

**New Homes
Bonus
Scheme**

DLP BRIEFING NOTE 44

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New Homes Bonus Scheme

On 17 February 2011, Grant Shapps, Housing Minister announced the publication of the **New Homes Bonus: Final Scheme Design**¹. The New Homes Bonus is part of the Coalition Agreement and is regarded by Government as a central plank of Localism.

The aim is to counter the top-down imposition of housing requirements by providing a financial incentive to communities to deliver growth. Grant Shapps said:

Telling communities what homes they need and where they should be built has had catastrophic consequences. Housebuilding levels have nosedived hitting the construction industry hard and in many areas caused local tension by dividing communities. We need to get the country building again...That's why we are introducing powerful new incentives giving communities a reason to say yes to new homes. Rather than feeling the strain of new homes ...residents will feel the direct benefit as they get to choose how the money is spent.

This echoes a speech by Greg Clark the Minister of State on 2 February 2011 when he said that:

Our aim with the Localism Bill is not to prevent new building, but to promote it.

and that Government's goal is:

to increase and underline the local benefits of development. Authorities that take responsibility and encourage growth should be recognised proportionately

The Government is of the view that communities have rejected development partly because they received little or none of the financial gain and that existing residents have come to associate new development as being only a further strain on public services and reduced amenity.

£250m per annum has been set aside for the following three years of the Spending Review Period to kickstart the New Homes Bonus Scheme and once the scheme is in full swing, it is estimated that up to £1.5 billion could be paid out annually. In the initial three years any funding needed beyond the set budget will come from the formula grant for which the settlement for 2012/13 can be found on the CLG website at www.local.communities.gov.uk/finance/1112/grant.htm. In future years, the additional funding for the scheme will be allocated from the Spending Review resources for Local Government.

The scheme commences in April 2011 and is additional to other incentives which include matching the council tax raised from new homes for the first six years. It will be paid through section 31 of the Local Government Act 2003, meaning that communities are free to spend it however they wish.

The calculation of the New Homes Bonus is according to a prescribed formula and Government has set out the levels of payment that would have been made in the past year. For example, Bedford Borough would have received almost £1.1m whilst Sheffield would have gained almost £2m whilst the biggest payments would have been made to London Boroughs such as Islington and Tower Hamlets, to Birmingham, Leeds and Milton Keynes. Payment will be made once a new home is recorded on the Council Tax Base form.

Larger bonuses will be given for affordable housing - a premium of £350 (£2,100 over 6 years) for each new affordable home using the Department for Communities and Local Government Statistics on gross affordable housing supply from April 2010 to March 2011. The New Homes Bonus is also aimed at providing an incentive to bring back into use empty homes – ones that have been vacant for six months and are therefore subject to Council Tax.

The aim is to pay a bonus for an increase in effective stock - either new property or empty homes brought back into use, therefore if a property is demolished and rebuilt the Bonus is not payable as there is no net change in effective stock.

Travellers' sites will also receive equal treatment and will therefore qualify for the Bonus where they are valued for council tax. Student accommodation may also qualify. The Government has said at this stage that it does not propose to exclude student accommodation even though it can be accorded student council tax exemption.

It is recognised that for the New Homes Bonus to succeed in its aims of popularising development the incentive must be at its strongest where planning decisions lie – in other words it must be seen to return the benefits to local people. Government therefore intends to split payments with 80% to the lower tier and 20% to the upper tier. Beyond that however *“local authorities and local communities are best placed to negotiate [how money is deployed] these to meet the needs of local neighbourhoods”*. The starting point will therefore be “local negotiation” and Parish and Town Councils are encouraged to negotiate with their local authorities to ensure that the benefits of growth are reaped by the communities themselves.

Given that in some instances there can be less than amicable relations between local councils and their local authorities and in many urban areas are not parished or at best have neighbourhood councils which are not formally constituted there remains considerable scope for local people to continue to feel that spending decisions are being made by others with which they do not necessarily agree or support. There does however emerge the scope for developers to open a dialogue with local community groups, be they formal parish or neighbourhood councils or simply representatives of the local area to try and establish at the outset what the New Homes Bonus might be used to achieve. The transparency of the payment, which can readily be calculated for each area, will enable developers and communities alike to see how much money they could be due and to plan the sort of schemes they would like to see implemented with the money.

DLP Planning Ltd can provide you with detailed advice on all aspects of the New Homes Bonus Scheme, on community consultation and how to make the most of the localism agenda. Please see our web site, www.dlpconsultants.co.uk for further information.

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