

1 February 2012

Department for Communities and Local
Government
Eland House
Bressenden Place
London
SW1E 5DU

Dear Chief Executive

HOUSING STRATEGY- PROGRESS UPDATE: HOUSING REVENUE ACCOUNT AND NEW HOMES BONUS

I am writing to inform you about the Housing Minister's announcement of 1 February on the steps being taken to implement the measures set out in *Laying the Foundations: A Housing Strategy for England*. This includes the second round of New Homes Bonus provisional allocations, totalling £432m with the first Affordable Homes Premium and Housing Revenue Account Reform - the final determinations which will deliver self-financing for councils.

New Homes Bonus

The £432m total New Homes Bonus allocations for English local authorities is made up of £199m for the second year 1 instalments and £233m for the first year 2 instalments.

The period for authorities to make their representations on their provisional allocations closed on 30 December. We have received 13 representations and these have now been considered.

Please note that the Department has only revised the current year's provisional allocations since there was an opportunity last year to make representations on the 2011-12 allocation.

The Bonus is based on the council tax of new homes and those brought back into use, with a premium for affordable homes and paid for the following six years. It ensures that those local authorities which promote and welcome growth can share in the economic benefits, and build the communities in which people want to live and work. We hope that local authorities will continue to build on existing achievements using the Bonus and continue to consult with residents and local businesses taking account of their views to help decide how it will be used.

The New Homes Bonus allocation for **[insert local authority]** will total **[Insert total amount]**. This includes the second year 1 instalment of **[insert year 1 amount]** and

the first year 2 instalment of [insert year 2 amount]. This year 2 instalment will be paid for 6 years. It includes the first affordable homes premium of [affordable homes amount]. All allocations are available at <http://www.communities.gov.uk/housing/housingsupply/newhomesbonus> A copy of the Written Ministerial Statement is attached.

The Bonus will be paid in 13 monthly instalments commencing in March 2012. The grant will be paid under Section 31 of the Local Government Act 2003.

The grant determination and the details of payments can be accessed at this link: <http://www.communities.gov.uk/housing/housingsupply/newhomesbonus>

If you have any queries about the New Homes Bonus please contact the New Homes Bonus Team at: Newhomesbonus@communities.gsi.gov.uk

Housing Revenue Account Reform

You will no doubt be aware that the Housing Revenue Account is being reformed to replace the Housing Revenue Account subsidy system. This will involve £19bn payments between central and local government delivering a devolved system for financing council housing. The Minister announced the final determinations which will replace the Housing Revenue Account subsidy system. A separate letter from my colleague Peter Ruback setting out the detail of this new arrangement is being sent to Chief Financial Officers today.

Other progress implementing the housing strategy

We are making progress in a number of other areas. The New Build Mortgage Indemnity schemes has been re-named and is now known as NewBuy Guarantee and will support up to 100,000 prospective borrowers accessing ninety-five percent loan to value mortgage. This scheme will be open to buyers for all new build houses and flats up to £500,000 and will be available to UK citizens buying their main home. We have published a Plain English guide for those interested in the scheme on our website and housebuilders are already taking expressions of interest.

The consultation on proposals for reinvigorating the Right to Buy closes tomorrow (2nd February 2011). The consultation suggests that tenants are offered a £50,000 cap on discounts across England, more than tripling the cap that currently exists in most of London and also giving a substantial increase for the rest of England. This proposal sits alongside plans to deliver one-for-one replacement so that for every home sold under the Right to Buy, a new Affordable Rent home is built.

The prospectus for the £420m Get Britain Building investment fund, which sought expressions of interest from developers closed on January 30th 2012. The Homes and Communities Agency (HCA) have received a strong response to the competition with bids from sites across England. These will be reviewed and the HCA will approach local authorities to give them the opportunity to identify whether they fit with local authority strategies and policies.

In addition, the prospectus set out that we would commission sites where projects could be unblocked quickly and where re-starting construction to an accelerated timetable could create wider local benefit. The HCA have identified a group of 18 sites, offering good value for money, across the country through their local

investment planning process. They are proposing to allocate £45m subject to due diligence and contracting to these sites. We understand that HCA regional teams will have been in contact with the relevant local authority about these sites. Further information is available from the HCA website.

We are also moving forward to the next phase of our programme to free up surplus formerly used public sector land with capacity to support new homes. We are now working with smaller landholding departments including the Ministry of Justice and Home Office, together with other large landholding organisations such as the BBC, Network Rail and Royal Mail to identify further sites that can be released.

Allocations under the £500m Growing Places Fund have also been announced. The fund will tackle infrastructure constraints to unlock wider housing and economic developments in all of the Local Enterprise Partnerships areas.

As unringfenced funding, it will be for the Local Enterprise Partnership with its local authority partners to determine the priorities for investment, taking into account the value for money offered, and the positive economic impact which can be secured. They will have the flexibility to recycle any receipts received, enabling a fund to be established which could provide a longer term solution to infrastructure delivery in the area covered. Payments will be made to all of the Local Enterprise Partnerships on 21 February 2012.

Finally, we are pressing ahead rapidly with our plans to make social housing reform including a consultation on new allocations guidance for local authorities, and proposals to tackle fraud in social housing. The Department has also launched a consultation on streamlining Building Regulations to save businesses money by cutting excessive red-tape whilst delivering safer and more sustainable buildings.

I hope you find this letter helpful in updating you on the progress this Department is making on implementing the Housing Strategy. Further details on these measures and others can be viewed on the Department's website at: <http://www.communities.gov.uk/news/newsroom/2079093>

The Housing Minister, the Rt. Hon. Grant Shapps MP, has written in similar terms to your Leader and Local Members of Parliament.

Yours sincerely

TERRIE ALAFAT

**Director
Housing Growth and Affordable Housing**