



HOW

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KnowHOW

Essential reading for commercial property professionals who need to be in the know

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THE NEW HOMES BONUS

The purpose of this KnowHOW is to outline the latest position on the New Homes Bonus (NHB) Scheme.

NEW HOMES BONUS

According to figures from the DCLG just 102,570 new homes were built in 2010, 13% down on the previous 12 months and the lowest level since 1923. In an attempt to boost house building, from April this year, the NHB will match fund the additional Council Tax raised for new homes for the following six years, with an additional amount payable on affordable homes. The enhancement for affordable homes will be up to 36% more than for a similar market home, equivalent to an extra £350 per house premium every year.

To illustrate how this might work, taking for example a house in Band D; the payments equate to £9,000 to be paid on average for each Band D home or almost £11,000 for an equivalent affordable home. If an area was to increase the number of homes by 1,000 dwellings this could earn a local authority an additional £10m of revenue.

The scheme is intended to be flexible to allow local authorities to decide how to spend the money in line with local community wishes. Communities could benefit from reductions in Council Tax, or a redeveloped town centre or a new community centre or play park as a consequence of accepting new homes.

In addition, in a bid to reduce the number of empty homes, if these are returned to use they will also qualify for the NHB. However, the NHB is not intended to encourage housing development which would otherwise be inappropriate in planning terms.

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Commentary

Ministers hope that the NHB will foster a more positive attitude to growth, where new housing is more readily accepted, and indeed welcomed by communities.

It will be interesting to see if the NHB will influence local residents views towards development in their area and if the incentives offered will be significant enough to enable development to be viewed with optimism rather than scepticism and often downright opposition.

At a time of significant budget cuts and pressure on services, the NHB may well be welcomed and will hopefully result in local authorities and communities taking a more positive approach towards delivering housing development. The incentives offered may provide local authorities with a means of 'filling the gap' left by the budget cuts and help support communities to achieve meaningful investment and planning benefits for their local area in a more effective way than S106 Agreements currently do.

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