

Executive

New Homes Bonus

4 Feb 2012

Report of Head of Strategic Planning and the Economy

PURPOSE OF REPORT

To consider the proposed use of the New Homes Bonus in the Cherwell District.

This report is public

Recommendations

The Executive is recommended:

- (1) To approve the proposed use of the New Homes Bonus for the first two year awards as set out in the report.

Executive Summary

Introduction

- 1.1 This paper outlines an approach for the use of the New Homes Bonus by Cherwell Council in a way that helps secure the delivery of a number of Council priorities.

Proposals

- 1.2 The implementation of the New Homes Bonus (NHB) forms part of a shift in the way the government wishes to incentivise growth without leading to an increased strain on local services, local amenities and infrastructure. The NHB, as one of a number of emerging policies and fiscal incentives, will help to reward those areas that welcome or, for wider strategic needs, have to accommodate housing growth.
- 1.3 In Cherwell the approach has focused on ensuring that housing and employment growth is directed to the most sustainable locations through the adoption of the Local Plan, which has a strong economic focus whilst respecting the unique character of the district.

- 1.4 In February 2011, the Government issued the final design of the NHB following a period of consultation. For two tier areas such as Oxfordshire, the design of the scheme involves a split in allocation which is explained below.
- 1.5 There is no obligation on Cherwell Council to pass the NHB on, but a clear expectation that this will be done. CDC has published this policy note to guide the use of any monies received from the NHB to provide consistency, transparency and guidance for the how the first award might be used to the benefit of the District.
- 1.6 The Council has not relied on the receipts from the NHB in its base budget pending the completion of the wider Resource Review of local government finance currently that was being undertaken by the Government (see section 8 below). This review has now concluded and from 2013/14 onwards, the New Homes Bonus will be routed through the main Local Government Grant to Councils, rather than being a separate 'windfall' grant. This means that the only NHB awards being considered are the year one and year two awards (i.e. the award made for 2010/2011 for 6 years and 2011/12 for 6 years).

A further paper will be considered on the use of future year awards of the New Homes Bonus

THE NEW HOMES BONUS SCHEME IN OUTLINE

- 1.7 The NHB scheme will provide the Council with a payment equal to the national average for the Council tax band on each additional property built. The scheme is intended to be a permanent feature of local government funding. For each additional occupied home, the council will receive six years of un-ringfenced grant (measured by the change in dwelling numbers on the Council tax valuation lists).
- 1.8 The Government will use the Council Tax Base form to calculate increases in effective stock. This will be the number of Band D equivalent properties compared to the previous year, which will take account of additions, demolitions and, most importantly, empty homes brought back into use. Any increase will be multiplied by the national Band D average council tax for the previous financial year to arrive at the grant amount.

THE NEW HOMES BONUS AND THE PLANNING SYSTEM

- 1.9 The NHB sits alongside the existing planning system and is not intended to encourage housing development that would otherwise be inappropriate in planning terms.
- 1.10 The NHB is intended to help deliver the vision and objectives of the community and the Cherwell District Local Plan and may contribute to service provision or infrastructure delivery.
- 1.11 Other fiscal measures within the planning system such as Section 106 contributions and the forthcoming Community Infrastructure Levy are separate to decisions on the use of NHB.

WHAT THE BONUS CAN BE USED FOR

- 1.12 The Government is not prescriptive over how the NHB should be used. One of the principles of the bonus is flexibility on how to spend funding what

constitutes an 'un-ringfenced' grant.

- 1.13 The funding can be used to support the delivery of infrastructure. It should be emphasised that Cherwell still expects all developments to meet their own infrastructure needs and the NHB will only be used to support strategic infrastructure in exceptional cases where there is demonstrable need for gap funding.
- 1.14 The Government expects local authorities to gain an understanding of local priorities for investment and monies could be spent in relation specifically to a new development and importantly more widely to the local community. A specific community project may be identified as a local priority. Where there are Parish/Town plans (or neighbourhood plans once adopted) these would evidence local priorities.
- 1.15 More widely, the Government states that Councils may wish to offer council tax discounts, support frontline services like bin collections or improve local facilities like playgrounds or parks, secure transport improvements and town centre regeneration.

THE ALLOCATION OF THE BONUS IN TWO TIER AREAS

- 1.16 The final design of the scheme by Government stated that in two tier areas, lower tier authorities such as Cherwell, are better placed to understand local needs and concerns. The Government state that for the incentive to be powerful, it must be where the planning decision sits. The allocation split between Oxfordshire County Council and Cherwell reflects this with 80% to the lower tier and 20% to the upper tier.

POLICY FOR USE OF THE NEW HOMES BONUS IN CHERWELL

- 1.17 The only NHB monies being considered for this approach are the year one and year two awards (i.e. the award made for 2010/2011 for 6 years and 2011/12 for 6 years).
- 1.18 In 2010/11 (the first year one award) Cherwell Council received £439,186. It will receive this funding for a further 5 years. For 2011/12 (the second year one award) Cherwell has received £264,009; again this award will be made for a further 5 years, alongside the payments of the first award.
- 1.19 It is proposed that the following approach might be taken for the use of the 2010/2011 award (for 6 years) and use of the 2011/12 award (for 6 years):-
 - (i) Anticipating Financial Pressures
- 1.20 Half the amount received (50%) to be held in a dedicated reserve to enable the Council to address any financial and service pressures. This reserve to be named the Local Government Resource Review (LGRR) Reserve.
 - (ii) Economic Development – new business opportunities
- 1.21 One of the areas which Government considers NHB monies should be readily utilised is regeneration and supporting economic prosperity, which is particularly important in the light of the current recession and the need to support economic growth.

- 1.22 CDC is committed to enhancing the economy of the District through the land release set out in the draft Local Plan and the economic development priorities set out in the Economic Strategy for the District and has well-developed mechanism for local area regeneration and urban and rural enhancement.
- 1.23 To secure a wide economic gain for the District 25% of the NHB will be allocated to an earmarked reserve to enable the purchase of suitable land for the provision of new industrial units in the 2 towns.
- 1.24 This approach will:
- Meet an identified need in the 2 towns as shown in the Economic Development Strategy
 - Provide small and medium sized businesses who wish to grow a 'ladder of accommodation' to meet that growth
 - Provide locations for new employment opportunities
 - Support people back into work, through the links between the jobs clubs and local business.
 - Provide an additional income stream to CDC in rents.
 - Sit alongside the need for microfinance for company growth and working with companies on training and skills needs.
- 1.25 There is a possibility of creating a Joint Venture with a private sector provider/developer.
- 1.26 The Economic Development team will identify appropriate need and location, whilst the Regeneration team and Finance would handle the necessary purchase and subsequent management of the units.
- (ii) Planned growth at Banbury and Bicester
- 1.27 The draft Local Plan will be submitted to the Secretary of State in 2013 and is planned for adoption in 2013. As a result of this draft Local Plan major urban extensions will be promoted to the two towns and these will meet the vast majority of identified housing and employment needs within Banbury and Bicester themselves as well as the wider housing needs of Cherwell District.
- 1.28 It is proposed that 25% of NHB will be allocated to meeting the impact of growth at the 2 towns, the major locations of growth in the District. It is proposed that CDC works with the appropriate town council to develop a package of proposals, drawing on the emerging Masterplan for each town.
- 1.29 Liaison would take place with Oxfordshire County Council to secure their input given the opportunity to secure a more widely drawn investment package between the 3 tiers of Local Government.
- 1.30 This approach will ensure that the NHB is used to re-invest within the local community, by being spent on improving community services and infrastructure within that particular town.
- 1.31 The NHB will thus be used to support a package of specific proposals that

can demonstrate the delivery of 'added value' to the local community and area and where possible, specifically benefit those communities close to any new development. In particular, proposals should show the delivery of the community objectives from strategies such as the Brighter Futures plan for Banbury and the EcoBicester proposals for Bicester, as well as the more comprehensive package of measures set out in each town Masterplan.

- 1.32 (iv) The additional enhancement per unit for affordable housing (£350) built under the NHB scheme might be earmarked by CDC to a new fund to reinvest in additional affordable housing within the villages in accordance with identified local need.

PROCEDURE FOR PAYMENT

- 1.33 The Executive would consider and authorise the release of any payments under the NHB scheme. Payments would only be made once there is a commitment to spend the monies, as part of the package of measures referred to above.
- 1.34 Local Members from the 2 towns which are experiencing the most extensive housing growth will be encouraged to link with the relevant Town Councils and make proposals for use of any element of the grant which is earmarked for use within the local community.
- 1.35 Town Councils would be expected to submit a proposition to the Council for use of any monies and the Executive could take into account the forecast benefits to the community of any proposal.
- 1.36 One option could be for the NHB to fund 100% of the project value: an alternative would be for the NHB payment to provide up to 75% of the project value, thus requiring the Town Council to provide at least 25% of the match funding. Funding from the NHB could be used in conjunction with S106 and other grant funding.
- 1.37 Criteria for consideration by the Executive of the bids received would include confirmation the project:
- Is sponsored by the Town Council
 - Is located within the Town boundary
 - Is clearly linked to the delivery of a proposal within the Town Masterplan and other relevant town strategy
 - Is capable of being delivered within a 3-4 year period (assuming planning matters are resolved)
 - Has a costed business plan
 - Complies with any other public agency or statutory requirement
 - Maintains full records
 - Acknowledges receipt of funding from Cherwell Council

REVIEW

1.38 A review of the use of New Homes Bonus will take place in 12 months.

In the light of the Governments wider review of local government finance which introduces major changes from 2013/14 onwards, funding cannot be committed beyond 2012/13 as the New Homes Bonus is being routed through the main Local Government Grant to Councils, rather than being a separate 'windfall' grant. This means that the only NHB awards being considered are the year one and year two awards (i.e. the award made for 2010/2011 for 6 years and 2011/12 for 6 years).

A further paper will be considered on the use of future year awards of the New Homes Bonus

Background Information

2.1 New Homes Bonus Papers.

Key Issues for Consideration/Reasons for Decision and Options

3.1 The approval of the New Homes Bonus proposals for the first two year awards over the 6 years of their payment.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

Option One	To support the proposed use of the New Homes Bonus.
Option Two	To amend the proposed use of the New Homes Bonus.
Option Three	To not support the proposed use of the New Homes Bonus.

Consultations

Cllr Michael Gibbard,
Lead Member for
Planning Regular Briefing

Implications

Financial:	The financial implications are as laid out in this report. Comments checked by Karen Curtin, Head of Finance and Procurement 03000030106
Legal:	The Council has discretion about the appropriate use of this funding. Comments checked by Nigel Bell Team Leader – Planning and Litigation 01295 221687

Risk Management:

Reputational risk to the Council from lack of an effective policy.

Comments checked by Claire Taylor, Performance Manager 01295 221563

Wards Affected

All

Corporate Plan Themes

- Accessible, Value for Money Council
- District of Opportunity
- Safe and Healthy
- Cleaner Greener

Lead Member

Councillor Michael Gibbard
Lead Member for Planning

Document Information

Appendix No	Title
None	
Background Papers	
None	
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