

# Report of the Director of Department of Regeneration to the meeting of the Executive to be held on 8<sup>th</sup> November 2016.

**AE**

---

**Subject:**

The allocation of the New Homes Bonus monies to fund capital infrastructure work

**Summary statement:**

The report seeks Members resolution for the re-allocation of part of the New Homes Bonus money received from central government with the money to be directed to capital funding schemes for infrastructure projects within the district. This is designed to off-set additional strain placed on infrastructure by the development of housing sites across the district.

The purpose of utilising the money is to direct funds to essential infrastructure projects where there was an inability for these projects to be funded by the full Section 106 contributions which would normally be sought from developers due to scheme viability. The allocation of New Homes Bonus money to off-set those S106 contributions reduced as part of the planning application process to facilitate scheme viability was agreed as appropriate by Executive on 24<sup>th</sup> June 2014.

The report makes recommendations for Members to consider with a range of options in relation to the allocation of the money derived from the New Homes Bonus.

---

Mike Cowlam  
Strategic Director Department of  
Regeneration

**Portfolio:**

**Change Programme, Housing, Planning and  
Transport**

Report Contact: John Eyles  
Major Developments Manager  
Phone: (01274) 432484  
E-mail: [john.eyles@bradford.gov.uk](mailto:john.eyles@bradford.gov.uk)

**Overview & Scrutiny Area:**

**Regeneration and Economy**



## 1. SUMMARY

The report seeks Members resolution to reallocate part of the New Homes Bonus money received from central government to fund capital infrastructure projects within the district. This is designed to off-set additional strain placed on infrastructure by the development of housing sites across the district.

The purpose is to identify funding for essential infrastructure projects where due to scheme viability, full Section 106 contributions from developers have not been secured.

The allocation of New Homes Bonus money to off-set those S106 contributions reduced as part of the planning application process to facilitate scheme viability was agreed as appropriate by Executive on 24<sup>th</sup> June 2014.

The report makes recommendations for Members to consider with a range of options in relation to the allocation of the money derived from the New Homes Bonus.

## 2. BACKGROUND

New Homes Bonus is a grant paid by Central Government to local authorities for increasing the number of homes and their occupation. The aim of New Homes Bonus is to encourage local authorities to grant planning permission for new residential developments. New Homes Bonus is paid annually for six years and is based on the additional revenue created from Council Tax. There is also an extra payment for providing affordable houses. The New Homes Bonus payment is a sum received in addition to the Council Tax received for the new residential unit created.

Currently the amount of New Homes Bonus paid per new dwelling unit is the national average of Council Tax band D, £1,484.00. However where a new property is valued in a different band an adjustment is made either increasing the payment (Bands E-H) or reducing the payment (Bands A-C). See Table below.

<b>Council tax band</b>	<b>Adjustment of New Homes Bonus</b>	<b>Amount per dwelling paid</b>
A	6/9ths	£989.33
B	7/9ths	£1154.16
C	8/9ths	£1319.04
D	Full	£1484.00
E	11/9ths	£1813.68
F	13/9ths	£2143.44
G	15/9ths	£2473.20
H	18/9ths	£2967.84



The Executive on the 24<sup>th</sup> June 2014 agreed that any grant received from New Homes Bonus should be:

*1) That in the case of education and recreation infrastructure and affordable housing provision where it is not possible to secure the relevant S106 contributions from housing schemes due to the proven lack of financial viability, then the Authority should allocate a contribution equal to the S106 funding request from the New Homes Bonus revenue to the relevant Authority departments within 3 months from receiving the New Homes Bonus to make up the shortfall with a requirement that this money is ring fenced to infrastructure or other appropriate projects that would otherwise have been funded by S106 contributions.*

*(2) The Assistant Director (Planning Transportation and Highways) shall, in consultation with the Strategic Director Finance, present an annual appraisal which shall include the impacts to education and recreation infrastructure and affordable housing provision all of which results from new house building where S106 contributions are not fully secured due to proven scheme viability issues to the Portfolio Holder and the Leader who will then determine by which Council Committee the appraisal is to be considered. The annual appraisal presented will then assist in the formation of future financial planning and capital budget allocations to provide funding for infrastructure associated with the delivery new housing developments in the district.*

## **2.1 IMPLICATIONS FOR RECREATION AND EDUCATION INFRASTRUCTURE**

It is fully recognised that new residential development creates additional strain on existing services such as recreational facilities. The Council are required periodically to prepare detailed assessments looking at areas of deficiency for recreation open space and sports/playing pitches provision across the entire district and this is used to demonstrate a proven need for additional facilities when new house building is proposed. In all cases where the Council's Recreation Section have requested a S106 contribution it has been established that there is no spare capacity of recreational facilities within the area and therefore there is a proven justification to seek improved infrastructure provision as part of the new house building.

With the increased number of houses granted in a locality it is the Council's planning policy to address the above deficiency by increasing the capacity of sports and leisure facilities through the provision additional land for playing pitches or larger parks or other recreational facilities or with increased facilities such as play equipment, shelters or WC's. Such projects are required to be capital spending projects only.

It is also recognised that additional housing built in most parts of the district adds a strain on education infrastructure. Since 2010 the Council has created in excess of 8000 extra places at Primary level and whilst there are still some pressures on places across the District at primary level the biggest challenge moving forward will be on the provision of extra places at secondary level. Additional school places at both primary and secondary schools are usually generated by new housing, the exception being very small units such one-bedroom flats which are normally exempted as they rarely create accommodation for children of school age. The Council's school places planning officer uses a number of different calculations to determine the impact of a proposed housing development



depending on the type of housing proposed. On average an extra 2 additional places per school year group are created per 100 houses. The Pupil Place Planning Officer comments on planning applications when submitted and can determine whether or not a housing development will place a significant strain on local education infrastructure (at both primary and secondary level). The consultation response to the planning application sets out the likely schools within the catchment area of the new housing site and assessments are made to determine if there is likely to be spare capacity for school places. Where there is no spare capacity there is a request for S106 money to assist with infrastructure expansion based on capital spending projects.

In the case of education infrastructure provision a significant number of primary and secondary schools in the district are already at full capacity and the future additional housing proposed within the catchment areas of these schools is factored into planning undertaken by the pupil place planning officer and decisions are then made as to which Schools to consider for expansion. Consultation is undertaken on Schools considered for expansion and a decision on whether to expand or not is then undertaken by the Council's Executive.

## **KEY CONSIDERATIONS**

### **3.1 NEW HOMES BONUS AWARD FOR 2016/2017**

In 2016-17 the Council has budgeted for and will receive a New Homes Bonus grant totalling £9.237m. This award is confirmed in the Department of Communities and Local Government *New Homes Bonus Scheme, Grant Determination* document.

### **3.2 ANALYSIS OF NEW COUNCIL TAX RECORDS AND PLANNING APPLICATIONS**

Between 1 April 2015 and 31 March 2016 approximately 1800 additional properties have been added to the Council's Council Tax Valuation list. Of the 1800, a Section 106 deposit was sought for 752. Appendix 1 sets out the details of the 36 planning permissions that have been created these 752 records.

During the determination of the planning applications a consultation exercise was carried out with the Council's Housing, Education and Leisure Services departments and requests for Section 106 contributions were received to help mitigate against the impact of the developments. In the case of Affordable Housing planning applications were assessed against development plan policies that set quotas for affordable housing provision in new schemes based on local "need". In the case of Education and Recreation contributions the Council have established methodology that calculates the impact of new housing on local school and recreation infrastructure. Contributions are only sought where there is insufficient infrastructure provision locally to accommodate the new development (for example school places at local primary and/or secondary schools).

Members are reminded that a report was presented to the Regulatory and Appeals Committee in December 2009 concerning the impact of Section 106 Agreements and the ability for developers to meet requested contributions given the economic downturn in the



house building market. The Committee agreed with a number of recommendations designed to ease the burden on developers including reduced or nil payments based on proven and overriding regeneration benefits and where scheme viability was demonstrated to be seriously prejudiced by S106 contributions. The Committee's endorsement of the recommendation has resulted in a number of schemes receiving planning permissions with either nil or reduced contributions. These applications included a professionally prepared viability appraisal that demonstrated that the development would have been unviable and most unlikely to proceed without relaxation of S106 contributions.

This approach of Bradford Council's is also supported by the National Planning Policy Framework (NPPF) which states that the scale of obligations sought for a new development should not hinder that developments ability to commence by having a negative impact on its viability. It further states that any requirements for affordable housing and infrastructure contributions should provide for a competitive return to the land owner and developer whilst allowing the development to be deliverable.

Where developers and the Local Planning Authority are unable to reach an agreement on the level of contributions to be paid, the Government can intervene and decide what contributions are to be sought.

The 36 planning applications noted above resulted in a total of **£9,122,809.00** being sought in Section 106 contributions and the provision of 486 on-site affordable housing units also being requested. A breakdown of the contribution amounts requested can be seen in appendix 1. Following consideration of matters of scheme viability, assessment and determination of applications (both Committee and delegated decisions) a total of **£5,407,033.38** has been received in Section 106 contributions and a total of 651 on-site affordable housing units provided as part of the 36 implemented planning applications (these deriving the New Homes Bonus sum paid to the Council for the year 2015/16).

### **3.3 AFFORDABLE HOUSING**

On the subject of Affordable Housing the secured contributions have actually resulted in a higher number of both on-site affordable housing units and off-site commuted sums for the provision of affordable housing being secured by the Council than those sought via the planning application consultation process (and to accord with the quota for affordable housing provision in planning policies). This is due to the fact the Council has through a package of housing strategies and external funding grants provided a number of 100% affordable housing schemes. In these instances as the funding was only given to provide the affordable housing units (and with no latitude for funding of S106 contributions) it was necessary to agree to nil education and recreation contributions otherwise the schemes in question could not have been delivered.

Given that affordable housing has received a greater number of on-site affordable housing units and a higher amount in commuted sums than actually required by planning policy, it is not considered appropriate to also allocate a proportion of the New Homes Bonus to the delivery of affordable homes across the District in relation to this year's allocation. Therefore, only the reduction in education contributions and the reduction in recreation contributions will be considered with regards to the proportioning of the New Homes Bonus



and in the following calculations.

### 3.4 EDUCATION AND RECREATION CONTRIBUTIONS

The total amount of unsecured Section 106 contributions for Education and Recreation is **£3,737,432.62** this is comprised of **£2,575,936.62** for Education and **£1,161,496.00** for Recreation which can be seen in table 1 below.

In comparison to the 2014/2015, the reported total amount of unsecured contributions for both Education and Recreation was **£2,724,650.52**. This sum was comprised of **£2,132,720.00** for Education and **£591,930.00** for Recreation.

Table one shows a breakdown by obligation request of the contributions secured for 2015/2016.

**Table 1: breakdown of contributions sought and secured**

<b>TYPE OF CONTRIBUTION</b>	<b>CONTRIBUTION SOUGHT</b>	<b>CONTRIBUTION SECURED</b>	<b>REDUCTION IN CONTRIBUTIONS DUE TO VIABILITY</b>
<b>Affordable housing on site units</b>	486	651	+165
<b>Affordable housing commuted sum</b>	£490,000.00	£511,657.00	+£21,657.00
<b>Education</b>	£6,348,086.00	£3,772,149.38	-£2,575,936.62
<b>Recreation</b>	£2,284,723.00	£1,123,227.00	-£1,161,496.00

### 3.5 FULL CONTRIBUTIONS

Whilst the majority of the planning applications did receive reduced contributions or nil contributions due to viability reasons, 10 consents did secure full contributions (highlighted grey in appendix 1). These 10 applications have created a total of 161 council tax records and have generated 104 on site Affordable Housing units, £1,367,985.00 in Education contributions and £351,853.00 in Recreation contributions.

To ensure fairness and to prevent “double claiming” of both S106 contributions and the New Homes Bonus money, it is suggested that the 10 developments and their contributions are deducted from the earlier mentioned 36 developments and 752 new council tax records and that the calculations for allocation do not include these consents. Therefore, it is proposed that a total of 26 developments and 591 dwelling units will be considered when calculating the New Homes Bonus amount for this year. These are the schemes which did not benefit from full S106 contributions.

### 3.6 REDUCED CONTRIBUTIONS

Viability issues such as reducing land values and other abnormal costs can hinder the progress of developments across the District. In these situations, the developer submits a full viability statement which is then assessed and where applicable, reduced S106



contributions are accepted in order to allow the Development to commence.

Whilst the Council may not receive the full benefits in terms of S106 contributions it does receive the many other benefits of the development such as new housing, an increase in jobs in the area, increased Council Tax and in some situations, the regeneration of some of the District's key areas and buildings.

### **3.7 UTILISING NEW HOMES BONUS MONIES TO FUND CAPITAL INFRASTRUCTURE PROJECTS -**

The Executive in June 2014 agreed that a proportion of New Homes Bonus grant would be used to fund capital infrastructure projects in the same way as S106 contributions would have been used if they had been secured.

The Council have an established process concerning the management of S106 money carried out by the Planning Service and monies are then transferred to appropriate sections of the Council as and when qualifying infrastructure projections (for example school extensions or park or sports field refurbishments) are identified.

Table 2 below shows that an annual £877,044.00 New Homes Bonus has either been generated or will be generated from the 591 properties built in the District in 2015-16 for which a Section 106 agreement has not been fully secured.

£877,044.00 is therefore the amount of money that is potentially available to address the impacts to Education and Recreation infrastructure.

**Table 2: New Homes Bonus amounts per council tax band**

<b>Council tax band</b>	<b>Percentage of new council tax records</b>	<b>Amount of New Homes Bonus</b>
A	46	£403,648.00
B	26	£228,536.00
C	8	£68,264.00
D	12	£105,364.00
E	5	£44,520.00
F	2	£17,808.00
G	1	£8,904.00
<b>Total</b>	<b>591</b>	<b>£877,044.00</b>

### **3.8 PREVIOUS AWARDS**

Members of the Executive resolved on 15<sup>th</sup> September 2015 to award the entire amount of the NHB funding generated from new build properties where S106 contributions had been reduced due to viability reasons, to Education capital projects. This sum totalled **£951,584.31**. The resolution stated:

*That, subject to capital funding equivalent to the New Homes Bonus earned of £951,584*



*being identified, a Priority Infrastructure Approach be adopted whereby Members determine to divert all of the new Homes Bonus money (£951,584.31) received for financial year 2014/2015 to Education capital infrastructure projects. The money to be held in an appropriate account by the Council's Finance Section until a suitable capital spend project(s) is identified.*

The New Homes Bonus is paid annually for six years. As such the sum received from last years award of £951,854.31 will also be received by Bradford Council this year and also needs to be allocated by Members of the Executive to capital infrastructure projects for recreation.

#### **4. OTHER CONSIDERATIONS**

➤ N/A

#### **5. FINANCIAL & RESOURCE APPRAISAL**

In approving the 2015-16 Budget the £9.237m New Homes Bonus the Council will receive in 2016-17 has been used in full to support the corporate budget requirement.

Future allocations from the NHB which are generated from the grant of planning permission will be used to make up for reduced developer contributions secured through S106 Agreements.

Further to this, future NHB monies awarded to the Council will continue to contribute to future capital spending plans for education, recreation and other infrastructure needs arising from newly occupied development following an appraisal of the impacts of reduced developer contributions.

#### **6. RISK MANAGEMENT AND GOVERNANCE ISSUES**

This is set out in the report above. The continued delivery of new and additional housing is recognised as a critical factor to the future regeneration of the district to meet demands for an increased population and to address an already proven housing shortage in all areas of the Bradford district. Additional houses also provide in the long term additional Council tax. Allocation of new Homes Bonus money to essential infrastructure schemes will promote long-term regeneration benefits to the whole district.

#### **7. LEGAL APPRAISAL**

There are no legal implications arising

#### **8. OTHER IMPLICATIONS**

##### **8.1 EQUALITY & DIVERSITY**

In writing this report due regard has been taken of the need to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity between





different groups and foster good relations between different groups. It is not however considered that any issues with regard thereto are raised by adoption of the approach set out in the recommendations of this report. The provision of new school or recreation provision within the district benefits all sectors of the community and meets objectives to promote equality and diversity.

## **8.2 SUSTAINABILITY IMPLICATIONS**

There are no direct sustainability implications arising from this report. The provision of local infrastructure projects funded by the New Homes Bonus as recommended by this report would bring facilities closer to residents and therefore would be likely to reduce motor vehicle dependency and potentially lead to opportunities for carbon reduction and improved air quality.

## **8.3 GREENHOUSE GAS EMISSIONS IMPACTS**

Not applicable

## **8.4 COMMUNITY SAFETY IMPLICATIONS**

There are no direct community safety implications arising from this report.

## **8.5 HUMAN RIGHTS ACT**

There are no direct human rights implications arising from this report.

## **8.6 TRADE UNION**

There are no trade union implications arising from this report.

## **8.7 WARD IMPLICATIONS**

The allocation of New Homes Bonus money would be spent on infrastructure provision on a planned basis benefitting individual Wards and where development places strain on recreation and/or education infrastructure.

## **8.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)**

Not applicable

## **9. NOT FOR PUBLICATION DOCUMENTS**

None



## 10. OPTIONS

Members can resolve to accept the either option 1 (A Pro-rata Approach) or option 2 (A Priority Infrastructure Approach) as set out in Section 11 below.

## 11. RECOMMENDATIONS

11.1 Subject to capital funding equivalent to the New Homes Bonus earned of £877,044.00 being identified the Executive are recommended:

**A Pro-rata Approach:** To pro rata the New Homes Bonus sum and to award Education and Recreation services a sum comparable to the percentage of Section 106 contributions which were not secured for both education and recreation capital infrastructure projects. This would result in 69% of the New Homes Bonus being awarded to Education which equals **£605,160.36** and the remaining 31% of the New Homes Bonus being awarded to Recreation which would equal **£271,883.64**. Future spending of these sums to be carried out in consultation with the appropriate Portfolio Holders.

11.2 That the Assistant Director (Planning Transportation and Highways), in consultation with the Strategic Director Finance and the appropriate Portfolio Holders, prepares an appraisal of the capital infrastructure projects where S106 contributions are not fully secured for inclusion within the Council's Capital Investment Plan up to a value of £877,044.00

11.3 That the Members of the Executive determine to allocate the second payment of **£951,854.31** using the pro rata approach and based on last years comparable percentages of Section 106 contributions which were not secured for both education and recreation capital infrastructure projects. This would result in 78.2% of the New Homes Bonus being awarded to Education which equals **£744,138.93** and the remaining 21.8% of the New Homes Bonus being awarded to Recreation which would equal **£207,445.38**. Future spending of these sums to be carried out in consultation with the appropriate Portfolio Holders.

## 12. APPENDICES

Appendix 1 – Table: Major planning applications which have contributed to the award of a New Homes Bonus for financial year 2016/2017.

## 13. BACKGROUND DOCUMENTS

Report of the Executive 24th June 2014 entitled "Utilisation of the New Homes Bonus to reconcile demands on S106 contributions to deliver affordable housing, social and school infrastructure.

