

Research Briefing

The New Homes Bonus Scheme (England)

Published Monday, 24 July, 2017

Research Briefing Housing and planning

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This House of Commons Library briefing paper explains how the New Homes Bonus works and provides comment on its impact. The New Homes Bonus is a Government scheme which is aimed at encouraging local authorities to grant planning permissions for the building of new homes in return for additional revenue.

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A scheme to incentivise house building

The New Homes Bonus (NHB) was introduced by the Coalition Government with the aim of encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue. Under the scheme, the Government initially matched the Council Tax raised on each new home built for a period of 6 years (this period has been reduced from 2017/18). Local authorities are not obliged to use the Bonus funding for housing development. A [consultation paper](#) on the scheme was published on 12 November 2010 and the [Final Scheme Design](#) was published in February 2011. This scheme applies only to England.

NHB funding allocations

The Department for Communities and Local Government (DCLG) initially set aside almost £1 billion over the Comprehensive Spending Review period (2011 to 2015) for the New Homes Bonus. The aim was to provide an additional 140,000 homes over a ten-year period. In February 2015 DCLG announced that a total of almost £3.4 billion had been allocated between 2011 and 2016. The Government said that this £3.4 billion was “rewarding the delivery of 700,000 net additional dwellings, and over 100,000 long-term empty homes brought back into use.” By December 2016 more than £6 billion had been paid to local authorities and “more than 1.2 million homes had been delivered”.

The [New Homes Bonus: final allocations 2017 to 2018](#) were published on 20 February 2017.

The context in which this scheme has been developed is one of housing supply failing to meet demand. In England and Wales, housebuilding in 2010 was at the lowest point

since 1946 (and the lowest since 1923 if the period around WWII is excluded). The number of households in England is projected to increase by an average of 210,000 per year between 2014 and 2039. 167,920 dwellings were completed in England in 2015/16. Comparative statistics on house-building completions can be found in Library note SNO2644 [Housebuilding: Social Indicators](#).

Evaluation of the scheme

The National Audit Office (NAO) published a report on the impact of the [New Homes Bonus](#) in March 2013 in which it called for an urgent Government review “to ensure that it successfully encourages the construction of much-needed new homes.” October 2013 saw publication of the Public Accounts Committee’s [report](#) on the New Homes Bonus in which it observed: “The Department has yet to demonstrate that the new homes it is funding through this scheme are in areas of housing need and the Department’s planned evaluation is now urgent.” The Government’s [Evaluation of the New Homes Bonus](#) was published in December 2014 and covers the first four years of the scheme’s operation.

Consultation on revisions to the scheme 2015-16

The 2015 Spending Review included [an announcement](#) that “the government will consult on reforms to the New Homes Bonus, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years.” [The consultation proposals were published](#) in December 2015. Consultation closed on 10 March 2016.

Amendments to the NHB scheme from 2017

As part of the [provisional Local Government Finance Settlement 2016](#), Sajid Javid, Secretary of State for Communities and Local Government, said that “for all its successes, the system can be improved.” He confirmed that from 2017 a national baseline for housing growth would be introduced of 0.4%. He also confirmed that in 2017-18, NHB payments would be made for five, rather than six years, and that the payment period would be reduced again to four years from 2018-19. There was some concern, particularly amongst district councils, that these changes would have an adverse impact on housing development.

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