

**CABINET – 20 DECEMBER 2011****NEW HOMES BONUS 2012/13: SUPPORTING THE DELIVERY OF  
RURAL AFFORDABLE HOMES****REPORT OF THE CHIEF EXECUTIVE****PART A****Purpose of the Report**

1. To seek approval for the investment of New Homes Bonus (NHB) funding received by the County Council from Government for 2012/13.

**Recommendation**

2. It is recommended:
  - a) That officers resolve the issues of State Aid, referred to in paragraph 22 below, to enable funding for social housing schemes to proceed;
  - b) That District Councils be requested to put forward rural affordable housing schemes for consideration of support by the County Council using approximately £500,000 of NHB funding in 2012/13, subject to matching investment of NHB from the appropriate District Councils, alongside prioritised schemes already identified at Carlton and Thurlaston;
  - c) That the Rural Housing Enabler project be allocated £10,000 from the County Council's NHB funding for 2012/2013, to help sustain the delivery of rural affordable housing; and,
  - d) That a further report be submitted to the Cabinet in March 2012 confirming the final programme of NHB funding for 2012/13.

**Reasons for Recommendation**

3. To ensure that the County Council makes the best and most appropriate use of the New Homes Bonus received from Government for 2012/2013, including by transparently demonstrating to local communities that funding received as a result of housing development is being reinvested in local areas.

**Timetable for Decisions (including Scrutiny)**

4. To provide the best opportunity for construction to start during 2012/13 it is necessary to make a decision on the final schemes to be supported by March 2012.

**Policy Framework and Previous Decisions**

5. The Leicestershire Sustainable Community Strategy (SCS) 2008-2013 is being revised. The 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.

6. The Leicestershire Rural Framework 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.
7. The 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.
8. NHB is part of the new approach to planning, and forms one of the key funding opportunities to help deliver strategic infrastructure. 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). Local authorities can use NHB for a wide variety of purposes.
9. The Leader has written to District Leaders to seek support for joint use of their NHB and County NHB for rural affordable housing, with match-funding investment. The responses have been mixed, ranging from a positive intention to work jointly on rural housing to a clear negative response. In most cases the Districts' policy on the use of NHB is still being finalised.

### **Previous Decisions**

10. Cabinet considered a report on the delivery of rural affordable homes using New Homes Bonus on 13 September 2011. It was agreed [inter alia]:
  - That the New Homes Bonus (NHB) funding received by Leicestershire County Council for 2011/2012 be spent supporting the delivery of rural affordable housing;
  - That two rural affordable housing schemes, at Sapcote and Somerby (as detailed in table 1 of the report) be directly supported through investment of £520,000 of the County Council's NHB funding for 2011/12, subject to investment of NHB from the appropriate District Councils;
  - That the Rural Housing Enabler project be allocated £10,000 from the County Council's NHB funding for 2011/12, to help sustain the delivery of rural affordable housing;
  - That two further rural affordable housing schemes at Carlton and Thurlaston be reassessed with a view to supporting the delivery of those two schemes in 2012/2013, also subject to support from the District Councils from their NHB;
  - That discussions continue with District Councils regarding the coordinated 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;
  - That a further report be submitted to the Cabinet reporting on progress

with the discussions referred to above and proposing how future NHB receipts would be most effectively deployed;

11. Cabinet has previously approved £600,000 from former LAA funds to support broadband.

### **Resource Implications**

12. The proposals in this report involve use of the 2012/13 NHB funding for the housing projects and indications on the use of the funding in future years. Any other costs associated with this activity will be covered by existing budgets. The Director of Corporate Resources has been consulted on this report.
13. 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.

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

14. A copy of this report has been sent to all members of the Council under the member information service.

### **Officers to Contact**

Simon McIntosh 0116 305 5700	Programme Manager, Community Planning <a href="mailto:simon.mcintosh@leics.gov.uk">simon.mcintosh@leics.gov.uk</a>
Sharon Wiggins Community Planning 0116 305 8234	Policy Manager, Policy and Partnerships Team <a href="mailto:sharon.wiggins@leics.gov.uk">sharon.wiggins@leics.gov.uk</a>

## **PART B**

### **New Homes Bonus**

15. This month the County Council has received the provisional allocation figures from the Department for Communities and Local Government (DCLG) for £1,075,183 of New Homes Bonus funding to be received by the County Council for next financial year (2012/2013). This is 20% of the funding received in Leicestershire with the seven District Councils sharing the remaining 80% (£4.3m)
16. This is the second financial year that local authorities have received New Homes Bonus funding. New Homes Bonus funding was introduced by the Government to incentivise local communities to accept housing growth. Payment is made to local authorities for each additional house built at a rate equivalent to its council tax for 6 years. The purpose of New Homes Bonus is to incentivise new homes delivery by rewarding local areas with funding to ease the subsequent strain on public services. For the Bonus to act as an incentive for local communities to accommodate additional housing it is crucial that there is transparency in the use of the funding so communities can see the direct benefit of accommodating new homes.
17. At least two of the Leicestershire District Councils are considering a transparent process of awarding a proportion of their NHB to parishes where new housing development occurs. Although policies are not yet finalised, some of the Districts are willing to consider funding for affordable rural housing schemes.
18. The national picture, as indicated by a recent survey of local authorities in the north of England, is that 75% of councils are looking at investing some of the NHB into housing. This course of action provides a 'virtuous circle' whereby housing development can be enabled which will lead to greater NHB in future years, which can then be reinvested.

### **Corporate Policy and Planning Policy Context**

19. The Leicestershire Sustainable Community Strategy (SCS) 2012 - 2013 is under review. A draft set of outcomes will be considered by the Leicestershire Together Commissioning Board at its meeting on 6<sup>th</sup> January 2012 and the SCS will be signed off at the following meeting in March. The 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.
20. The Leicestershire Rural Framework 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.
21. The 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.

22. The Localism Act (2011) has removed the previous Regional Plan as a basis for setting out the quantity and broad locations of housing growth in Leicester and Leicestershire. Housing growth is now subject to the policies of the Local Development Frameworks (LDF) prepared by district councils, complemented by local housing strategies. The adopted and emerging LDF Core Strategies encourage the provision of rural affordable housing.
23. It is proposed that half of the New Homes Bonus funding received by the County Council for 2012/2013 is spent supporting the delivery of rural affordable housing, continuing the level of NHB spending committed in 2011/12.

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

24. The Rural Housing Enabler has continued to work with communities in Leicestershire to identify and help bring forward affordable housing schemes, and this support has significantly helped the delivery of schemes. However, funding is often the reason why a scheme is not progressed; and the use of New Homes Bonus funding is enabling the two schemes identified for the current year in Sapcote and Somerby to be implemented, where they would not otherwise be constructed.
25. A legal problem has arisen which is affecting the use of New Homes Bonus for housing development nationally. This arises from the State Aid regulations, and the need for tendering subject to EU procurement rules to be followed; in Leicestershire, as elsewhere in the country, the procurement process adopted for the use of our NHB for affordable housing has not complied with these regulations. Officers are currently seeking specialist legal advice on exemptions to State Aid, to enable payments for 2011/12 and future years to be made.
26. A list of current rural affordable housing schemes in need of financial support was compiled in the summer, including schemes considered to be 'shovel ready' in and other live rural affordable housing schemes, considered to be in the 'pipeline'.
27. 'Shovel ready' rural affordable housing schemes are considered to be those schemes which meet all of the following 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 New Homes Bonus funding;
  - 6) can demonstrate that the majority of funding for the scheme has been, or can be, secured from the developer/RSL/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 the financial year.
28. Cabinet agreed to support the two 'shovel ready' rural affordable housing schemes in Leicestershire, subject to support also being provided by the District Councils. This was agreed, and the schemes at Sapcote and Somerby are proceeding, subject to the resolution of the State Aid issues noted above.
29. It is proposed that half of the New Homes Bonus for 2012/2013 allocated to the County Council is spent on similar schemes, subject to match funding being put forward by districts. To this end officers will request District Councils to consider

putting schemes forward. At the same time it is proposed that two sites at Carlton and Thurlaston, identified in the report to the Cabinet in September, are closely reassessed; the delivery of these schemes in 2012/13 should be supported if the reassessment indicates it is appropriate to do so. However, if there are problems with either of these schemes, or if other schemes are now considered as having greater priority, then these will be brought back to the March Cabinet meeting with a recommendation for approval for NHB funding.

### **Equal Opportunities Implications**

30. By directly part funding the provision of rural affordable homes through the New Homes Bonus, the County Council can contribute to the needs of disadvantaged groups. An Equality Impact Assessment has been carried out which indicates that a range of accommodation needs should be considered. Further work is needed to consider such needs and the possibilities for meeting them; options will need to be drawn up during 2012/13 for consideration of the use of NHB from 2013/14 onwards.

### **Background Papers**

Leicestershire Sustainable Community Strategy – 2008

Leicestershire Rural Framework 2011-14

Leicestershire County Council Medium Term Delivery Plan to 2013

Reports to the Cabinet on New Homes Bonus 2011/12: Supporting the Delivery of Rural Affordable Housing – 13 September 2011

Reports to the Cabinet on Funding for Families with Complex Needs and Other Programmes – 13 September 2011