

If you are a council at the top of the list, the New Homes Bonus looks like a winner. But it's a different story for those at the bottom and, writes Mark Smulian, questions are being asked about whether it is actually leading to more homes being built.

Banking on the bonus

Any source of money is welcome to councils in these hard times, and ministers routinely point to the New Homes Bonus as a means for them to replenish their resources.

It pays out the equivalent to the council tax raised from each new home for six years, and more in the case of affordable homes. It also rewards the re-use of empty homes.

The origins of the bonus lie in the Conservative party's dislike of the regional planning structure set up under Labour, which set targets for new building in each district.

Conservatives argued that this was contrary to localism, and antagonised residents who feared overdevelopment.

Their policymakers came up with the bonus as an inducement to localities to accept development.

If a council were favourably disposed to residential development, the logic went, it would get the bonus to spend on amenities, so making it more likely that local voters would accept new building.

Now in its third year, the latest provisional allocations to be paid in the 2013-14 financial year show that some councils have collected tidy sums.

Housing minister Mark Prisk said that 353 councils would share £661m from the bonus for agreeing to 142,000 new homes and to bringing 13,000 empty ones back into use.

He said the bonus "has meant that now local people are able to see the rewards of new developments in their area".

The largest single amount is the £16m for Tower Hamlets, benefiting from the huge redevelopment of London Docklands and



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its proximity to the City of London. Next comes Birmingham, on £10.2m.

But in third place is Islington, a mere 1,500 hectares of inner London that is already densely developed.

It is due to get £9.2m, more than double neighbouring

Camden's £4.2m, and has a policy of devoting this money to enabling housing associations to build homes for social rent, as opposed to the 'affordable' rents of 80 per cent of market levels promoted by ministers.

Across inner London and the south east councils in general do pretty

well, fuelled by a property market that slumped in the recession but nothing like as badly as the rest of the country.

Every system though has its anomalies, and the New Homes Bonus is of little help to councils that face cuts but cannot promote residential development even though they wish to.

“The HBF view is that the bonus should be targeted to encourage councils where there is demand to allow more new homes.”

Purbeck, in Dorset, is one such example. While nearby North Dorset and West Dorset will each get around £1m, Purbeck's share is a mere £263,500.

This is not because the council is resistant to residential development – indeed it sees an urgent need for more affordable homes for young people – but because so much of the district is covered by environmental designations that there is hardly anywhere to build.

Chief executive Steve Mackenzie explains: “We have been getting bonus but not at the same rate as some other similar councils. The local plan identifies a couple of relatively large areas but even there we are talking about less than 100 homes.

“We are losing more in revenue support grant than we gain in bonus and are only really building what we would have built anyway. I don't know where we could do more building.”

Purbeck is hemmed in by a large Area of Outstanding Natural Beauty, several sites of special scientific interest and a heathland on which Natural England forbids development that would disturb reptiles and ground nesting birds.

“This is a lovely area and so we have a high proportion of second homes and people like to retire here so our age profile is older than average,” Mr Mackenzie says.

“By contrast, Dorset is a low wage area and younger people move to Bournemouth or leave for higher education and cannot afford to come back.”

Purbeck at least has demand, even if it cannot satisfy it. But what of Hyndburn?

This council, based around Accrington, Lancashire, foots the

bonus table with a mere £120,633, apart from the Isles of Scilly.

Cabinet member for housing Clare Pritchard says: “Hyndburn is basically old mill towns with terraced housing, and there are not enough households to fill the homes we have.

“There are 2,500 empty homes, but as new homes are built people move to them and more become empty as there is just not the demand for two-up, two-down terraces that are no longer suitable for family living.”

Hyndburn is working with a private investor to knock some of these small homes into single larger ones, but Councillor Pritchard says the area needs selective demolition of unwanted homes.

“We no longer have the money to do that, since the housing market renewal programme ended, and land values are just not high enough to support new building,” she says.

“There is land available for building but developers are not interested as they cannot see any profit in it.

“The New Homes Bonus could work, perhaps it does in the south, but one size does not fit all in council housing policy. I am seeking a meeting with Mark Prisk on this, because we need help.”

Newcastle might be expected to exploit its big city status to encourage new building but its share of the bonus is £2.1m, a useful sum but nothing like what it loses through the top slice on council budgets from which most of the bonus is drawn.

Michael Burke, portfolio holder for housing, calls the bonus “a cruel joke for Newcastle, a disaster of epic proportions in local government finance terms”.

The top slice means Newcastle

gets about £2m but loses £10m he says.

Newcastle has a low council tax base and so since the bonus is linked to council tax levels it gets relatively little from those homes that are built.

Councillor Burke argues that the bonus should be recast as a flat rate payment, not linked to council tax.

“By 2018 we will get £6m from the bonus but will lose £17m. It moves money from places like this to prosperous shire districts and actually makes it more difficult for us to build because we are losing money that could go into affordable housing.”

Those councils seeking reform of the bonus have a perhaps unexpected ally in the Home Builders Federation, whose head of external affairs John Slaughter says: “There is not a lot of evidence that it is producing more homes.

“In the south councils are getting the bonus for what they would have allowed anyway, not for encouraging extra homes.

“On the other hand there are councils particularly in the north that are aggrieved because they get very little help from the bonus because the new money in it is quite small and the bulk is transfers within the local government finance system.

“The HBF view is that the bonus should be targeted to encourage councils where there is demand to allow more new homes, but we recognise it would be quite complex to do that as it takes you into the murky world of local government finance.” 

Mark Smulian is a freelance journalist

Research by the local government trade union Unison, admittedly an opponent of the New Homes Bonus, has found it drains resources from north to south as money for the scheme is deducted from council grants and redistributed to where most new homes are built.

It said more than 60 per cent of the bonus goes to London, the south east, east and south west.

The biggest winners (those getting more bonus than they lose in grant) were Uttlesford, in Essex, Basingstoke and Deane, in Hampshire and Forest Heath in Suffolk.

By contrast, the greatest losers were Oldham, Knowsley, and Liverpool, General secretary Dave Prentis, said: “To most people it is obvious that private developers will be slow to build new homes in areas where the recession is biting deepest.”

The Department for Communities and Local Government rejects Unison's analysis.

A spokesman said: “Among the top 30 recipients of New Homes Bonus in 2013-14, seven are in the north.

“To suggest it favours councils in the south is wrong. Government is also offering a provisional local government settlement which will allocate £26bn in a fair way to all councils, north and south.”