<u>APPENDIX 6</u>

<u>Responses to Current Government Consultations on Financial Issues Affecting the Council's Budget Planning</u>

No specific allowance has been made for either of these issues in current budget planning.

1) New Homes Bonus

The Government is proposing to introduce a financial incentive scheme which makes reward payments to councils based on housing completions. The payments will be calculated on the basis of matching per dwelling council tax income at national average rates for 6 years and then adding further amounts to recognise affordable housing delivery and reducing numbers of empty homes .

The funding available is not new money. It comes from the redirection of what used to be Housing and Planning Delivery Grant (HPDG) and top slicing of future formula grant.

The payment levels are significant. Each dwelling completed will result in an annual payment (of £1439 for example for a Band D property) with this payment maintained for 6 years. *In the case of Cherwell, taking last years completions of approximately 200 units, this gives total payments of £1 726 800 (£1439 x200x6).* This calculation takes no account of additional payments for affordable and empty homes or the final split of funding to district and county (proposed at 80/20 in favour of district), but is a cautious assumption. As completions continue payments will accumulate. 200 dwellings is a historically low completion rate for Cherwell. District councils in areas of housing growth could benefit greatly as there will effectively be a strong new weighting of local government grant funding to those locations.

For comparative purposes it is interesting to note that a first year payment in the order of £300 000 should be set against a loss of HPDG payments in the order of £500 000 per annum as received over the last two years of this grant scheme (2008/09 and 2009/10). Clearly the comparison will improve as time passes and completions accumulate.

The payments are expected to be made as an un ring fenced top up to formula grant, paid monthly within normal transfers from CLG (information provided in CLG consultation briefings). The payments will thus be available to fund in year revenue spend, or can be converted to capital spend if a Council wishes. This regular payment method differs from HPDG which was a lump sum payment made at one point in year and clearly separated from formula grant with an expectation of housing and planning service spend.

<u>Comments made to Government by CDC</u>

- The New homes bonus is welcomed by CDC and the scope of the scheme and administrative arrangements proposed are all supported. (subject only to the comments below).
- The additional incentives for affordable housing delivery and bringing empty homes into use are particularly welcomed and helpful.

- The final scheme should more clearly state that the funding available by this route is not new money, but involves a redistribution to create incentives for local authorities to facilitate housing delivery. With this point in mind it is important that, in finalising the scheme, Government acknowledges that it will often be necessary for councils to use this funding as revenue support for key local services. The consultation places great emphasis on councils taking local decisions to use the bonus for project or capital spend on new services, facilities and infrastructure. Whilst this is an understandable objective, and one that may help create a linkage to public demonstration of the benefits of development, it is also important recognise that given overall CSR budget pressures, it will be difficult for councils to set this funding aside for this type of project / capital spend. In this respect it should be noted that HPDG was entirely devoted to supporting councils in providing staff and systems to deal with development plans, development control and housing projects. The loss of this funding has had considerable impact on the services needed to support housing growth. Suggestions that funding should be negotiated to support infrastructure projects by others, including pooling with in Local Enterprise Partnerships (LEPs) are not helpful.

- With the points above in mind, and taking account of the fact that the funding to be used is primarily replacement revenue funding, the scheme should direct 100% of funding to the councils that decide planning applications for new housing. This fits with the crucial importance of linking the incentive to the formal decision role.

- The definitions of affordable housing to be used are rightly indicated as wide ranging. However, new types of affordable housing are regularly introduced and it will be necessary to issue detailed guidance and keep it up to date to ensure clarity and consistency in the data sources used for this element of the scheme.

- Similar clarity of definition will be required for empty homes data.

<u>Issues for Cherwell</u>

This new funding source is presented as a “bonus”. Given uncertainties about housing completion rates future receipts will be difficult to predict in MTFS terms. Certainty of budget impact will of course improve as the completions are recorded, but it would be unwise to rest mainstream budgets too heavily on this source of funding.

It is therefore suggested that initially budget planning should set out with the objective of placing the bonus payments in an accumulating fund that can be used to support special or capital projects once the fund reaches a suitable level. These projects should be established (through the normal budget process) to start from 2012 /13 onwards taking account of both the size of the accumulated fund and ability of the council to create capacity to undertake the project effectively. This process would also allow time to plan and negotiate any projects that the Council wished to see delivered through partner bodies (e.g. town and parish councils, the County or Local Enterprise Partnership members).

2) Planning Fees

The Government is proposing to move away from the current national fee regime and allow Local Planning Authorities to set their own planning fees from April 2011 (with a six month transition period for introduction). The aim would be to achieve cost recovery only and it is to be expected that the rules to achieve this would be strictly applied.

This matter is significant to the Council's overall budget position as current planning fees cover around 50% of relevant costs (but see comments below on definition of relevant costs).

<u>Comments made to Government</u>

- Giving councils freedom to set local planning application (and potentially other planning application type) fees is welcomed.

- The suggested regime of regulation and control does however look overly restrictive and complex. The objective of cost recovery is deceptively simple until there is understanding of the scope to define costs in different ways and the potential for significant bureaucracy to develop around time / cost recording and accountancy rules. Government should avoid setting up a complex fee control regime which will be difficult and expensive to operate. Councils should have full freedom to judge cost recovery levels and to set fees reasonably within the restrain of normal democratic oversight. This will be a sufficient control on any suggestion of profit.

- The arguments in the consultation paper about the public and private benefits of planning control are somewhat dubious and very debatable. However, once Government espouses the principle of charging applicants for private property benefits of the planning process, (rather than relying on a public interest approach and funding through general taxation), then freedom should be given to recover all planning costs.

- The costs of running a planning service include development plan and policy work and specialist advice services such as conservation, arboriculture, ecology, transport, highways etc. All aspects should be within scope for cost recovery.

- Applications for listed building, conservation areas and tree work should all be included in the fee regime because the principle of private property benefit from permissions applies to these cases in the same way as with a normal planning application (the property owner is similarly potentially gaining from a decision in terms of property values or can be expected to deal with all the costs of the property they choose to occupy).

- Freedom to charge fees in a way that encourages a right first time submission and discourages retrospective applications should be provided.

<u>Issues for Cherwell</u>

The ability to raise additional planning income will make significant additional resources available to the council. At present it is difficult to plan effectively as the basis of the new regime is unclear. It is suggested that a 10 – 15 % rise in fees is sufficient to cover costs. This would only be the case on the basis of a very limited definition of development control work (restricted to planning applications and their processing – excluding all special application types and general advice work). There are particular problems with the current fee regime as low volume major applications are a major source of income (rightly so as this reflects their costs). This creates huge volatility of income and budgeting difficulty. Any new system would allow the council to collect more of its income from routine applications, giving greater certainty of prediction.

Given uncertainties about exactly what level of freedom in fee setting the council will have and the timing of introduction, it is suggested that, for the coming financial year any additional fee income achieved as a result of local fee setting should be treated outside of the mainstream budget as follows:

1. Used first to cover any shortfall on fee income projections

2. Used second to top up the planning control reserve

3. Treated as a replacement for the pre application advice charging proposal recommended as part of the DCMD VFM Study and incorporated in the 2011/12 budget (£10 000). This scheme is effectively overtaken the Government's much wider ranging fees initiative and it will be more effective to collect a notional additional fee for pre application advice through overall charging for applications.

For the 2012/12 budget process, and for MTFS planning, revised assumptions can be adopted. These can take account of the detailed terms of the new fee regime and experience of its introduction in 2011/12.

If significant additional income is available this should then allow the council to:

- Reconsider savings plans for planning related services adversely affected by overall budget pressures (current MTFS budget building blocks previously reported)

- Effectively free funding for other areas of council activity by covering as many planning costs as possible from income.