



Coventry City Council

8.2

Public report

Since this report was initially issued to Scrutiny Board (3), the original Appendices have been superseded and replaced by a revised version.

Report to

Scrutiny Board 3
Cabinet
Council

6 September 2006
19 September 2006
19 September 2006

Report of

Director of City Development and Director of Community Services

Title

Housing and Planning Delivery Grant – Consultation Paper

1 Purpose of the Report

- 1.1 The purpose of this report is to respond to the consultation paper "Housing and Planning Delivery Grant", published by the Department for Communities and Local Government in July 2006.

2 Recommendations

- 2.1 Scrutiny Board 3 is asked to consider the draft response and forward comments to Cabinet for their consideration.
- 2.2 Cabinet is asked to consider the comments of Scrutiny Board 3, if any, and to recommend that the draft response set out in the report is sent to the Government.
- 2.3 Council is asked to consider the comments of Scrutiny Board 3 and Cabinet and to agree the Council's response.

3 Information/Background

- 3.1 The Planning Delivery Grant (PDG) was launched by the Government in 2003 to help local authorities deal with the implementation of the new planning system. It was always seen as a time-limited measure and 2007/08 will be the final year. The Government intend to replace it by a new Housing and Planning Delivery Grant (HPDG) and it has invited comments on its proposals. The Government is also consulting on the criteria for allocating the final year of the PDG. Both consultations end on 17 October.

Principles of the Housing and Planning Delivery Grant

- 3.2 The proposed HPDG stems from a recommendation in the Barker Review of Housing Supply that the Government should consider ways of providing incentives to local authorities to meet housing growth targets. The Government has accepted this recommendation and says that, as a first step, it wants to better support areas which are delivering high numbers of new homes. It sees the aims of the HPDG as:
- strengthening the incentive for local authorities to respond to local housing pressures;
 - supporting increased housing delivery to meet local needs;
 - encouraging local authorities to become proactively involved in housing delivery;
 - returning the benefits of growth to the community through new funding streams; and
 - providing incentives for efficient and effective planning procedures.

Proposed Beneficiaries

- 3.3 Although the Government accepts that local authorities cannot facilitate housing in isolation from others, especially the development industry, it believes that it is housing delivery that should be targeted for incentives, rather than other aspects such as processing planning applications. It proposes to provide funding as an unhypothecated grant, providing "direct benefits to those communities that accommodate new housing growth". The housing element would go to "bodies that directly influence the delivery of new housing developments", such as local planning authorities and urban development corporations, and the planning element would go to plan-making bodies, such as local planning authorities and regional planning bodies.

Getting to the Starting Line

- 3.4 The Government believes that the scheme should be targeted at those areas that are responding to high levels of housing demand and that local authorities "that fail to adequately meet the demand for new housing" should not be rewarded. Consequently, it intends "to introduce a floor level that needs to be reached before any incentive will be granted." Thus, a minimum target would have to be reached before consideration for financial reward,

Performance Improvement Reward

- 3.5 The Government proposes to introduce an element to reward improved performance, to help improve delivery over time, possibly by providing a higher grant per dwelling for increased delivery levels or by including a separate element to be divided up between authorities in proportion to improvement levels.

Rewarding Challenging Targets

- 3.6 A further suggestion in the consultation paper is that authorities could be rewarded on the degree of difficulty of delivery. This could be by basing the grant on how challenging housing targets are against current stock, for example by distributing the grant amongst those whose targets represent more than a 1% increase in the housing stock over a year (In Coventry, this would mean about 1 300 dwellings per year).

Areas of High or Low Demand

- 3.7 The Government proposes defining a set of authorities that could be encouraged to increase their housing supply. It suggests doing this by identifying a price/incomes ratio below which authorities would not be eligible to receive the housing element of the grant.

Measurement of Delivery

- 3.8 The Government puts forward alternative approaches for measuring delivery, such as targets in Regional Spatial Strategies or targets set in 2003 (when the Sustainable Communities Plan was published). It also suggests a rolling three-year average for measuring delivery, rather than individual years.

Resources for Planning

- 3.9 The Government proposes to focus rewards for plan-making on progress in delivering Local Development Frameworks and on the achievement of outcomes from planning policies. In the consultation paper, it also asks for advice on whether bodies such as the Regional Planning Bodies, the Planning Advisory Service and Planning Aid are the right one to be providing with additional support. Any new grant would come into effect in 2008/2009 when the new planning system is expected to have produced robust regional and local plan housing numbers that will have been subject to independent scrutiny of Examinations in Public.
- 3.10 In the three years of Planning Delivery Grant, the City Council has received just over 1 million pounds. The criteria for allocating the Planning Delivery Grant have been based on a combination of housing delivery, plan-making, the handling of planning applications and e-planning. For 2007/08, these are broadly similar, but with more weight given to planning application performance and housing delivery. It would be difficult to forecast the effect on Coventry's allocation: but some of the comments made in Appendix 2 reflect officers' concerns. For instance, performance will be based on the collection of certain monitoring data: systems will need to be set up for those not currently collected.

4 Proposal and Other Option(s) to be Considered

- 4.1 The Housing and Planning Delivery Grant consultation paper is structured according to a set of questions. These are set out in Appendix 1 as draft responses on behalf of the City Council.
- 4.2 A draft response to the Planning Delivery Grant 2007/08 Consultation Paper is set out in Appendix 2

5 Other specific implications

5.1

	Implications (See below)	No Implications
Best Value		◆
Children and Young People		◆

Comparable Benchmark Data		◆
Corporate Parenting		◆
Coventry Community Plan		◆
Crime and Disorder		◆
Equal Opportunities		◆
Finance		◆
Health and Safety		◆
Human Resources		◆
Human Rights Act		◆
Impact on Partner Organisations		◆
Information and Communications Technology		◆
Legal Implications		◆
Neighbourhood Management		◆
Property Implications		◆
Race Equality Scheme		◆
Risk Management		◆
Sustainable Development		◆
Trade Union Consultation		◆
Voluntary Sector – The Coventry Compact		◆

6 Monitoring

6.1 The City Council's monitoring processes will obviously be a significant input.

7 Financial Implications

7.1 There will be clearly be financial implications relating to the Government's judgement on how much grant Coventry receives. As noted in para 3.10, it is difficult to forecast this at the moment.

8 Timescale and expected outcomes

8.1 The Government would presumably wish to bring out a final statement as soon as possible, although there is a case for aligning a statement with the final Barker report.

	Yes	No
Key Decision		√
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	√ Scrutiny Board 3 6 September 2006	
Council Consideration (if yes, date of Council meeting)	√ 19 September 2006	

List of background papers

Proper officer: Director of City Development

Author: Niall McChesney, City Development Directorate Telephone 024 7683 1312
(Any enquiries should be directed to the above)

Other contributors:

Chris Hinde Director of Legal and Democratic Services 024 7683 3020
James Russell Head of Planning and Strategic Transportation 024 7683 1210
Ayaz Maqsood Housing Strategy Manager 024 7683 1958
Richard Brankowski Legal and Democratic Services 024 7683 3007
Lara Knight Legal and Democratic Services 024 7683 3237
Phil Helm Finance and ICT 024 7683 1301
Jon Venn City Development Directorate 024 7683 1125
Lesley Wroe City Planning Manager 024 7683 1225

Papers open to Public Inspection

Description of paper	Location
Hou 1 (Housing)	CC4/6.03

**APPENDIX 1
DRAFT RESPONSE: HOUSING AND PLANNING DELIVERY GRANT CONSULTATION
PAPER**

Q1. Do you agree that these (set out in para 3.2 above) should be the principles of the new grant?

Whilst accepting that the aims of the PHDG have some value, the City Council is concerned both that the proposals place a greater emphasis on housing delivery within the planning system compared to other objectives (for example, assisting job creation, encouraging viable local centres, etc.) and that they also put forward rewards based on numbers rather than quality. Indeed, the emphasis on the amount of houses, as opposed to the context, appears to run counter to the approach in the DCLG Public Service Agreement Target 5 – Housing Markets ("Achieve a better balance between housing availability and the demand for housing, including improving affordability, while protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities").

It is one of the fundamental principles of the Government's Sustainable Communities Plan that improvements in the quality of the urban environment must be achieved to drive the urban renaissance. The whole thrust of the consultation paper is housing numbers with no mention of quality of design or sustainable construction. Draft PPS3 makes specific reference to the need for design quality and these objectives should be included in any grant criteria.

Furthermore, the strategy in the Sustainable Communities Plan looks to focus development in certain areas and relies on constraint policies in others.

The scope of the Planning Delivery Grant, which has incentivised improvements in delivery both in terms of plan preparation and speed of decisions on individual proposals by most planning authorities in recent years, should be retained in some form.

Q2. Do you agree with the proposed beneficiaries of the grant?

Paragraph 14 of the consultation paper rightly acknowledges that the provision of housing involves a number of parties, but why should the party which designates land and deals with residential proposals be singled out?

This "singling out" raises more questions than it solves. Firstly, there is the obvious question of funding for other contributors to housing totals, such as housing associations and developers. Secondly, there would need to be confirmation that this grant would not have a negative effect, for instance, on the funding of affordable housing, on planning obligations, on Housing Corporation funding and on regional housing allocations. Thirdly, it needs to be remembered that housing targets for local authorities are set within parameters established at the regional level. Indeed, although the Regional Spatial Strategy gives priority to Coventry as a Major Urban Area, the concept of the grant makes it difficult for shire districts to accept constraint if they are to lose out financially.

Q3. Do you agree with the proposal to introduce a floor that needs to be reached before any incentive is granted? At what level should a floor be set?

The establishment of a floor level needs to take account of a number of factors involved in the provision of housing. For example, will it take into account demolitions and losses to the stock and the bringing back into use of empty rehabilitated dwellings? Will it be flexible enough to take account of the factors which may present difficulties to some local authorities in meeting increased levels of housing demand?

Q4. Should the improvement element of the grant include a separate improvement fund or be stair cased? Are there any other ways to incentives improvement?

The City Council supports the alternative of a separate improvement fund divided between local authorities in proportion to improvement levels as this appears to take more of a strategic perspective, as opposed to rewarding increased delivery levels in isolation. For example, issues of quantity versus quality are relevant: extra dwellings through, say, increased densities (ie smaller dwellings rather than three bedroom family) could result in potentially mismatching housing supply to need.

Q5. Do you agree with the proposal to reward local authorities that adopt challenging targets?

Whilst agreeing that the difficulty of achieving increased levels should be a factor, the element of difficulty should relate to the circumstances an authority is dealing with, not to the level of targets.

Q6. Do you agree with the proposals for identifying which authorities will be eligible to receive grant

Processes for identifying authorities need to be carried out in conjunction with regional planning bodies.

Q7. Which approach (to establishing a minimum threshold do you prefer? Can you suggest an alternative approach?

Although further explanation is needed about the details of the 2003 targets briefly referred to, methods relating to Regional Spatial Strategies and, where applicable, Local Development Framework targets appear to be more appropriate. However, minimum thresholds should take account of factors such as the availability of brownfield development land and development industry capacity.

Q8. Do you agree with measuring delivery using a figure based on three year rolling average supply?

Using a three-year rolling average rather than an annual figure would obviously be preferable in reducing the effect of short-term variations.

Q9. Does planning need additional resources beyond Revenue Support Grant? If so, how long does it need it for? What particular aspects need support?

The report to Cabinet of 2 June 2004 on the approach to the new planning system quoted an LGA survey of February 2003 which highlighted "the fears many councils have about their ability to carry through the new reforms due to the chronic staff and financial resource issues that are facing". The Planning Delivery Grant has gone some way to addressing these concerns, However, the extra burdens placed on authorities by the new system, such as extra consultation, the strategic environmental assessment process and the need to have an up-to-date evidence base, are continuous and long-term. It is also important that an effective way of establishing increases of fee income is found so that developers and Local Planning Authorities can plan with certainty and the further research announced to establish extent of costs recovered through fees is welcome. Fees do not at present recover the full costs of handling planning applications.

Q10. Is rewarding plan making against progress in LDF and on planning outcomes a fair and reasonable proposal? If not, what would you suggest?

The City Council agrees that this has been a fair process through Planning Delivery Grant and believes that it should have greater priority within the Housing and Planning Delivery Grant. However it needs to continue to be recognised that Local Planning Authorities are not in total control of their programmes whilst national guidelines continue to move the goalposts for work on RSS which then affects LDF timescales. It is also important to ensure that there are indicators of quality not just compliance with programmes.

Q11. Are the national and regional organisations the right ones on which to focus any additional resources, which may be available? If not which others would you suggest?

The City Council agrees with the organisations mentioned.

APPENDIX 2

DRAFT RESPONSE : PLANNING DELIVERY GRANT 07/08 CONSULTATION PAPER

1. The Government is also consulting on proposed allocations criteria for the 2007/08 Planning Delivery Grant. The main elements are that: 50% of the grant would be related to planning application targets; 20% to housing delivery; 15% to plan-making; and 6% to e-planning.
2. The most concerning aspects in relation to plan-making are that milestone should follow the first Local Development Schemes submitted in March 2005 and that only Development Plan Documents and local plans should be included.
3. This is unfair to most local authorities since initial Local Development Schemes tended to be over-ambitious, due to inexperience in implementing the new planning system. This is certainly true of Coventry – and we also have a recently adopted Unitary Development Plan, which would not be counted. It is also unfair when the goalposts keep being moved by the publication of further advice and by the delay in RSS reviews which are an essential ingredient of LDF's. The recent decision in respect of the first two Core Strategies to go through Examination, that they were not sound will lead to LPA's reviewing the work they have undertaken so far. The 2005 Annual Monitoring Report or later Local Development Schemes would be a more realistic basis.
4. In respect of the grant for handling planning applications the focus is toward the targets in respect of speed of decision making and, as in the specified period, all targets were met the maximum grant will be achieved including bonuses for meeting all the targets. There continues however to be an issue in respect of major applications in meeting the 13 week period particularly when legal agreements are required involving a number of parties.
5. The Sustainable Development attributes seem fair, although "nationally important wildlife sites" needs to be defined. It would be appropriate to include indicators relating to new employment land.

**APPENDIX 1
DRAFT RESPONSE: HOUSING AND PLANNING DELIVERY GRANT CONSULTATION
PAPER**

Q1. Do you agree that these (set out in para 3.2 above) should be the principles of the new grant?

The Council remains concerned that as a matter of principle finance to Local Authorities should be through the RSG rather than grant even if not ring fenced.

Whilst accepting that the aims of the PHDG have some value and acknowledging the synergy between the proposed grant and the RSS and Regional Housing Strategies the City Council is concerned that the proposals place an emphasis only on housing delivery. The planning system can frame growth agendas and develop and promote growth through its policies and through granting planning permissions speedily. However the market will not deliver increased housing numbers unless the spatial strategies of local authorities make the areas attractive to people to work and to live. In this context growth must be jobs led and there should be an equal emphasis on economic regeneration.

Furthermore detailed consideration needs to be given to how any grant can ensure quality outputs in terms of deliverability of affordable housing and housing that meets the needs of the particular locality. Indeed, the emphasis on the amount of houses, as opposed to the context, appears to run counter to the approach in the DCLG Public Service Agreement Target 5 – Housing Markets ("Achieve a better balance between housing availability and the demand for housing, including improving affordability, while protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities").

It is one of the fundamental principles of the Government's Sustainable Communities Plan that improvements in the quality of the urban environment must be achieved to drive the urban renaissance. The whole thrust of the consultation paper is housing numbers with no mention of quality of design or sustainable construction or housing mix. Draft PPS3 makes specific reference to the need for design quality and these objectives should be included in any grant criteria.

Furthermore, the strategy in the Sustainable Communities Plan looks to focus development in certain areas and relies on constraint policies in others and in that context the grant could run counter to these objectives.

It is also the case that delivering of growth in the number of houses built is not within the control of a local authority but relies on the capacity and willingness of the development industry. There is little scope for local authorities to incentivise the development industry to deliver if they are unwilling to do so.

The scope of the Planning Delivery Grant, which has incentivised improvements in delivery both in terms of plan preparation and speed of decisions on individual proposals by most planning authorities in recent years, should be retained in some form.

Q2. Do you agree with the proposed beneficiaries of the grant?

Paragraph 14 of the consultation paper rightly acknowledges that the provision of housing involves a number of parties, but why should the party which designates land and deals with residential proposals be singled out?

This "singling out" raises more questions than it solves. Firstly, there is the obvious question of funding for other contributors to housing totals, such as housing associations and developers. Secondly, there would need to be confirmation that this grant would not have a negative effect, for instance, on the funding of affordable housing, on planning obligations, on Housing Corporation funding and on regional housing allocations. Thirdly, it needs to be remembered that housing targets for local authorities are set within parameters established at the regional level. Indeed, although the Regional Spatial Strategy gives priority to Coventry as a Major Urban Area, the concept of the grant makes it difficult for shire districts to accept constraint if they are to lose out financially.

Q3. Do you agree with the proposal to introduce a floor that needs to be reached before any incentive is granted? At what level should a floor be set?

The establishment of a floor level needs to take account of a number of factors involved in the provision of housing. For example, will it take into account demolitions and losses to the stock and the bringing back into use of empty rehabilitated dwellings? Will it be flexible enough to take account of the factors which may present difficulties to some local authorities in meeting increased levels of housing demand?

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Q5. Do you agree with the proposal to reward local authorities that adopt challenging targets?

Whilst agreeing that the difficulty of achieving increased levels should be a factor, the element of difficulty should relate to the circumstances an authority is dealing with, not to the level of targets. **Thus the constraints within which an authority is operating should be an indicator in determining the definitions of a "Challenging target". For example an authority may have tightly drawn boundaries; a high incidence of flood plain or other constraints such as water supply which will influence the growth agenda that they promote.**

Q6. Do you agree with the proposals for identifying which authorities will be eligible to receive grant

Processes for identifying authorities need to be carried out in conjunction with regional planning bodies.

Q7. Which approach (to establishing a minimum threshold do you prefer? Can you suggest an alternative approach?

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Using a three-year rolling average rather than an annual figure would obviously be preferable in reducing the effect of short-term variations.

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9. In respect of the grant for handling planning applications the focus is toward the targets in respect of speed of decision making and, as in the specified period, all targets were met the maximum grant will be achieved including bonuses for meeting all the targets. There continues however to be an issue in respect of major applications in meeting the 13 week period particularly when legal agreements are required involving a number of parties.
10. The Sustainable Development attributes seem fair, although "nationally important wildlife sites" needs to be defined. It would be appropriate to include indicators relating to new employment land.
- 6 **The IT element of the grant has previously enabled many authorities to invest in e-government. The proposal that looks to reward authorities for receiving applications on line does not acknowledge that authorities can promote the availability of the service but cannot incentivise or require the development industry to respond.**