 November 2010 to announce the publication of this consultation paper. In his letter he states that the Government has set aside nearly £1 billion over the lifetime of the spending review to fund the New Homes Bonus. This will pay for the estimated cost of the scheme in year one and an equivalent commitment for each subsequent year of the spending review. However, the funding for the remaining cost of the scheme will come from top slicing the Government's resources for Formula Grant. So while the distribution of New Homes Bonus is positive news for Councils like Runnymede that have a track record of housing growth, it is tempered by the fact that after year one the national total available for Formula Grant will be scaled back to pay for the new grant. The diagram on the next page indicates how the funding will work.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Year 1	A	A	A	A	B	B	
Year 2		B	B	B	B	B	B
Year 3			B	B	B	B	B
Year 4				B	B	B	B
Year 5					B	B	B
Year 6						B	B
Year 7							B

A - Funded from an additional £900 million set aside by Government

B - Funded from top-slicing Formula Grant

- 3.2 The Government propose to introduce the New Homes Bonus with effect from 2011/12. The purpose of the grant, as stated in the Spending Review, will be to “reward and incentivise local authorities and local communities to be supportive of housing growth”. The Government’s stated intention is that the grant will be “equivalent to matching the additional council tax from every new home for each of the following six years” and this is reflected in the detailed proposals. In outline, each year’s grant will be calculated by taking the growth in the number of dwellings in the local authority area, based on the numbers reported in each year’s Council Tax Base Return, and multiplying the result by the average national Band D council tax. In two tier areas like Surrey, the Government propose to pay 80 per cent to district councils and 20 per cent to the County Council. Comments and suggested responses to questions in the consultation paper are set out in the following paragraphs.

3.3 **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?

Comment

- 3.3.1 Using the national average will avoid any incentive for local authorities to increase their council tax and thereby attract additional New Homes Bonus. The national average Band D council tax is £1,439, which is close to the total in the Runnymede area of £1,451.79 (i.e. the total tax for Surrey County Council, Surrey Police Authority and Runnymede Borough Council). Officers consider that this is a fair proposal.

Response

- 3.3.2 Yes. The Council considers that this proposal is fair and reasonable.

3.4 **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?

Comment

- 3.4.1 This proposal introduces an incentive to the Council to encourage affordable housing. This will have to be shared with the County Council (see question 5) but, based on the proportions currently proposed, it will produce £1,680 per dwelling over 6 years. This is a fraction of what is needed to provide new social housing. However, if it increases the supply of much needed affordable housing then it is most welcome. A component of affordable housing is secured from private development schemes that are negotiated by Officers when appropriate planning applications are submitted. There is an opportunity to review this as part of the Local Development Framework process.

Response

- 3.4.2 The scale of any affordable housing secured by the planning system will depend on the policy approach adopted in respect of such provision.

- 3.4.3 There is an urgent need for more affordable housing in Runnymede. New homes are required to deal with the rising levels of homelessness and to accommodate newly forming households who live and work in the Borough. Any initiative that serves to encourage the provision of affordable housing is therefore very welcome. Ideally a higher level of enhancement that could be used to grant fund new schemes would have been welcome, but it is acknowledged that the Government face very significant financial constraints and have limited resources.

3.5 **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?

Comment

- 3.5.1 The definition used in PPS3 for affordable housing mentions that Intermediate Housing (shared equity products such as home buy and shared ownership) is classified as affordable housing if it falls below the price of private market housing to rent. In Runnymede there is very little difference between the cost of private rented and shared ownership units. Furthermore, the proposed changes to the Local Housing Allowance are likely to drive down private rents, at which point many shared equity schemes would fall out of the definition of affordable housing. The Government need to take account of this and to establish a definition that is based on tenure types and not fluctuating rents in the private sector.
- 3.5.2 It is agreed that incentives are required for the provision of additional pitches for gypsies and travellers. However, it should be noted that in Runnymede the public sites are owned by the County Council, who may feel that they should receive the enhancement.
- 3.5.3 The Council will have the opportunity, as part of the review of the Local Development Framework, to consider both affordable housing and the requirements for gypsies and travellers.

Response

- 3.5.4 The definition used in PPS3 for affordable housing states that Intermediate Housing is housing that falls below the price of private market housing to rent. In Runnymede there is very little difference between the cost of private rented and shared ownership units. Furthermore, the proposed changes to the Local Housing Allowance are likely to drive down private rents, at which point many shared equity schemes would fall outside the definition of affordable housing. It is felt that the Government need to take account of this and to use a definition that is based on tenure types rather than fluctuating rent levels. Incentives for the provision of gypsy and traveller pitches are welcome.

3.6 **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?

Comment

- 3.6.1 Information on the number of empty homes in any Borough is derived from the Council Tax Base Return. There are currently 340 properties empty in Runnymede. These are empty for a wide range of reasons (including some new developments which have not yet been occupied) and those that have been empty for the longest time often require very significant investment if they are to be reoccupied.
- 3.6.2 The new enhancement provides a real incentive for tackling empty homes and is very welcome. However, to be truly effective it will need to be accompanied by funds to finance the capital cost of refurbishment. The Government have acknowledged this and the Homes and Communities Agency (HCA) have been allocated £100 million nationally for such work. Although this is welcome it is a fairly small allocation, given the number of empty homes nationally, and it is felt that the Government may need to provide a higher level of funding in due course.

- 3.6.3 The Council works closely with empty home owners to encourage them to deal with their properties. However, this does not always succeed in them coming back into use and tougher action is sometimes required. In these circumstances, the Council can take action to obtain an Empty Dwelling Management Order or to compulsorily purchase the unit. However, both of these actions require resources and also have very uncertain outcomes.

Response

- 3.6.4 The Council supports this proposal and welcomes the incentive to bring homes back into use. The Council also acknowledges that the Government have given the HCA £100m to fund the capital cost of bringing units back into use. This again is very welcome. However, given the number of empty homes nationally, and the high cost of bringing such homes back into use, it may be necessary to increase this funding. There are also many uncertainties for Councils when tackling empty homes. Steps to give Councils greater control over the outcome of Empty Dwelling Management Orders and compulsory purchase proceedings would also assist.

3.7 **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?***

Comment

- 3.7.1 This proposal is likely to prove contentious and Officers expect the upper tier authorities to argue for a larger slice of the cake. However, Officers believe that it is the lower tier authorities that are in a position to encourage housing supply and promote affordable housing, so the Government's proposal to allocate 80% of the grant to lower tier authorities (like Runnymede Borough Council) ought to be supported.

Response

- 3.7.2 The Council supports the proposal to allocate 80% of the New Homes Bonus to lower tier authorities. The Council believes this is fair because it is the lower tier authorities that have a legal duty to assess the housing needs of their area and to produce a strategy to meet these needs.

3.8 **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?

Comment

- 3.8.1 The Government have chosen a simple way to calculate the change in the number of dwellings from year to year and this is to be welcomed. The Council is already required to submit details of the dwellings in the borough on the annual Council Tax Base Return, so there will be no need to incur additional resources in providing this information.

Response

- 3.8.2 The proposed calculation has the benefit of simplicity and will not require additional resources to provide the information. The Council supports this proposal.

3.9 **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?

Comment

- 3.9.1 This proposal will introduce certainty into the arrangements. The Council will be able to make budgetary commitments in the knowledge that the allocation for the next financial year has been finalised.

Response

- 3.9.2 The Council agrees with this proposal. It has the merit of simplicity and will add certainty to the financial planning process.

3.10 **Question 8**

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

Comment

- 3.10.1 The amount of New Homes Bonus that will be paid will have a significant impact on the decisions that the Council makes on its budget requirement and the level of Council Tax. It is therefore important that the allocations of the New Homes Bonus should be published in time for the Council to take this into account in its budgetary decisions. An announcement of the allocations at the same time as the local government finance settlement will meet this requirement.

Response

- 3.10.2 The Council agrees that an announcement of the allocation of the New Homes Bonus at the same time as the local government finance settlement is appropriate. It will enable the Council to take into account its grant entitlement prior to determining budgets and its council tax for the next financial year.

3.11 **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?

Comment

- 3.11.1 The use of data that provides gross, rather than net, supply is supported as is the proposal to include acquired as well as newly built homes.
- 3.11.2 The Government propose that the data for affordable housing completions is taken from DCLG statistics that are derived from a range of data sources. However, in the past there have been discrepancies between these published totals and the information held locally. The collection of data therefore needs to be reviewed and agreed with local authorities.

Response

- 3.11.3 The use of data that provides gross, rather than net, supply is supported as is the proposal to include acquired as well as newly built homes.
- 3.11.4 In the past there have been discrepancies between the DCLG published totals for affordable housing and the information held locally. The collection of data therefore needs to be reviewed and agreed with local authorities.

3.12 **Question 10**

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

Comment

- 3.12.1 Demolitions have only been significant in the Runnymede area in the past when the Council has embarked on redevelopment schemes. Recent examples have included the Roakes Avenue estate in Chertsey and the Bowes Road/Wapshott Road scheme in the Hythe. As far as the proposed calculation of New Homes Bonus is concerned, any demolitions will

reduce the total number of dwellings reported in the Council Tax Base Return, thereby reducing grant entitlement.

Response

- 3.12.2 Demolitions have only been significant in Runnymede in the past when the Council has embarked on redevelopment schemes. Properties that are demolished are usually inferior dwellings that are no longer fit for occupation. They are replaced with modern sustainable homes built to better space and other standards. If the New Homes Bonus was reduced to reflect properties that have been demolished, then this would not recognise the positive outcomes from such schemes and would create a disincentive to regeneration. There would also be some difficulty in identifying all units that are demolished as currently information is only available for situations where new housing is provided.

3.13 **Question 11**

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

Comment

- 3.13.1 The consultation paper concludes by expressing the view that the proposals are fair and emphasising that the grant will not be ringfenced. However, it takes the precaution of asking this question to ensure that any equality issues have not been overlooked.
- 3.13.2 In many parts of the country there is still a need for new supported housing provision for vulnerable households. The proposals should therefore recognise this and, if possible, include an incentive for such provision.

Response

- 3.13.3 The methodology favours provision of affordable housing and also takes account of provision for gypsies and travellers. The more vulnerable people in society are therefore more likely to benefit.
- 3.13.4 In many parts of the country there is still a need for new supported housing provision for vulnerable households. The proposals should therefore recognise this and, if possible, include an incentive for such provision.

3.14 **Question 12**

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

Comment

- 3.14.1 The impact assessment at Appendix 'E' of the consultation paper attempts to quantify the likely costs of the scheme over the next ten years and the potential changes to housing supply with the impact on issues like equalities and the environment. The paper does not examine the potential impact on local authorities of reducing Formula Grant after year 1 to pay for it.

Response

- 3.14.2 The consultation paper omits an assessment of the potential impact on local authorities of reducing Formula Grant to pay for the New Homes Bonus after the year 1 costs are accounted for. This should have been included in the impact assessment.

4. **Resource Implications**

- 4.1 Runnymede's Council Tax Base Return submitted in October 2010 showed an increase of 374 dwellings over the previous year. From the Council's point of view this will be a good year to commence the New Homes Bonus. Additions to the dwelling stock in future years are unlikely to be as large as this because of the downturn in building activity. Officers have produced the following estimated projections in order to forecast the Council's likely entitlement to grant.

	2011/12	2012/13	2013/14	2014/15	2015/16
Additional homes	374	200	200	300	300
Affordable homes	50	100	50	100	50
Reduction in empty homes	45	0	0	0	0
Gypsy and traveller pitches	0	0	0	0	0

This is estimated to produce the following entitlement to New Homes Bonus for the Council.

New Homes Bonus paid to Runnymede BC	2011/12	2012/13	2013/14	2014/15	2015/16
	£	£	£	£	£
- re. 2011/12	498,500	498,500	498,500	498,500	498,500
- re. 2012/13		129,100	129,100	129,100	129,100
- re. 2013/14			186,700	186,700	186,700
- re. 2014/15				244,200	244,200
- re. 2015/16					244,200
	498,500	627,600	814,300	1,058,500	1,302,700

OFFICERS' RECOMMENDATION that –

the responses set out in this report be submitted to the Department for Communities and Local Government.

(TO RESOLVE)

Background Papers

None stated