
Report to

Cabinet
Council

15 January 2008
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Report of

Director of City Development

Title

Housing and Planning Delivery Grant (HPDG) – Proposed Allocation Mechanism, Consultation Paper

1.0 Purpose of the Report

1.1 The purpose of this report is to respond to the paper "Housing and Planning Delivery Grant (or HPDG for short) – Consultation on Allocation Mechanism", published by the Department for Communities and Local Government in October 2007.

2.0 Recommendations

2.1 The Cabinet are requested to:

- (a) Thank Scrutiny Board 3 for considering this consultation in detail and for their comments incorporated in this report.
- (b) Note that this report is also being sent to all Members of the Council at the same time as to the Cabinet, and that further comments from individual Councillors will be reported to the Cabinet for their consideration.
- (c) Subject to the incorporation of any other appropriate comments, approve the draft response to the consultation as set out in Appendix 2 and commend it to the Council for their approval.

2.2 The Council are recommended to agree that the response to the consultation, as set out in Appendix 2, be submitted to the Department for Communities and Local Government (DCLG).

3.0 Information/Background

- 3.1 Scrutiny Board 3 considered the Councils draft responses to the Government's consultation at their meeting on 5 December 2007. The Board's comments related to the quality of homes provided and flexibility according to the needs of the area including family homes, supported housing and sustainable housing be included in the report to Cabinet and Council which details the response to Government. Those comments have been incorporated in the response to question 11, Appendix 2 of this report.
- 3.2 Members may recall a similar paper that was taken to your meeting in September 2006, which set out the recommended Councils response to the HPDG consultation paper. The Council decided that whilst accepting that the aims of the HPDG has some value, it was 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.
- 3.3 The Government have now published a further consultation paper and responses are expected by 17 January 2008. The HPDG is a £510 million fund to encourage improved housing delivery, including more effective planning, to better address local needs. This current consultation seeks views on how the Government proposes to allocate this funding over the next three years, and comprises of two component parts - Part A and Part B respectively. Please refer to Appendix 1 for a detailed summary.
- 3.4 The Government's proposed allocation mechanism for HPDG will have the following implications for Coventry:
- 967 housing units will have to be built in Coventry before the City Council is eligible for the grant.
 - The amount of grant received by the Council will depend upon the number of units that are delivered above floor targets nationally.
 - No funding for development control planning.
 - Coventry will be expected to demonstrate delivery of at least a minimum proportion of their existing stock, which is proposed to be at least 0.75% of the stock.
- 3.5 Members may also recall that the Housing and Planning Delivery Grant replaces the Governments Planning Delivery Grant. The key differences between the grants are shown below.

| Housing and Planning Delivery Grant (HPDG) | Planning Delivery Grant (PDG) |
|--|---|
| <ul style="list-style-type: none"> • No grant based on development control performance. • Grant awarded for plan making. • Formulae based on a minimum of 0.75% of existing housing stock. • Reward based on a 5-year supply of deliverable housing sites. | <ul style="list-style-type: none"> • Award based on development control performance. • Award based on up-to-date development plans and progress in their replacement. |

3.6 The overall timeframe for the allocation of the HPDG can be shown below.

| | | | | |
|-------------------|-------------|--|--------------|--------------|
| 2008-09 | Summer 2008 | Provisional planning and housing allocations announced | | |
| | Autumn 2008 | Planning and housing allocations paid | £60m (P) | £40m (H) |
| 2009-10 | Summer 2009 | Provisional planning and housing allocations announced | | |
| | Autumn 2009 | Planning and housing allocations paid | £72m (P) | £88m (H) |
| 2010-11 | Summer 2010 | Provisional planning and housing allocations announced | | |
| | Autumn 2010 | Planning and housing allocations paid | £62m (P) | £188m (H) |
| Sub-totals | | | £194m | £316m |
| Total | | | £510m | |

4.0 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 2 as draft responses on behalf of the City Council. It is suggested that any additional comments and/or points could be made in a covering letter as part of the Councils response to the Government.

5.0 Other Specific Implications

| | Implications (See below) | No Implications |
|--|--------------------------|-----------------|
| Best Value | | ✓ |
| Children and Young People | | ✓ |
| Climate Change & Sustainable Development | | ✓ |
| 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 | | ✓ |

| | Implications (See below) | No Implications |
|---|-------------------------------------|------------------------|
| Information and Communications Technology | | ✓ |
| Legal Implications | | ✓ |
| Neighbourhood Management | | ✓ |
| Property Implications | | ✓ |
| Race Equality Scheme | | ✓ |
| Risk Management | | ✓ |
| Trade Union Consultation | | ✓ |
| Voluntary Sector – The Coventry Compact | | ✓ |

Finance

5.1 Whilst it is clear that the new HPDG will have financial implications, it is very difficult at this stage to forecast the potential grant available to Coventry to support its housing growth on the basis proposed. The methodology proposed within this consultation would mean Coventry's share would not only depend upon its own performance, but also the performance of other Authorities.

5.2 Coupled with the fallout of grant funding to support development control, which will be replaced by a proposed increase in planning fees to cover this shortfall (albeit with the added risk of being demand based rather than performance based), further financial analysis will be required as the situation becomes clearer.

6.0 Monitoring

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

7.0 Timescale and expected outcomes

7.1 The Government would presumably wish to bring out a final statement as soon as possible.

| | Yes | No |
|--|---|----|
| Key Decision | | ✓ |
| Scrutiny Consideration (if yes, which Scrutiny meeting and date) | ✓ Scrutiny Board 3: 5 December 2007 | |
| Council Consideration (if yes, date of Council meeting) | ✓ 15 January 2008 | |

List of background papers

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Papers open to Public Inspection.

Description of paper:

Hou 1 (Housing)

Location:

CC4/3.01

Appendix 1

The key elements of the proposed allocation mechanism for Housing and Planning Delivery Grant is set out below.

Part A: Introduction

HPDG builds on from the existing Planning Delivery Grant (PDG), which has provided funding of £425m over the three years to 2007/08. Around half of PDG funding has incentivised improved performance in development control, with the rest being shared between smaller incentives on plan-making, housing delivery and a range of top-slices for planning support and advisory bodies.

The Government proposes funding for local authorities responsibilities on development control be supported by proposed increases in planning fees, whilst planning support and advisory bodies will be funded through separate arrangements. HPDG funding, amounting to £510m over the three years to 2011, will go exclusively to local authorities and will focus on two areas: plan-making and housing delivery.

Whilst the HPDG will be an unringfenced grant and so can be used according to local priorities, it is not intended as an infrastructure fund and will operate in addition to infrastructure funding.

Part B: The New Grant

The Allocation Mechanism

The proposed allocation mechanism consists of two elements, one for housing delivery and one for planning. Additional criteria that could be developed over time for empty homes, surplus public sector land and design are discussed. There are key differences between the Planning Delivery Grant (PDG) and proposed Housing and Planning Delivery Grant (HPDG). These include:

- Funding overall rises from £425m to £510m (respective three-year periods)
- The small housing element of PDG (£52.5m over three years) will expand sixfold (£316m over the three years).
- The plan-making element of PDG (£40.8m over three years) is expanded almost fivefold under HPDG (£194m over the three years).
- There will no longer be an award for performance on development control. However, there will be additional funding available to local authorities via the proposed increase in planning application fees.
- Rather than being split over a range of outcomes, HPDG will focus on the supply of additional housing and the provision of land for housing through the planning process
- The housing element of HPDG will be on a national basis, no longer restricted to the wider South East.
- Whereas 10% of PDG was top-sliced for planning advisory and support services, under HPDG local authorities will be the exclusive beneficiaries.

The Government suggest that eligibility criteria and allocation mechanisms for the HPDG are that all local planning authorities are eligible to receive funding for plan-making; in addition, extra funding will be available to incentivise good delivery of local housing targets. This can be shown in the table 1 below. The Government are proposing to include an abatement of some HPDG payments in development control where performance falls below acceptable levels.

Table 1: Eligibility Criteria

| Proposed HPDG | Planning Element (£194m) | Housing Element (£316m) |
|---------------|--|---|
| Eligibility | All planning authorities | Local authorities delivering housing at a level at least 0.75% of existing stock |
| Allocation | Reward for progress against delivery of sound plans and the delivery of land for housing - including ready to develop housing sites – in line with PPS3 (measured using the national indicator NI 159, supply of ready to develop housing sites) | One unit of grant being awarded for each net addition above 0.75% of existing stock (measured using the national indicator NI 154, net additional homes provided) |

The total funding for HPDG over the three years 2008-09 2010-11 will be £510m. Within this, funding will be front-ended towards planning and back-ended towards housing, in recognition of the deliverability timescales of plans and housing. It will be paid in two tranches, one for planning the other for housing.

The Housing Element

It is proposed that the housing element of the grant is used to support local authorities to overcome barriers to responding to local housing demand and will provide funding to them and their communities to support growth in their local areas. This money will be in addition to monies received via the planning element.

The Government proposes that to be eligible for the housing element of the grant, local authorities will need to demonstrate delivery of at least a minimum proportion of their existing stock, which is proposed to be at least 0.75% of the stock. The funding profile for each year's housing element (£40m in year one) will be divided by the sum total number of homes above each local authorities 0.75% delivery floor to provide the per net additional level of grant. To avoid allocations being unreasonably impacted upon by annual peaks and troughs of delivery, the Government will take an average of the last 3 years delivery figures.

On this basis, Coventry will be expected to provide a minimum of 967 housing units before they are eligible for grant. The amount of grant received by the authority will depend upon the number of units that are delivered above floor targets nationally. For example, in the first year there is total funding of £40m and if 25,000 units are delivered this will equal £1,600 per unit grant. If more units are delivered, this will lower the grant per unit and if fewer, then this will equal a higher grant per unit.

The Planning Element

The Planning element of HPDG will be split across 3 components

- Assessment and delivery of land for housing over a 5 and 15 year timescale;
- Delivery of “sound” DPDs; and
- Delivery of “sound” DPDs and Strategic Housing Market Assessments through joint working.

The planning element of the Grant will be awarded to local planning authorities based on work undertaken during the previous financial year. This will mean that in the financial year 2008-2009 authorities will be rewarded for work undertaken for the period 1 April 2007 – 31 March 2008. For measuring progress on the delivery of development plan documents, local authorities will be measured against the local development scheme which is in effect for the period from 1st April 2007.

The Government suggest that local authorities will be required to submit self assessments of work achieved for the previous financial year at the end of April each year to provide the necessary evidence for the planning element of HPDG. The information provided in self assessments will also inform the local planning authority's annual monitoring report.

Appendix 2

The Planning Element

1. Do you agree with the principle of rewarding a 5 year supply of deliverable sites for housing?

In principle, the reward offered by HPDG for identifying a 5 year supply of deliverable sites for housing would be welcomed as Coventry's National Growth Point designation commits the city to providing 9000 new homes by 2016 and it is anticipated that land will be available to support that level of growth (brownfield sites will provide a significant source of available land).

However, the City Council is concerned both that the allocation mechanism places 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"). In addition, there should be additional incentives for the delivery of family homes and any types of dwellings to meet particular needs (e.g. for people with disabilities) where information from the Strategic Housing Market Assessment identifies shortages.

The Council would question the lack of focus on outcomes which would need to address how HPDG could be used positively to achieve sustainable communities and avoid creation of the imbalanced housing estates of the past.

2. Do you agree with the principle of enhanced grant for demonstrating a 5 year supply of deliverable sites for housing where the authority has also identified 15 years of deliverable, developable and/or broad locations of housing sites?

Again, in principle, an enhanced grant would be welcomed where the LPA can demonstrate that a 15 year supply can also be identified as in line with the National Growth Point designation and the Regional Spatial Strategy targets, a long term view will need to be taken on the available land supply reflecting a range of measures especially to address meeting demand and aspirations and meet the continuing need for affordable housing.

Similar factors on meeting particular needs and providing for mixed, balanced and sustainable communities apply as commented on in 1 above.

Plan Making

3. Do you agree with the principle of rewarding local planning authorities for the delivery of priority Development Plan Documents?

This is very much welcome. However, the Council would seek further clarification as to what exactly is meant by a 'priority' Development Plan Document? The Council considers that all Development Plan Documents as set out in its Local Development Scheme are a priority.

4. Do you agree with reductions in the grant payable where delays occur to the delivery of the milestones for submission and adoption?

There must surely be a balance and the proposed 'carrot and stick' approach can be effective in giving an incentive to make sure the programme of work is carried out in accordance with the timescales agreed in the Councils Local Development Scheme. Obviously the milestones for adoption is, to a large extent, dependent upon the Inspectorate carrying out their Examinations in accordance with their terms of reference. Furthermore, although more money would be available from the plan-making element, fewer authorities will benefit, as it may be more difficult to adhere to the timetable, as set out in the Councils Local Development Scheme, especially if the scope of Core Strategies are broadened.

Joint Working

5. Do you agree with the principle of rewarding joint working among local planning authorities?

The Council does consider that joint working should be rewarded. This is common practice with the Councils partners in the sub-region and wider West Midlands region, particularly where cross boundary relationships are important. For example, the Coventry, Solihull and Warwickshire Sub Regional area.

6. Do you agree with the overall weighting of the planning element of HPDG, ie. 40% for the Assessment and identification of land for housing over a 5 and 15 year timescale, 50% for the delivery of development plan documents and 10% for joint working

The Council considers that overall weighting of the planning element of HPDG should be 50% for the assessment and identification of land for housing over a 5 and 15 year timescale, 30% for the delivery of development plan documents and 20% for joint working.

Abatement

7. Do you agree with the principle of abatement where performance on development control declines below national planning standards?

Yes, in principle.

The Housing Element

8. Do you agree with our proposed criteria for the housing element?

Whilst the criteria provides a clear and transparent way of allocating the proposed housing element of the grant, there needs to be clarification about what is meant by delivery. For example does the term refer to:

The number of units with planning permission granted?
Or the number of units completed?

If it refers to the number of units completed, it would be helpful if powers were given to the planning authority to ensure that developers actually develop sites immediately after permission is granted.

Design Quality

9. In principle, do you think Housing and Planning Delivery Grant should be used to support improvements in design quality?

Government policy (e.g. PPS1, PPS3) places much priority on achieving high quality design in the delivery of sustainable communities. There is much national and local guidance on what constitutes design quality and the mechanisms to achieve it. The use of HPDG to incentivise the public and private sector to provide quality alongside the required quantity is regarded as a significant benefit. This would be a good use of the grant because it would ensure that quality is delivered alongside quantity. It could be used to incentivise quality in private build, similar to the development of social stock.

There is an increasing gap in the standard of private sector build and units delivered in the social sector that needs to be addressed to ensure sustainability. The use of HPDG to incentivise the delivery of quality along side quantity would be of significant benefit. Currently, housing associations have to meet strict design guidelines when delivering new stock, for example build for life and design and quality standards. This grant could be used in a similar way for the private sector.

10. Do you have any views on how the in the process could work in practice?

A number of options can be considered:

- a. HPDG and planning approval should only be given for schemes, which achieve the necessary standards, and should go hand in hand.
- b. Money could be invested in providing a specific urban design guidance service above the level provided now. For example joint public/private sector masterplan teams for new schemes should include an urban designer to ensure necessary standards and processes are achieved: design guidance, design and access statements, public consultation.
- c. Grants could be offered from local authorities for the achievement of urban, landscape and architectural design, which achieves recognised standards. The Building for Life standard is the national bench-mark for well-designed housing and neighbourhoods in England. There are 20 criteria with Gold standard achieving 80% and Silver 70%. By Design sets out seven overarching principles, and the Manual for Streets sets new standards for residential streets.

11. Do you have any views as to whether Housing and Planning Delivery Grant should be incentivising delivery of family homes?

Land prices and housing market demand often mean that developers will build apartments to make a scheme financially viable. The use of HPDG could assist in providing incentives to developers in order to encourage new types of sustainable higher density family housing. However, whilst it is agreed that there is a need to incentivise delivery of family housing, there is the concern that public funding could be used to subsidise developer's profit margins.

The Council considers that HPDG should also have the flexibility to respond to the needs of the area and not select only one type of dwelling. For example, in providing excellent quality homes across all types of dwelling type whether family housing or apartments for

general needs and supported accommodation. This should be done in accordance with the principles of sustainability so that any form of housing contributes to the creation of sustainable communities and meets the needs of Coventry's population. At the moment there is a particular requirement to incentivise supported accommodation as this is proving to be the most expensive form of development in the City.

Empty Homes

12. Do you agree that an added eligibility criterion on empty homes would be useful and effective?

It is right that funding to bring properties back into use is included within the HPDG as the housing infrastructure is already in place. Best value performance indicators on empty homes are to be phased out from April 2008 and this grant would encourage Councils to keep hitting their targets. However, the added criterion needs to reflect that comprehensive renewal will lead to some areas with high vacancy levels as planned development continues. For example, in the north west of the city where there is a planned New Deal for Communities.

13. Are there other ways we might incentivise the bringing back into use of empty homes through HPDG?

The Council is unsure what additional further incentives could be offered. There is the possibility of offering property owners grants to bring their property back into use, but this would be rewarding the very people who are responsible for the property being empty in the first instance. There would also be concerns that providing a system for direct grants to owners of empty properties may be open to abuse and difficult to regulate.

The methods used to bring empty properties back into use should be recognised. A 'quick hit' should not receive the same grant allocation as an enforced sale or enforcement action. This would ensure that long-term derelict empty properties are targeted.

Surplus Public Sector Land

14. Do you agree that including registration of local surplus public sector land as an eligibility criterion would be a useful and effective incentive?

No comment at this stage.