



The Rt Hon Grant Shapps MP
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To Local Authority Leaders

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Dear Leader

NEW HOMES BONUS – FINAL SCHEME DESIGN AND PROVISIONAL ALLOCATIONS

Today, I am writing to you to announce the final design of the New Homes Bonus scheme and the 2011-12 provisional allocations for your authority. The New Homes Bonus will fulfil the Government's Coalition Agreement commitment to provide local authorities with real incentives to deliver housing growth.

On the 12 November, I wrote to English MPs and Local Authority leaders announcing a consultation on implementation of this commitment through the proposals for the New Homes Bonus. The responses gave widespread support to the proposed principles of the scheme and the broad scheme design. After considering all responses, I am announcing the Government response to consultation, final scheme design and implementation.

The New Homes Bonus is designed to address the disincentive within the local government finance system for local areas to welcome growth. Until now, increased housing in communities has meant increased strain on public services and reduced amenities. The New Homes Bonus will remove this disincentive by providing local authorities with the means to mitigate the strain the increased population causes. In doing so, the New Homes Bonus should help engender a more positive attitude to growth, and create an environment in which new housing is more readily accepted.

The New Homes Bonus scheme will be a powerful, simple and transparent incentive. Commencing in April 2011, the Bonus will match fund the additional council tax potential from increases in effective housing stock, with an additional amount for affordable homes, for the following 6 years. For the first time, it will ensure that the natural economic benefits of growth are returned to the local authorities and communities where growth takes place.

The New Homes Bonus sits alongside the existing planning framework for making planning decisions. Local planning authorities will continue to be bound by their obligations under planning law and, in particular, the New Homes Bonus is not intended to encourage housing development which would otherwise be inappropriate in planning terms.

The final design of the scheme, a summary of consultation responses and provisional allocations can all be found at:

www.communities.gov.uk/housing/housingsupply/newhomesbonus

A handwritten signature in black ink, appearing to read "Grant Shapps".

GRANT SHAPPS MP