

Agenda Item 7

Development Management Committee

30th June 2009

KAL



Housing & Planning Delivery Grant 2008-/09 - Allocations

Summary

Margaret Beckett, Minister of Housing, has launched a consultation paper on the proposed changes to the allocation mechanism for the Housing and Planning Delivery Grant (HPDG) in years 2 and 3 (2008/09 was Year 1). It is the Government's intention to continue investing significant sums through the HPDG for Local Authorities who plan and deliver more homes but with the current credit crunch the original intention to increase the funds available to Planning Authorities in years 2 and 3 from the original £100 million pounds available in year 1 to £200 million available in year 3 has meant that the funding has been cut back by £25 million in year 2 and by £50 million in year 3.

The Government is now consulting on changes on the way the grant is allocated to ensure that it recognises current challenges and encourages positive action by Local Authorities to facilitate recovery.

The key changes being proposed are:-

- To reduce the threshold of net additional homes needed to qualify for the housing element in Year 3 in recognition of the more challenging conditions in the housing market;
- To introduce additional eligibility requirements for demonstrating sufficient land for housing. This will reinforce existing requirements in Planning Policy Statement 3 and increase confidence in the land supply position across the country; and
- To increase the percentage of the planning element awarded for demonstrating land for housing in Year 2 in recognition of the importance of land supply in supporting development.

The Government is also consulting a proposal for an additional HPDG element in year 3 specifically to encourage the delivery of affordable housing.

The White Paper Communities in Control: Real People, Real Power announced up to £4 million additional funding for Local Planning Authorities who promote community participation in planning. This funding is in addition to HPDG. However, the Government is proposing to use the HPDG allocation mechanism to distribute this additional funding to support Authorities undertaking community engagement work in plan making.

The consultation period for this document was only 4 weeks and closed on 23rd June 2009 but a late response will no doubt be accepted.

Recommendation

That East Devon responds on this consultation document as follows:-

- 1. That the Government reduces the threshold in Year 2 as well as by a greater percentage than proposed in Year 3.**
- 2. That the greater benefits for LDF progress should be equally awarded across years 2 and 3.**

a) Reasons for Recommendation

The elements listed appear the key ones for this Council.

b) Alternative Options

Members may choose to respond to the consultation as they wish.

c) Risk Considerations

The inability to deliver large tranches of housing will affect East Devon's ability to score on the housing element until Cranbrook or other potential major site allocations come on stream. The budgets however have not been built around an expectation of a specific figure for HPDG and thus any funds received are a net benefit.

d) Policy and Budgetary Considerations

Contained within the report.

e) Date for Review of Decision

N/A

1.0 Introduction

1.1 The overall aim of the Housing and Planning Delivery Grant (HPDG) is to encourage Local Authorities to improve delivery of housing and other planning outcomes as part of their strategic, place shaping role and to provide more support to communities and local Councils who are doing their bit to deliver new homes. Its supports the delivery of the National target of delivering 240,000 new homes per year by 2016.

1.2 HPDG derives from claims by local authorities that growth was inadequately recognised by the local government finance system, as set out by Kate Barker in her Review of Housing Supply (2004). The decision to accept Barker's recommendation for an incentive scheme to raise delivery was underscored by the Lyons Inquiry into Local Government (2007, Chapter 9), which identified the need for an incentive with enough weight to change local government behaviours and to receive reward for allowing their area to develop and grow.

1.3 The principles of HPDG are to:

- strengthen the incentive for local authorities to respond to local housing pressures by returning the benefits of growth to communities; and
- Incentivise efficient and effective planning procedures.

2.0 Context

2.1 In recent years, the house building industry has responded to the challenge of increasing housing supply, with delivery in 2007-08 reaching 207,500 additional homes – an increase of 59% compared with 130,000 in 2001-02. This is the highest rate of housing supply since 1977. However, in the short-term, there are undoubtedly challenges to overcome with global economic and credit supply conditions impacting on the UK market. These tough market conditions will affect housing supply; there are already seeing significant fall-offs in private sector start rates. The downturn is also having significant implications for the delivery of affordable housing. Government is responding to the short-term market conditions by introducing measures to help the wholesale market function smoothly again and to support those worst affected by the downturn.

2.2 But the fundamental need remains – to respond to the long-term increasing demand for homes. Despite falling house prices and sales long-term pressures on housing supply and affordability remain. Our population continues to grow and age; and people are increasingly choosing to live alone. As a result household numbers continue to increase. When access to credit returns, a lack of supply will exacerbate the housing pressures.

- 2.3 The Government is therefore pressing ahead with the reforms needed to focus on the long-term and condition the market and industry for growth, including re-packaging surplus public sector sites and ensuring better infrastructure co-ordination. The Government remains committed to influencing the planning system to ensure that it is responsive to our housing supply, and to using the local government performance framework and financial incentives to encourage local authorities to strive to achieve growth.
- 2.4 Having a five year supply of deliverable land for housing is vital to securing as much house building as possible during the downturn, and ensuring that there is sufficient supply of land for housing development upon the upturn. Additionally, development plan documents make a vital contribution to both housing supply and economic recovery; ensuring local authorities and developers have the clarity and certainty needed to bring forward development.

3.0 Current Allocation Mechanism

- 3.1 The housing element currently goes to all local authorities with net additional housing completions above 0.75 per cent of their existing housing stock. The data is taken from a rolling average of the previous three years. For each net addition above the threshold, the local authority receives one unit of housing grant. The amount per unit is calculated by the total amount of money for the year divided by the total number of units above the threshold.
- 3.2 The planning element of the grant is based upon the local authority completing a range of activities that support housing supply:
- Demonstrating sufficient land for housing in line with Planning Policy Statement 3 (PPS3) Housing
 - Delivery of core strategies and Development Plan Documents (DPDs) allocating more than 2,000 dwellings
 - joint working on the production of development plan documents
 - Publication of a strategic housing market assessment (SHMA); and
 - Development control performance.

4.0 Revised Funding Profile

- 4.1 The revised profile of funding is below:-

Year	Planning	Housing	Total
1	£60m	£40m	£100m
2	£60m	£75m	£135m
3	£60m	£140m	£200m
Total	£180m	£255m	£435m

- 4.2 EDCC secured £214,457.00 from year 1's allocation of HPDG. We are delivering housing at above the draft Regional Spatial Strategy requirement for East Devon but we cannot compete for delivery and therefore payment with the urban Councils.

5.0 The Grant

- 5.1 The key reforms to the HPDG are as follows:-

- To retain the current allocation mechanism for the housing element of the grant in year 2 and to reduce the threshold of net additional homes from 0.75 to 0.65 in year 3 to introduce additional eligibility requirements for demonstrating land for housing and to increase the percentage of the planning element awarded for demonstrating land for housing in year 2
- To reassign the funding for SHMAs to the land supply element in year 3.

6.0 The Housing Element

- 6.1 The housing element of the grant will continue to reward Local Authorities for net additional homes above the threshold. There are no reforms proposed for year 2 of the grant, but in year 3 the delivery floor above which new housing numbers will count has been reduced from 0.75% to 0.65% of all existing housing stock. Below is a table that sets out how the system works.

Year 3
How the housing element will be allocated
<p>All Authorities Number of homes applicable for grant = total delivery above floor = 40,000 Unit grant = £140m/40,000 = £3,500</p>
<p>Authority A Delivers 1000 net additional homes (or 1.00% of existing stock) Existing stock = 100,000 Delivery floor (0.65% of stock) = 650 Number of homes applicable for grant = total delivery above floor = 350 Grant = 350 x unit grant = £1,225,000</p>
<p>Authority B Delivers 350 net additional homes (or 0.88% of existing stock) Existing stock = 40,000 Delivery floor (0.65% of stock) = 260 Number of homes applicable for grant = total delivery above floor = 90 Grant = 90 x unit grant = £315,000</p>

- 6.2 The Government asks whether the decision not to make any changes to the scheme in Year 2 and to reduce the threshold from 0.75% to 0.65% in Year 3 is agreed.

6.3 Suggested Response

The lower the Government sets the threshold and the earlier it does so means that the potential of Local Authorities to earn HPDG will be increased. It is the earning capacity that will allow the Councils to devote more resources to taking major development schemes forward which are a heavy burden upon Planning Authority's existing staff resources as they are normally long term resource hungry projects. It is suggested therefore that the threshold be dropped in Year 2 and by a greater amount than is being suggested for Year 3 as we in the depths of the credit crunch at present when delivery is at its lowest. Giving the resources now to Local Authorities will allow more work to occur in Year 3 rather than waiting for the Year 3 allocations to be given, bearing in mind that allocations are post-dated.

7.0 Planning Element

- 7.1 The planning element will continue to reward local authority performance in plan-making across the original four elements. However, we propose a number of minor reforms in year 2 to ensure the allocation mechanism provides incentives for actions and the Government also intends to put in place the conditions which will enable housing supply to come back quicker and further when the upturn comes. In year 3 there will be further reforms to ensure continued progress. The allocation is proposed to be as shown in the diagram below:-

	% of grant paid	
	2009	2010
Demonstrating land for housing		
Demonstration of 5 years supply of deliverable sites for housing	100%	0%
Publication of a Strategic Housing Land Availability Assessment (SHLAA)	150%	0%
Publication of a SHLAA with endorsement of Housing Market Partnership	175%	100%
Publication of a SHLAA with endorsement of HMP and implementation strategy	N/A	120%

- 7.2 The Government asks whether proposed changes to the land supply element will install a greater degree of transparency in the land supply position across the country?
- 7.3 From a purely EDDC perspective the heavier percentage payments being paid in Year 2 i.e. 2009 is unlikely to earn the Council the highest levels grant as our current timetable suggests that we are more likely to hit these milestones in 2010.

8.0 Delivery of core strategies and development plan documents allocating more than 2,000 dwellings

- 8.1 There is no change to this element and no comment is therefore necessary.
- 8.2 In recognition of the importance of land supply and supporting development, especially in the current economic context the Government proposes to increase the award for demonstrating land for housing to 50% of the planning element and decrease the award for delivery of priority Development Plan Documents (DPDs) to 40%, in Year 2. Getting a robust land supply evidence base in place is a vital step to ensuring sound core strategies and DPDs. The level of rewards will return to their original proportions of the planning element in year 3.
- 8.3 Working across boundaries including across tiers of local government remains important in unlocking housing delivery and exerting strategic local leadership. The Government will retain therefore the current reward for joint working under Section 28 and 29 of the Planning and Compulsory Purchase Act at 6% of the planning element.
- 8.4 By year 3, we assume that local authorities will have strategic housing market assessments (SHMAs) in place as part of the evidence base for their core strategies and Development Plan Documents and will be rewarded accordingly for these. Therefore, the Government is reassigning the funding for SHMAs to the land supply element in year 3 in recognition of the vital importance of getting a supply of deliverable land for housing in place for the upturn.

Summary of Planning Element	% of planning element 2009/10	Funding 2009/10	% of planning element 2010/11	Funding 2010/11
Demonstrating sufficient land for housing	50%	£30m	44%	£26.4m
Delivery of core strategies and Development Plan Documents	40%	£24m	50%	£30m
Joint working	6%	£3.6m	6%	£3.6m
Publication of strategic housing market assessment	4%	£2.4m	0%	£0m
Totals	100%	£60m	100%	£60m

9.0 Abatement

- 9.1 In the current climate, it is more important than ever that the planning system is not unnecessarily adding to the difficulties for development through delays in processing planning applications. Therefore, the Government will continue the current abatement mechanism on the plan making element of the grant where development control performances falls under any national planning standard included in NI 157 (processing of planning applications as measured against targets for major, minor and other application types).
- 9.2 The current target regime is currently being considered as part of the recommendations of the Killian Pretty review which suggests that customer satisfaction is a better measure of the success or not of the development control process. However any amendment to the target based assessment will be outside the 3 year rolling programme for the HPDG regime.

10.0 Local government Re-organisation

- 10.1 The Government propose that in Year 2 of the grant, new Local Authorities formed as a result of local government re-organisation will have grant based upon the total amount which would

have been paid to the constituent authorities before re-organisation. In year 3 of the grant, Authorities will receive grant based solely on the work undertaken by the new Authority.

11.0 Affordable Housing

- 11.1 The Government proposes two options for supporting the delivery of affordable housing out of the HPDG:-
- Option One would be to use a simple formula which would allocate a fixed proportion of grant against delivery of affordable housing. £28m from the housing element of the grant would be allocated to this part of the scheme and local authorities would be rewarded for each additional affordable unit delivered. The reward will be based on delivery of affordable housing in 2009-10.
 - The Homes and Communities Agency (HCA) has a budget of £3.5bn to deliver affordable housing units in 2009–10. Local Authorities will have a key role, working with the HCA and housing associations, in ensuring that land is identified quickly to enable the funds to be utilised effectively. The use of this element of HPDG would therefore reward Local Authorities who maximise the opportunities that the additional funding will provide in 2009-10.
 - The grant will include new build units, conversions and change of use but, unlike the total housing supply figures, will be the gross rather than the net total. The intention is that the grant will apply to affordable units built within the local district (as opposed to those sponsored by the local district, which is used for the calculation of NI 155) because of the grant's link to infrastructure costs.
 - The second option for consideration is to use a portion of the element for affordable housing to help the mainly smaller District Authorities to work with Parish Councils, with the aim to deliver more affordable housing in rural areas. Matthew Taylor's Review:- Living Working Countryside made a clear case about the problems of affordability in rural areas and the need for more affordable housing to address this. There is strong evidence from the rural housing sector that delivery works best where local authorities work closely with parish councils in identifying housing need at a parish level.
- 11.2 The Government is proposing that there would be a £20,000 reward in year 3 only to Local Authorities which fall within the Rural 80, Rural 50 and Significant Rural definitions (*Rural 50 are districts with at least 50 per cent but less than 80 per cent of their population in rural settlements and larger market towns. Rural 80 are districts with at least 80 per cent of their population in rural settlements and larger market towns. Significant Rural are districts with more than 37,000 people or more than 26 per cent of their population in rural settlements and larger market towns* which show through placing on their website, by the end of March 2010 a plan demonstrating how they are working with Parish Councils to Provide housing needs surveys of parishes and use that information to identify sites for affordable housing to address the needs that the surveys have identified.
- 11.3 The Government would assess suitability for grant by checking that the plan is on the Local Authority website, and then carrying out a quality assessment of a number of plans to ensure that they are being carried out as set out on the website. This work will be undertaken at the end of 2010–2011.
- 11.4 The maximum amount that could be paid out for this element would be £3,560,000, which would reduce the total available for the first option to £24,440,000.
- 11.5 It is recommended that the second option holds the greatest potential for this Authority to succeed in obtaining funding under the heading of affordable housing delivery. As it is unlikely that the major tranche of affordable housing due to be built in the first phase of Cranbrook would be in place by the end of 2009/2010.

Legal Implications

There are no legal observations.

Financial Implications

The financial implications are included in the report.

£120,000 has been included in the 2009/10 budget for receipt of HPDG.

Consultation on Reports to the Executive

N/A

Background Papers

Housing and Planning Delivery Grant Consultation Paper - Margaret Beckett, Minister of Housing

Kate Little Head of Planning & Countryside Services

Development Management Committee

30.06.09