

**CABINET – 13 SEPTEMBER 2011****NEW HOMES BONUS 2011/2012: SUPPORTING THE DELIVERY OF  
RURAL AFFORDABLE HOMES IN LEICESTERSHIRE****REPORT OF THE CHIEF EXECUTIVE****PART A****Purpose of the Report**

1. To seek approval to invest the £530,000 New Homes Bonus (NHB) funding received by the County Council from Government in 2011/2012, to support the delivery of affordable homes in rural communities, and to consider the preferred approach for use of the funding in future years.

**Recommendation**

2. It is recommended that:
  - a) The NHB funding received by Leicestershire County Council for 2011/2012 is spent supporting the delivery of rural affordable housing;
  - b) Two rural affordable housing schemes, at Sapcote and Somerby (as detailed in table 1 below), are directly supported through investment of £520,000 of the County Council's NHB funding for 2011/2012, subject to investment of NHB from the appropriate District Councils;
  - c) The commitment from Blaby District Council to offer £100,000 NHB to secure the scheme at Sapcote be warmly welcomed, and Melton Borough Council be encouraged to make a contribution to enable the scheme at Somerby to proceed;
  - d) The Rural Housing Enabler project be allocated £10,000 from the County Council's NHB funding for 2011/2012, to help sustain the delivery of rural affordable housing;
  - e) Two further rural affordable housing schemes at Carlton and Thurlaston are reassessed with a view to supporting the delivery of these two schemes in 2012/2013, also subject to support from the District Councils from their NHB;
  - f) Discussions continue with District Councils regarding the co-ordinated use of NHB funding to support the delivery of new homes and associated infrastructure in the County, and that at the very least District Councils be

requested to reinvest in housing/infrastructure provision any future NHB they receive as a consequence of County Council investment of its own NHB in affordable homes provision;

- g) A further report be submitted to the Cabinet reporting on progress with these discussions and proposing how future NHB receipts be most effectively deployed;
- h) Should Cabinet agree to invest its NHB in rural affordable housing in future years the criteria set out in paragraph 23 be used to shortlist rural affordable housing schemes;
- i) Officers be requested to give further detailed consideration to innovative ways in which future NHB funding could assist the delivery of rural affordable housing; for example, through the recycling of NHB funding through investment in Shared Ownership units, and considering using NHB funding to directly purchase land in communities where there is strong support for the delivery of rural affordable housing.

### **Reasons for Recommendation**

- 3. To ensure that the County Council makes the best and most appropriate use of the NHB it has received from Government for 2011/2012; and to enable consideration of future use of NHB receipts.

### **Timetable for Decisions (including Scrutiny)**

- 4. A decision in September will enable construction to start during the current financial year. The relevant Housing Associations will be advised at the earliest opportunity.
- 5. A further report will be submitted to the Cabinet in November 2011.

### **Policy Framework and Previous Decisions**

- 6. The Leicestershire Sustainable Community Strategy (SCS) 2008-2013 is under review. A draft set of revised outcomes will be considered by the new Leicestershire Together Commissioning Board at its meeting on 26<sup>th</sup> September 2011. The revised draft SCS includes the following outcome and sub-outcome on affordable housing: that housing supply meets the needs of Leicestershire people, and more affordable housing, including in rural areas, within mixed and sustainable communities.
- 7. The draft revised Leicestershire Rural Framework 2011-14 includes as one of its seven priority outcomes the increased availability of affordable, well-designed, suitable and fuel efficient rural housing for local residents to help ensure the future sustainability of rural communities.
- 8. The County Council's Medium Term Delivery Plan (MTDP) to 2013 includes priority outcomes to ensure that the housing needs of the people of Leicestershire are met, and an increase in the provision of affordable housing is secured.

9. The Regional Plan (2009) sets out the quantity and broad locations of housing growth in Leicester and Leicestershire with a continuing emphasis on urban concentration. The Secretary of State has signalled his intention to revoke the Regional Plan and give local people a greater say in planning decisions affecting their neighbourhoods. Until the Localism Bill has been enacted the Regional Plan remains part of the Development Plan. The Regional Plan is delivered through the Local Development Frameworks prepared by district councils and complemented by local housing strategies. The adopted and emerging LDF Core Strategies encourage the provision of rural affordable housing.
10. NHB is part of the new approach to planning, and forms one of the key funding opportunities to help deliver strategic infrastructure. The Government has indicated, in its NHB Final Design Scheme, that NHB should primarily be used to add something extra to local communities in return for accepting development (which must be acceptable in its own right). The NHB Final Design Scheme refers to the benefits of pooling NHB across Housing Market Areas.
11. Despite the guidance provided by the Government district council officers have made it clear that they do not wish to pool NHB to support strategic infrastructure provision necessary to underpin sustainable housing provision, or renegotiate the 80/20 division of funding. Officers are liaising with individual district councils on specific schemes in which the Council's NHB might be appropriately invested, following the successful example of Sapcote, which involves joint deployment of County and District Council NHB funding.

#### Previous Decisions

12. The Cabinet considered a report on the response to the Government consultation on proposals for a New Homes Bonus Scheme on 14 December 2010. It agreed detailed comments to be submitted to the Government as the views of the County Council, and key comments be drawn to the attention of the Government; these included:
  - 80/20 split between upper and lower tier authorities – Considered this does not reflect the major financial implications of additional infrastructure such as highways, public transport, education and libraries provided by the County Council to meet the needs of new development;
  - Relationship with developer contributions – Greater clarity needed to understand how NHB would affect or relate to other funding streams such as Section 106s or Community Infrastructure Levy;
  - Introduction of NHB prior to the planned review of the local government finance system may reduce potential scope of that review.

#### Resource Implications

13. The proposals in this report involve use of the NHB funding received by the County Council in 2011/12. Any other costs associated with this activity will be covered by existing budgets. Proposals for use of NHB received in future years will be brought to a future Cabinet meeting.

## **Circulation under the Local Issues Alert Procedure**

14. County Councillors representing Electoral Divisions in which it is proposed that the County Council's NHB funding for 2011/12 is spent:

Mr. E. F. White CC; Mr. J. T. Orson JP, CC

A copy of this report has been sent to all members of the County Council under the Members Information Service.

### **Officers to Contact**

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## **PART B**

### **New Homes Bonus**

15. In March 2011 Leicestershire County Council received confirmation from the Department for Communities and Local Government (DCLG) that £530,000 of New Homes Bonus (NHB) funding would be received by Leicestershire County Council for the current financial year (2011/2012). This is 20% of the funding received in Leicestershire with the seven district councils sharing the remaining 80% (£2.1m)
16. This is the first financial year that local authorities have received NHB funding which has been introduced by Government to incentivise housing growth. Payment is made to local authorities for each additional house built at a rate equivalent to its council tax Band D for 6 years. Based on average council tax rates this equates to almost £9,000 per house delivered over a 6 year period. Affordable housing gains an additional flat rate of £350 per annum for every house delivered, equating to almost £11,000.
17. The purpose of NHB is to ease the strain on public services which can occur as a consequence of the increase in housing in the area. A breakdown of District and County NHB funding for 2011/12 and an illustration, based on past build rates, of what the level of payment may be to each district after Year 6 and is shown in Appendix A to this report.

### **Delivery of Rural Affordable Housing**

18. Last year just 44 rural homes were delivered across six villages in Leicestershire, despite significant affordable housing needs having been identified in our rural areas. The opening of new affordable homes in Croft in July 2011 marked the first affordable units to be built within the District of Blaby for some years. This low level of provision is not unique to Leicestershire.
19. The Rural Housing Enabler has been working with communities in Leicestershire to identify and help bring forward affordable housing schemes, and this support has significantly helped the delivery of schemes. However, a lack of funding is often the reason why a scheme is not progressed; and it is considered that the two schemes identified in Sapcote and Somerby would not be constructed without the NHB funding. It is proposed that the NHB funding received by Leicestershire County Council for 2011/2012 is spent supporting the delivery of rural affordable housing.

### **Delivery of Rural Affordable Housing and recent announcement by the Homes and Communities Agency**

20. The Homes and Communities Agency (HCA) has experienced significant reductions in funding as part of the wide public sector cost savings. On 14 July 2011 the HCA announced the outcome of their latest grant funding round. Unfortunately, many rural affordable housing schemes have not been successful in securing the necessary funding.

21. Over the last few weeks Housing Associations have been taking stock following the announcement and have been liaising with district housing strategy officers and the Rural Housing Enabler regarding the reassessed shortfalls for current specific rural affordable housing schemes in Leicestershire.

### **Proposed spend of the County Council's New Homes Bonus in Leicestershire**

22. Based on this latest information a list of rural affordable housing schemes in need of financial support has been compiled. This list has been subdivided into three, with rural affordable housing schemes considered to be 'shovel ready' (i.e. ready to start as soon as funding is secured) in Table 1 below, and other live rural affordable housing schemes, considered to be in the 'pipeline', in Tables 2a and 2b in Appendix B.

23. 'Shovel ready' rural affordable housing schemes are considered to be those schemes which meet all of the following 7 criteria:

- 1) have detailed planning permission already granted for affordable housing;
- 2) have a willing landowner(s) committed to early delivery;
- 3) are able to demonstrate support in the local community;
- 4) have a designated Registered Social Landlord;
- 5) can make a business case for the receipt of NHB funding;
- 6) can demonstrate that the majority of funding for the scheme has been, or can be, secured from the developer/Housing Association/HCA, thus the County Council's contribution will either match fund or be of a lesser amount than the total sum from other funding sources; and
- 7) is capable of a start on site within this financial year.

**Table 1: ‘Shovel ready’ rural affordable housing schemes as at August 2011**

Location	Number and type of units scheme will provide	‘Shovel ready’ criteria met?	Overall amount of financial support required?  Total cost of scheme?	District New Homes Bonus funding available?	Proposed amount of County Council New Homes Bonus towards scheme
<p><b>Sapcote</b> (land off Sharnford Road, Sapcote, within the District of Blaby)</p>	<p><b>12 units in total</b>, of which 9 for rent and 3 shared ownership</p>	<p>Yes, meets all seven criteria</p>	<p>Shortfall to be met to enable scheme to go ahead £576,000</p> <p>Total cost of scheme £1.607 million</p>	<p>Yes, Blaby District Council willing to spend £100,000 of their New Homes Bonus.</p>	<p><b>£332,000 from County Council New Homes Bonus</b> Together with Blaby District Council’s New Homes Bonus this would fund 75% (£432,000) of the shortfall.</p> <p>East Midlands Housing Group has confirmed that they would be able to fund the remaining shortfall through their Recycled Capital Grant Fund, and a start on site can be made in this financial year.</p>
<p><b>Somerby</b> (land off Oakham Road, Somerby, within Melton Borough)</p>	<p><b>7 units in total</b>, of which 5 for rent and 2 shared ownership</p>	<p>Almost. A detailed planning application has been submitted, consultation on amended plans is currently taking place.</p>	<p>Shortfall to be met to enable scheme to go ahead £275,000</p> <p>Total cost of scheme £927,650</p>	<p>Not at present.</p>	<p><b>£188,000 from County Council New Homes Bonus</b> Leicestershire County Council owns the land at the Somerby site and has agreed to sell the land to Nottingham Community Housing Association for £70,000.</p> <p>Whilst the County Council is wholly supportive of the proposed scheme at Somerby, having agreed to</p>

					<p>release the land to facilitate the building of the 7 proposed dwellings, it would be unable to waive the potential capital receipt accruing from the sale.</p> <p>Planning permission will need to be secured by the end of November 2011 to realistically start on site in this financial year, and consequently this will be a condition in order to retain the County Council's New Homes Bonus Funding.</p>
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Please note this information is correct as at August 2011 and may be updated at the Cabinet meeting.

24. Table 1 above details the two 'shovel ready' rural affordable housing schemes in Leicestershire which it is considered would be able to start on site within the current financial year with the benefit of County Council NHB funding.
25. The Sapcote rural affordable housing scheme benefits from £100,000 of funding from Blaby District Council's NHB. This means that with the combined support of the County and District Councils it can be delivered with a start in 2011/12.
26. The Somerby scheme still has a £87,000 'funding gap' after the proposed £188,000 of County Council NHB funding is taken into account. The support of Melton Borough Council is being sought, for them to make available some of their NHB to fill this gap and enable the scheme to proceed.
27. It is proposed that the £530,000 NHB for 2011/2012 received by Leicestershire County Council is spent as follows:
- That £332,000 is allocated to the Sapcote rural affordable housing scheme and £188,000 is allocated to the Somerby rural affordable housing scheme. It is understood that payment will need to be committed and made upfront to ensure other funding providers in these two schemes are confident to proceed;
  - That the remaining £10,000 is spent supporting the work of the Rural Housing Enabler. This will help enable rural affordable housing schemes to progress more quickly to 'shovel ready' status, providing the opportunity for the County Council to directly assist in the delivery of more rural affordable homes on the ground beyond this current financial year.
28. It is proposed that the proceeds arising (in the form of future NHB funding) from the delivery of the affordable homes which the County Council will be part-funding, should be reinvested in future rural affordable housing schemes. It is currently unclear how the majority of district councils in Leicestershire will be spending their NHB, and this approach seeks to ensure that the proceeds which the County Council is helping to generate will be reinvested for rural affordable housing.
29. Should Cabinet agree to invest its NHB in rural affordable housing in future years it is considered that the 'shovel ready' sites criteria set out in paragraph 23 above should be used to shortlist rural affordable housing schemes.
30. Furthermore, it is proposed that the two sites in Table 2a at Carlton (Hinckley and Bosworth Borough) and Thurlaston (Blaby District) are reassessed in 2012/2013 with a view to support their delivery in 2012/2013 if the reassessment indicates it is appropriate to do so.

### **Use of New Homes Bonus in Future Years**

31. The preferred approach in future years would be to secure agreement to pool some or all of the NHB with district councils to support housing and infrastructure provision. There is as yet no agreement with districts to pool NHB. It is proposed that discussions continue with district councils regarding the co-ordinated use of

NHB funding to support the delivery of new homes and associated infrastructure in the County.

32. Many good suggestions have been made concerning other innovative ways in which future NHB funding could assist in the delivery of rural affordable housing; for example, recycling it through investment in Shared Ownership units, and using it to directly purchase land in communities where there is strong support for the delivery of rural affordable housing.
33. It is also suggested that further consideration is given to how communities can best be supported in progressing Governments 'Community Right to Build' initiative, which gives groups of local people the power to directly deliver new homes, where they can demonstrate overwhelming local support.
34. Increased sharing of best practice on community led affordable housing schemes, such as the approach being taken to forward a rural affordable housing scheme in North Kilworth using a community land trust, could help deliver more affordable housing. It is proposed that further consideration is given to supporting these and other innovative approaches from 2012/2013.
35. The Government has funded the NHB grant in 2011/12 but in future years a significant amount of funding (potentially between £0.8bn and £1.2bn nationally) will be 'top-sliced' from Formula Grant local government funding. The 'top-slice' may impact disproportionately upon County Councils, similarly to the 80:20 District/County split which is applied to NHB. The County Council may need to consider using a proportion of NHB in future years to offset the impact of this 'top-slice' on its Formula Grant funding.
36. A further report will be brought back to the Cabinet reporting on progress with these discussions, proposing how future NHB receipts be most effectively deployed, and/or the continuation of rural affordable housing investment.

### **Equal Opportunities Implications**

37. By directly part funding the provision of rural affordable homes through the NHB, the County Council can contribute to the needs of disadvantaged groups.

### **Background Papers**

Leicestershire Sustainable Community Strategy – 2008

Leicestershire Rural Framework 2011-14

Leicestershire County Council Medium Term Delivery Plan to 2013

Adopted East Midlands Regional Plan – March 2009

Reports to the Cabinet on the following issues and dates:

- Government Consultation on the New Homes Bonus Scheme - 14 December 2010

## **Appendices**

Appendix A: New Homes Bonus funding

Appendix B: Table 2a and 2b Affordable Rural Housing in the pipeline.