

## EXMOOR NATIONAL PARK AUTHORITY

5 July 2011

### NEW HOMES BONUS

#### Report of the Head of Support to the Community

**Purpose of Report:** To update the Committee on the final scheme design for the New Homes Bonus and to seek agreement to engage in discussions with District and County Councils regarding the Grant.

**Legal Implications including Human Rights Act 1998:** Government announced the New Homes Bonus: Final Allocations Year 1 on 4 April 2011 following the procedures set out in the New Homes Bonus: final scheme design published in February 2011. The grant is not ringfenced and at the discretion of the Local Authorities as to how they allocate the grant.

**Financial Implications:** Potential for revenue for local communities if New Homes Bonus grant was to be allocated for projects in the National Park via the National Park Authority. In the case of the recommendation, if grant money was to be allocated to the Rural Housing Project those monies would go directly to the Project.

**Business Plan:** There are 11 Authority Priorities for 2010-2012, one of which is "More Affordable Housing". Under this priority there are two identified actions:

- Continue to support the North Devon, West Somerset and Exmoor Rural Housing Project, and
- Work with the local community and housing authorities to encourage local affordable housing proposals so that, by the end of 2012, at least 60 new affordable homes will have been completed in the National Park since 2007.

**RECOMMENDATION:** Members are recommended to SUPPORT negotiations with North Devon Council, West Somerset Council, Devon County Council and Somerset County Council with regard to the allocation of New Homes Bonus payable from April 2012 with the priority to:

- (i) help fund the North Devon, West Somerset and Exmoor Rural Housing Project for the period of the grant, and
  - (ii) support projects in the National Park that will be of benefit to local communities.
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## 1. INTRODUCTION

1.1 In the past, the Government operated a Planning Delivery Grant and then the Planning and Housing Delivery Grant scheme that sought to incentivise Local Planning Authorities to encourage and permit housing schemes in their area. This Grant scheme has ceased and the Department of Communities and Local Government (CLG) has consulted upon and introduced a New Homes Bonus scheme.

1.2 CLG has explained that;

“The New Homes Bonus is designed to create an effective fiscal incentive to encourage local authorities to facilitate housing growth. It will ensure the economic benefits of growth are more visible within the local area, by matching the council tax raised on increases in effective stock. This will redress the imbalance in the local government finance system, whereby resources for growth areas did not keep pace with growth.

The Bonus will sit alongside the existing planning system. It is intended to help deliver the vision and objectives of the community and the spatial strategy for the area. In particular, it will be relevant to the preparation of development plans which concern housing where it assists with issues such as service provision and infrastructure delivery. However, it is not intended to encourage housing development which would otherwise be inappropriate in planning terms.

The scheme will provide local authorities with a New Homes Bonus, equal to the national average for the council tax band on each additional property and paid for the following six years as an unringfenced grant. There will be an enhancement for affordable homes.”

## **2. NEW HOMES BONUS GRANT PAYMENTS**

- 2.1 The guidance explains that currently the amount of grant relating to an additional council tax band D property will be about £1,439 per annum or £8,634 over 6 years, and the grant relating to an additional band E property will be about £1,759 per annum or £10,553 over 6 years.
- 2.2 In terms of affordable housing, CLG has commented that:

“To ensure that affordable homes are sufficiently prioritised within supply, there will be a simple and transparent enhancement of a flat rate £350 per annum for each additional affordable home. This is about 35% of the current average Band D council tax or 36% of the current Band A council tax, and will be reviewed if council tax rises. Over six years an affordable home would receive an enhancement of £2,100.”
- 2.3 New Homes Bonus is also payable when an empty property comes back into use.
- 2.4 The payment of the New Homes Bonus will be split, with 80% to the District Council and 20% to the County Council. The first year for which grant was payable was 2011/12 and North Devon Council received £306,778, West Somerset Council £91,342, Devon County Council £633,385 and Somerset County Council £553,204. It should be noted that these sums cover the whole of the geographic area of the Councils and the contribution from Exmoor housing to these totals for the past year will have been modest, although as explained in paragraph 3.3, there are schemes in the pipeline that will make a more substantial contribution to the grant allocation in the years to come.
- 2.5 Payments after the first year are cumulative. So the second year grant will consist of a repeat payment of the first year amount plus the payment from homes delivered during the first year. As a consequence, payments in future years are likely to be substantial. However, while the Councils have acknowledged this grant, it should also be noted that Revenue Grant to the Councils has been reduced in overall terms.

2.6 While this year the first grant was announced in February 2011, to coincide with the publication of the guidance, in future years provisional allocations will be announced in early December and final allocation in early February.

2.7 The CLG advise that:

“Local authorities will have flexibility on how to spend the unringfenced grant. Every development is different and will need different services to support it. Local authorities are best placed to decide how to meet the needs of local neighbourhoods and communities. In many cases this will involve advanced planning with other local service providers to ensure that there is timely delivery of infrastructure for the new development. For example, local authorities can pool funding to deliver infrastructure.

Billing authorities will be expected to negotiate with National Park Authorities and the Broads Authority to recognise their role as the sole local planning authority for their area in granting planning permissions. This could include in an agreement to split the funding from New Homes Bonus between them at a locally determined rate or to reach an agreement on funding a specific community project”.

### **3. LOCAL PROPOSALS FOR THE NEW HOMES BONUS**

3.1 From paragraph 2.7, it is clear that Government expects the Authorities in receipt of New Homes Bonus to negotiate with National Park Authorities regarding the allocation of funding to benefit communities in National Parks. To date, National Park Officers have had initial discussion with officers at North Devon and West Somerset Councils and Council Officers have acknowledged the advice in the guidance and a need for an on-going dialogue. This report is intended to assist and help focus those discussions over the coming months.

3.2 Within the National Park, the two District Councils are the Housing Authorities, whilst the National Park Authority is the Local Planning Authority. As explained above, the grant is based entirely on the delivery of new homes.

3.3 In the National Park, there are a number of schemes presently under construction or soon to commence which will deliver a number of homes and hence payment of New Homes Bonus grant over future years. These include, for the larger schemes, 25 homes at Cutcombe Market (12 affordable), 22 homes in Porlock (15 affordable) and 12 in Dulverton (12 affordable). An estimate indicates that these 59 homes will generate in the region of £350,000 in Bonus grant over the next 5 years. In addition there will be others in ones and twos, in the National Park, that add to the number of homes delivered and hence the total of grant money over the period. The majority in the pipeline at the present time are within the Somerset part of the National Park.

### **4. POTENTIAL APPLICATION OF NEW HOMES BONUS FUNDING IN THE NATIONAL PARK**

4.1 In principle, the implications of guidance for the New Homes Bonus is that it should be of benefit to the communities where new development takes place, albeit there is a great deal of discretion for the Councils in receipt of the funding. The majority of new housing development in the National Park is currently aimed at meeting local needs and this report proposes that the community benefits from the New Homes Bonus funding are encouraged to

- contribute to the continuation of programmes aimed at securing the provision of new affordable homes in the National Park and surrounding areas. In addition, Members may wish to encourage the benefiting councils to commit to supporting related projects in the National Park that are of community benefit.
- 4.2 A key aim of the planning policies (and a priority for the two District Councils) is the delivery of affordable housing for local communities. The successful delivery of a number of schemes has been due to the collaboration of the National Park Authority, District Councils, Registered Providers, developers, Parish/Town Councils and the North Devon, West Somerset and Exmoor Rural Housing Project. In particular, the Rural Housing Project has taken a key role with assisting communities with proposals, identifying sites and acting as a liaison throughout the process. The project covers the whole of North Devon, Exmoor and West Somerset. Within the National Park, the delivery of affordable homes, and the related New Homes Bonus, is to a large part due to the efforts of the Rural Housing Project which has the single focus of its task.
- 4.3 In the past, the Rural Housing Project has been funded jointly by the two District Councils, the two County Councils (through Local Area Agreements), 6 Housing Associations (now Registered Providers) and the National Park Authority. Over the present financial year funding has come only from North Devon Council, the National Park Authority and the Registered Providers. Operating the Project costs approximately £56,000 per annum and the funding shortfall for 2010/11 of approximately £36,000 has come from the Project reserves.
- 4.4 It is considered that the Rural Housing Project is an important project that has helped to deliver homes for local people and as a secondary consequence led to higher New Homes Bonus, both for this year and in future years of the scheme. It is recommended that all four Councils be asked to contribute to funding the Rural Housing Project, as they have done previously, to ensure that its work across North Devon, Exmoor and West Somerset can continue. It is considered to be a cost effective and focused project that has delivered on the ground and it would benefit from a reliable funding source over the period of the New Homes Bonus.
- 4.5 Members may consider that there are other priorities and local community projects within the Park where that community has accepted housing development and some form of grant from the New Homes Bonus may be worth discussing. Local Parish and Town Councils could discuss this with their Councils themselves and if Members consider that further projects could be the subject of discussions, then officers are happy to raise them. However, for the financial year starting 2012/13 it is recommended that the priority for discussions be the continued stable funding of the Rural Housing Project that would benefit not only Exmoor but also the areas of North Devon and West Somerset outside the National Park.

**David Wyborn**  
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**20 June 2011**

**Background Papers:**

- CLG - New Homes Bonus: final scheme design
- CLG - New Homes Bonus: final allocations Year 1