

GROWTH & PROSPERITY OVERVIEW SCRUTINY PANEL

Briefing Note: Government Policy Changes

March 2011

Framework for the Affordable Housing Programme;

The Department for Communities and Local Government (DCLG) and the Homes and Communities Agency (HCA) have published a framework for the Affordable Homes Programme for the next 4 years. It follows previous government announcements on wide-ranging reforms to social housing.

The framework sets out how the development of new affordable housing will be funded over the next 4 years and how the new Affordable Rent product, included in the government's proposals for social housing reform, will work in practice. It invites bids from housing providers who want grant funding to support development. Bids should be for four year investment programmes rather than for individual schemes. Affordable Rent will be the primary housing product supported by HCA funding. Providers will be expected to supplement grant funding by converting vacant social homes into other tenures, generating cross subsidy, and using s106 and public sector land opportunities. It is intended that Affordable Rent properties will be offered to the same client groups as social housing, through the same allocation mechanisms.

Key points from the framework include:

On Affordable Rent:

- Affordable Rent can be set at up to 80% of the gross market rent, including service charges.
- Tenants in Affordable Rent properties will be eligible for Housing Benefit, rather than Local Housing Allowance
- Providers retain the option to offer lifetime tenancies under Affordable Rent, should they wish to do so
- At the end of an Affordable Rent tenancy, providers and their tenant may choose to convert it to shared ownership
- It will be for providers to decide what proportion of their re-lets they propose to convert to Affordable Rent to fund new supply
- Providers converting existing social homes to Affordable Rent will be encouraged to reinvest the funds raised in new supply within the same wider housing market area. However, funding will not be ring-fenced to particular areas

On HCA funding and the development of new supply:

- There is £2.2bn of uncommitted funding for the development of new affordable housing for the period 2011-2015

- The HCA will no longer allocate funding on a scheme by scheme basis. Instead providers will be invited to set out proposals for a four year development programme, giving indicative proposals for the later years of their programme
- Requests for HCA funding should be for the minimum necessary to make development viable. Providers will be expected to supplement
- HCA funding with other sources of revenue, including use of the new Affordable Rent product
- When deciding which programmes to support, the HCA will have a strong focus on value for money and will look for evidence that proposals will meet identified local needs

<http://www.cih.org/policy/AffordableHomesProgramme2011-15.pdf>

Planning Policy PS 3 Consultation;

This consultation seeks views on the definition of Affordable Rent proposed to be included as part of the definition of affordable housing in a revised annex B to *Planning Policy Statement 3: Housing (PPS3)*. This change will mean affordable rent can be regarded as affordable housing for planning purposes

<http://www.communities.gov.uk/publications/planningandbuilding/pps3annexconsultation>

New Homes Bonus Final Scheme;

The New Homes Bonus is designed to address the disincentive within the local government finance system for local areas to welcome growth. Until now, increased housing in communities has meant increased strain on public services and reduced amenities. The New Homes Bonus will remove this disincentive by providing local authorities with the means to mitigate the strain the increased population causes. In addition, in doing so the New Homes Bonus should help engender a more positive attitude to growth, and create an environment in which new housing is more readily accepted.

The Bonus will match fund the additional council tax potential from increases in effective housing stock, with an additional amount for affordable homes, for the

following 6 years. It will ensure that the economic benefits of housing growth are more visible to the local authorities and communities where growth takes place.

Housing growth is about making best use of existing stock as well as new units. New Homes Bonus will measure increases in effective stock - the change in total number of homes and change in empty homes.

The Bonus will provide an additional £350 for each affordable home for the following six years. This means that the bonus available for an affordable home will be up to 36 per cent more than for a similar market home.

The New Homes Bonus will be unring-fenced. The Department for Communities and Local Government has set aside almost £1bn over the Spending Review period for the scheme, including some £200m in 2011-12 or year 1. From year 2, funding beyond these levels will come from Formula Grant.

The Community Infrastructure Levy will help to incentivise growth by providing authorities with a powerful new tool to secure contributions from development to delivery. This framework will encourage local authorities and communities to increase their ambitions for housing and economic growth, and to take the lead in managing the way in which villages, towns and cities develop.

The New Homes Bonus also sits alongside the existing framework for making planning decisions. Responsibility will remain with local authorities to work within this framework to continue to ensure that development is suitable and sustainable by meeting local needs and national planning policy

<http://www.communities.gov.uk/statements/corporate/newhomesbonus>

Pre-Application Guidance;

The Localism Bill includes a requirement that developers consult with communities before submitting planning applications. Views are being invited on the type and size of development to which this should apply.

The Localism Bill introduces a requirement for developers to consult local communities, prior to the submissions of planning applications to enable local people to comment much earlier on in the planning process. This will:

- increase community influence on planning applications and reduce frustration, by giving local people a chance to shape proposals from an early stage; and
- reduce the costs of the planning process and speed up the system, by improving the quality and sensitivity of developments and reducing refusal and appeal rates.

The description of which developments the requirement will apply to will be set in secondary legislation. As a starting point for discussion, one option is that it could apply only to large scale developments. These are:

- residential development which could provide 200 or more new residential units, or (where the number of residential units to be constructed is not specified) with a site area of 4 hectares or more
- other developments which would provide 10,000 square metres or more of new floorspace, or with a site area of two hectares or more.

The Government is aware there will be a variety of opinions as to what developments should be subject to consultation. The department is very keen to hear these, and are therefore inviting views on this matter

<http://www.communities.gov.uk/planningandbuilding/planningsystem/preapplicationconsultation/>