

# New Homes Bonus Bulletin

Welcome to the second edition of the New Homes Bulletin. In this section we give:

- (i) an overview of New Homes Bonus;
- (ii) a brief reminder of the headline figures;
- (iii) a preview of forthcoming changes such as the local retention of business rates and technical changes to Council Tax and the implications they may have for New Homes Bonus.

Later sections cover some common questions about the Bonus, some policies aiming to deliver the benefits of growth to communities, and some of the best examples of authorities using New Homes Bonus of which we've heard. We are keen to hear from authorities about what they are doing with their New Homes Bonus— please get in touch using the details at the end of the bulletin.

## **What is the New Homes Bonus?**

New Homes Bonus is a grant paid to all English authorities in recognition of net additions to effective housing stock in their area. The Bonus is intended to be a permanent incentive paid in respect of new build, conversions, and long-term empty properties bought back into effective use. Payments for each eligible property are paid for six years and are calculated per home in terms of the national average Council Tax Band for that home. A flat rate of £350 per year is also paid for each affordable home delivered. Because New Homes Bonus is an enduring incentive this means payments to authorities will continue to increase for the first six years.

Housing stock is recorded by authorities on the Council Tax Base form, which measures changes from year to year, with additions becoming eligible for New Homes Bonus grant. The data is taken in October each year and the Bonus is paid in the following financial year. Affordable housing data is taken from the Government's official statistics.



## **Changes to Council Tax and Business Rate Regimes**

The Local Government Finance Act contains a number of measures which have given rise to queries over implications for New Homes Bonus from 2013-14 onwards. We address some of them here.

Local Retention of Business Rates – The Government consulted last summer on the technical details of business rates retention, and the arrangements for the continued funding of New Homes Bonus, ahead of the introduction of business rates retention in April 2013.

As the consultation document set out at Chapter 14, a certain amount of funding will be retained centrally to cover NHB; and any funds remaining after the final Bonus allocation is made will then be returned to local authorities. Two options were proposed: either £2bn to be retained each year for six years; or an estimated amount to be retained each year, with ballpark estimates of £500m for 2013-14 and £800m for 2014-15 (plus the £250m set aside in the Spending Review for 2013-14 and 2014-15). Following the consultation, the Government has decided to adopt the approach of an estimated amount to be retained each year.

Technical Changes to Council Tax – A [Council Tax Information Letter](#) was issued on 27 July 2012, explaining that the Government intended to allow councils complete discretion over the level of council tax discount and time period which it applies for in respect of an empty home. This builds on the intention to abolish the current Class C exemption. A number of authorities raised the issue of whether these changes will affect the calculation of New Homes Bonus in future years. The information letter makes clear that these changes will not affect the calculation of New Homes Bonus, which will continue to use a six-month threshold to distinguish between short and long-term empty properties, and that authorities will need to ensure that they have the necessary internal procedures in place to collect the data necessary.

Council Tax Support - From 2013, council tax support will take the form of council tax reductions, which will have the effect of reducing a billing authority's council tax base. This gave rise to concerns that the change would impact on New Homes Bonus calculation. However, we expect that for transparency purposes that the Council Tax Base form will provide information both with and without the impact that local reductions will have on the tax base. We therefore do not anticipate that the introduction of local council tax support will affect the calculation of New Homes Bonus.

# Community Right to Build

## Community Right to Build – What is it?

The Community Right to Build is a new way for communities to choose where and when to build homes, shops or other facilities. The Community Right to Build became law on 6 April 2012 and forms part of the Neighbourhood Planning framework.



It is a new route to planning permission, putting communities in the driving seat in delivering developments they want to see. This new right is available throughout England and can be used in both rural and urban areas for small developments by community organisations.

The Government has made funding available to assist community organisations in pursuing a Community Right to Build Order (outside of London). The fund is being managed by the Homes and Communities Agency and details and guidance for applicants can be found on their [website](#):

In London, a separate fund is managed by the Greater London Authority. Community organisations in London should see the guidance and advice made available on the GLA's [website](#):

There is also a support hub, run by Locality, to provide support and advice to groups interested in pursuing Community Right to Build. You can find their website, which includes details of a telephone and e-mail enquiry service, downloadable resources, case studies and frequently asked questions [here](#):

## Case Studies

Because the New Homes Bonus is paid as an unringfenced grant, authorities are using it in a variety of ways. Below are some examples of how Bonus funds are being used around the country. We would be very interested to hear of other examples from yourselves, please do get in touch with us using the contact details at the end of the bulletin.

**Warwick Council** have developed a joint venture partnership with Waterloo Housing Group to deliver over 1,000 new affordable homes. Under the ten year partnership arrangement the authority has agreed to transfer land it owns on a leasehold basis at a deferred market value. It will ring-fence and recycle back into the scheme any New Homes Bonus generated by additional new homes built by the joint partnership. This strategic investment decision has enabled Waterloo Housing Group to offer a very competitive proposition for Homes and Communities Agency (HCA) to deliver new affordable housing, and residents moved into the first 22 homes provided by the partnership in July of this year.

**Uttlesford District Council** are allocating some of its new Homes Bonus to fund a new hi-tech shelter for teenagers at Carver Barracks including Bluetooth and MP3 player. The power supply comes from the teenagers using crank handles which means that the battery will never go flat. It forms part of a larger new play park. The idea for the project came from a committee - The Rowney Community Park Fund - made up of soldiers' wives.

**Leicestershire County Council** allocated its £530,000 Bonus grant for 2011 to rural housing delivery in the County. This has now resulted in the completion of a £1.6m scheme to develop 12 new affordable homes in Sapcote, with backing from both the County Council and Blaby District Council. Across Leicestershire, the County Council is investing £1 million to enable 60 homes, worth £7 million, to be developed. The funding aims to boost the number of affordable homes available to buy, to rent or for shared ownership schemes in villages, so families and young people are not forced to move out by high prices.

## Frequently Asked Questions

### **What happens if council tax levels change?**

The [scheme design paper](#) sets out how the national average council tax rate is calculated for each band. The New Homes Bonus grant is then payable at that rate on each eligible property for six years. We review the rate of council tax annually in respect of eligible properties completed. The latest levels, based on 2012/13 averages are set out below:

Band A	Band B	Band C	Band D
£962.75	£1123.21	£1283.67	£1444.13
Band E	Band F	Band G	Band H
£1765.05	£2085.97	£2406.88	£2888.26

### **What happens if we demolish more homes than we build in any given year. Will this count against us the following year?**

No. Negative changes in effective stock will not be carried forward. Each authority will start from a zero base in each subsequent year.

### **Will the New Homes Bonus be paid on purpose built student accommodation or similar types of purpose built clustered accommodation?**

Any new homes built or converted and long-term empty properties brought back into use which are recorded in line 1 of the Council Tax Base form will be included in the Bonus calculations. This data will include student or other purpose built accommodation as reported by the Valuation Office.

### **When will a new home or property trigger the award?**

Once a new home is recorded on the Council Tax Base form it will become eligible for New Homes Bonus grant. A snapshot of this data is taken in October each year and the Bonus is paid in the following financial year. The Bonus does not take into account planning permissions or other planning processes.

### **Do Gypsy and Traveller pitches contribute towards New Homes Bonus?**

Traveller sites do contribute to the supply of homes and will receive the Bonus where they are valued for council tax. Publicly funded or managed pitches that are offered at below-market prices will also be eligible for the additional affordable homes premium.

### **Why do some authorities only retain 80% of the New Homes Bonus?**

The Bonus is split 80:20 between lower-tier districts and upper-tier Counties, to reflect their respective roles in providing services and infrastructure. In London, 100 per cent goes to the individual London Borough.

### **Can you tell us your New Homes Bonus stories?**

We want this Bulletin to be relevant and informative to our readers so with that in mind we'd be keen to come and see what's happening on the ground and take the opportunity to learn more about the issues that you're tackling.

Please feel free to drop us a line through our usual email address:

[NewHomesBonus@communities.gsi.gov.uk](mailto:NewHomesBonus@communities.gsi.gov.uk)