

CABINET – 3 APRIL 2012

**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 to support the delivery of five rural affordable housing schemes in Leicestershire through the use of New Homes Bonus (NHB) funding received by the County Council from Government for 2012/13.

Recommendation

2. The Cabinet is recommended to approve:
 - a) That five rural affordable housing schemes at Husbands Bosworth, Tilton, Breedon, Bitteswell and Elmsthorpe be directly supported from investment from the £490,000 of the County Council's NHB funding for 2012/2013, subject to match funding from appropriate District Councils;
 - b) That the Chief Executive be authorised to undertake a review of progress with the above schemes in July 2012 and to redirect investment to one or more of the identified reserve schemes if required; and
 - c) That future NHB funding generated through the delivery of these affordable housing schemes, and the Sapcote and Somerby schemes funded through the County Council's NHB in 2011/2012, be reinvested in the delivery of future affordable housing, subject to District Councils doing the same.

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 April 2012.

Policy Framework and Previous Decisions

5. The Leicestershire Sustainable Community Strategy (SCS) 2008-2013 has been revised. The Leicestershire Together Outcome Framework 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 2011-2014 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 Government's 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 County Council wrote to Leicestershire District Councils in Autumn 2011 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.
10. The Cabinet approved the investment of New Homes Bonus funding received by the County Council from Government for 2012/2013 on 20 December 2011. It was agreed [inter alia]:
 - That the officers be authorised to resolve the issues of State Aid, referred to in paragraph 25 of the report, to enable funding for social housing schemes to proceed;
 - 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 New Homes Bonus (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;
 - That the Rural Housing Enabler project be allocated £10,000 from the County Council's NHB funding for 2012/13, to help sustain the delivery of rural affordable housing; and
 - That a further report be submitted to the Cabinet in March 2012 confirming the final programme of NHB funding for 2012/13.

11. Cabinet considered an earlier 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.

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. This report is being circulated all members of the Council via the Members' Information Service.

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PART B

New Homes Bonus 2012/13

15. The Cabinet resolved at its meeting on 20 December 2011 to spend 50% of the County Council's New Homes Bonus (NHB) funding for 2012/13 on the delivery of rural affordable housing, this amounts to £500,000. It was resolved that £10,000 would support the Rural Housing Enabler role (in a similar way to £10,000 identified from the County Council's NHB funding for 2011/12) with the remaining £490,000 to be spent on the direct delivery of rural affordable housing to enable schemes to go ahead where they would not otherwise be constructed, subject to match funding being put forward by District Councils in Leicestershire.
16. This is the second financial year that local authorities have received NHB funding. NHB 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 NHB 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. Local authorities receive NHB 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 is a simple and transparent flat rate enhancement of £350 per annum for each additional affordable home.
18. Some Districts in Leicestershire have set their policy on the use of NHB; Hinckley and Bosworth Borough Council agreed in December 2011 to 25% of their NHB allocation being transferred to those parish councils which are recipients of new housing development, and Harborough District Council has also put in place a NHB policy.

Outcome of Equality Impact Assessment

19. An Equality Impact Assessment was undertaken on the NHB 2011/2012 spend. It was concluded that the proposed policy for NHB spend is likely to have significant positive impacts on some groups; it will ensure that rural communities in Leicestershire are more diverse in terms of socio-economic groups. This policy however does not positively impact on all communities in Leicestershire equally, and Gypsy and Traveller communities are likely to be the most significant group to miss out on the opportunities that this policy of spend represents. Although this was identified too late to be taken into account in the spend of the 2011/12 funding, the EIA highlighted that it would need to be addressed in future years.
20. It was noted that in designing the process for agreeing spend of NHB from 2012/13, the lessons learnt from this EIA Report will be taken forward to ensure that the negative impacts are minimised and where possible positive impacts result.

21. One way of taking forward the requirements of the EIA is to progress an update of the Gypsy and Traveller Accommodation needs Assessment (GTAA). The GTAA was published in April 2007.

State Aid advice

22. Leicestershire County Council sought specialist legal advice on its use of the NHB to support two rural affordable housing schemes located in Sapcote and Somerby. The advice concluded that the County Council should be able to demonstrate that its funding of the schemes using the NHB would qualify as a Service of General Economic Interest (SGEI). Therefore, the schemes are likely to fall outside the scope of the state aid rules.
23. Construction is underway on the Sapcote scheme, which started on 2 March 2012. Construction on the Somerby scheme is due to start shortly in April 2012. The recently published LGA and HCA Guide for Elected Members on Meeting Local Housing Need included reference to the Sapcote scheme.

Carlton and Thurlaston

24. Two rural affordable housing schemes at Carlton in Hinckley and Bosworth borough and Thurlaston in the district of Blaby had previously been identified in the report to the Cabinet in September 2011 as schemes to be reassessed for consideration for Leicestershire County Council NHB funding in 2012/13.
25. There is very positive news regarding the Thurlaston scheme; Waterloo Housing Association has confirmed that it has grant funding to deliver the scheme so there is no requirement for gap funding.
26. A bid has been made by Nottingham Community Housing Association to the Homes and Communities Agency (HCA) for Community Led funding to fill the funding gap for the Carlton scheme; as at 14 March 2012 no decision had been made by the HCA. As it is currently unclear whether the Carlton scheme will require funding from the County Council's NHB and match funding from Hinckley and Bosworth Borough Council, it is proposed that the Carlton scheme is considered as a reserve scheme (see paragraph 36 below).

Other 'shovel ready' rural affordable housing schemes

27. A request was made in January 2012 to district housing officers, relevant housing associations and the Rural Housing Enabler in Leicestershire for details of current 'shovel ready' rural affordable housing schemes. There were no schemes which qualified as shovel ready, so the shovel ready criteria were adjusted for 2012/2013 so they are easier to achieve (see Appendix A to this report).
28. This has resulted in six potential rural affordable housing schemes coming forward for consideration at Elmsthorpe and Sharnford in the district of Blaby, Bitteswell, Husbands Bosworth and Tilton in Harborough district and Breedon in North West Leicestershire district. Table 1 attached as Appendix B to this report details these schemes.
29. In total these schemes could delivery a further 38 affordable homes in Leicestershire in 2012/2013.

30. Each of the six rural affordable housing schemes have been assessed against the relaxed 'shovel ready' criteria and the following ranking occurs:
1. Husbands Bosworth
 2. Tilton
 3. Breedon
 4. Bitteswell
 5. Elmsthorpe
 6. Sharnford
31. If the County Council's NHB for 2012/2013 is extended from the first ranked scheme down the ranked schemes, it covers 50% of the funding gap for five of the six schemes.
32. Given all six schemes are not able to be supported with this funding and district council funding, East Midlands Housing Group and Nottingham Community Housing Association were asked to see if there was anyway in which the funding gap could be reduced further, and a letter has been sent to the Homes and Communities Agency asking for any funding they could bring to fill the funding gap. Both housing associations have sought to further reduce the funding gaps, and this has greatly helped the situation. A response has not yet been received from the HCA and a verbal update will be provided at the Cabinet meeting.
33. There has been very effective, positive and constructive partnership working with partners throughout the process; from responding to the call for schemes through to revisiting schemes with a view to reducing the funding gap further to enable a scheme to go ahead in 2012/2013.

Rural Affordable Housing Schemes to be supported with the County Council's New Homes Bonus 2012/2013

34. The five rural affordable housing schemes to be supported with the County Council's NHB in 2012/2013 are as follows:
1. **Husbands Bosworth** 8 affordable homes in total (of which 6 affordable rent, 2 shared ownership)
County Council NHB funding of £107,000 is available. Harborough District Council is able to commit funding of £50,000 to this scheme and discussions are continuing to take place regarding the remaining £57,000 required.
 2. **Tilton** 6 affordable homes in total (of which 4 affordable rent, 2 shared ownership)
County Council NHB funding of £100,000 is available. Harborough District Council is able to commit funding of £50,000 to this scheme and discussions are continuing to take place regarding the remaining £50,000 required.
 3. **Breedon** 10 affordable homes in total (of which 6 affordable rent, 4 shared ownership)

Total funding gap to be met through County Council NHB of £140,000 and North West Leicestershire District Council £140,000; subject to political approval by North West Leicestershire District Council.

4. **Bitteswell** 2 affordable homes in total to rent

County Council NHB funding of £42,605 is available, which represents 50% of the total funding gap for this scheme. Unfortunately, Harborough District Council are unable to commit funding to this scheme, particularly given they have committed £100,000 for 2012/2013 to support the delivery of rural affordable housing schemes at Husbands Bosworth and Tilton, and hope to commit more funding to these two schemes.

It is suggested discussions continue with Harborough District Council, East Midlands Housing Group and other partners with a view to securing funding to fill the funding gap for this scheme.

5. **Elmsthorpe** 4 affordable homes in total (of which 2 affordable rent, 2 shared ownership)

Total funding gap to be met through County Council NHB of £49,755 and Blaby District Council £49,755.

35. Unfortunately, the County Council's NHB funding for 2012/2013 does not extend to cover the funding gap for the Sharnford scheme. However, East Midlands Housing Group has stated their commitment to continue working up the Sharnford scheme and Blaby District Council has indicated their willingness to contribute to this scheme in the future.

36. It is suggested that Sharnford and Carlton are identified as reserve schemes; and that a review of progress on the supported schemes is undertaken in July 2012 with a view to redirecting funding to the reserve schemes should the delivery of rural affordable housing on the supported schemes in 2012/2013 be unlikely.

New Homes Bonus funding generated by supported rural affordable housing schemes

37. The 30 new affordable homes to be supported by NHB in 2012/2013 and the 19 new affordable homes supported by NHB in 2011/2012 will generate future NHB funding. This future NHB funding could be ploughed back into supporting future affordable housing in the form of NHB funding from the County Council and match funding from district councils.

38. Support is therefore sought to continue the positive approach taken by the County Council through ensuring that the receipts generated through the delivery of these affordable housing schemes, and the Sapcote and Somerby schemes, is reinvested in the delivery of future rural affordable housing. District councils would also be encouraged to take a similar approach.

Moving forward beyond 2012/2013

39. The draft Leicestershire Rural Commissioning Plan 2012/2014 includes a priority outcome on increasing the availability of affordable, well designed, suitable and fuel and water efficient rural housing for local residents to help ensure the future sustainability of rural communities. A key action is to develop a Strategic Plan

which is flexibly managed to take up opportunities; this includes identifying those schemes most likely to succeed and providing the ability to take up any slippage. This strategic plan together with locality priorities will enable a rolling programme of rural affordable housing schemes to continue to come forward, against which the County Council and other partners can align their funding.

40. The ageing population is likely to be a future key priority for the County Council and Leicestershire Together; as a consequence in considering the spend of future New Homes Bonus funding the support that could be given to the delivery of elderly care housing will be considered.

Equal Opportunities Implications

41. 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 (see paragraphs 19-21 above) which indicates that a range of accommodation needs should be considered to ensure the needs of all communities in Leicestershire are met.

Background Papers

Leicestershire Together Performance Framework 2012

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, and New Homes Bonus 2012/13 – 20 December 2011

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