



Empty Homes Practitioner Guide:

The New Homes Bonus

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Acknowledgements

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FOREWORD BY CLLR. MARK LOWRY

Plymouth City Council is pleased to endorse this guide, which gives practical advice and detailed information to enable local authorities to maximise the receipt of New Homes Bonus.

It demonstrates how important it is for authorities take professional and responsible action to reduce the number of long term empty dwellings in their area.

Plymouth has always ensured its empty homes activity is robust; ensuring every measure possible is taken to get to the route of the problem in order to make maximum use of its existing housing stock.

The amount of New Homes Bonus is significant and this guide serves to enlighten authorities to the importance of having a structure in place to ensure due reward for their empty homes activity.



Cllr Mark Lowry
Cabinet Member for Finance
Plymouth City Council



INTRODUCTION

Background

On the 12th November 2010 the government released a consultation document on its proposed New Homes Bonus¹ which included measures that would give local authorities the same rewards for reductions in the number of long-term empty homes as for building new homes.

The Empty Homes Network responded formally to the consultation exercise and published a detailed *Briefing* for its members in December 2010. This reviewed the proposals and considered the practical implications for empty homes practitioners.

The New Homes Bonus was subsequently introduced unchanged following the government's consultation exercise, with the first year's Bonus being paid in April 2011. The scheme as introduced is documented in the government's *Final Scheme Design*². With two years' experience now behind us, it seems an appropriate time to replace our original *Briefing*³ with a proper *Guide*.

Scope

This Guide is intended to help local authorities understand how the New Homes Bonus fits in with their work around tackling empty homes. It makes recommendations about how the contribution of empty homes work can and should be enhanced. These recommendations are not just for practitioners but for managers and councillors.

Along the way, it attempts to explain how the New Homes Bonus works: how the amount of reward is calculated, what the criteria are for earning it, where the funding comes from and where it goes. Experience shows that even now the scheme is not fully understood by all those that need to understand it. We hope you will find this Guide useful.

HIGHLIGHTS AND RECOMMENDATIONS

A real reward

1. The New Homes Bonus rewards local authorities⁴ that take steps to tackle long-term empty homes. For years local authorities have directly intervened to help bring such properties back into use. They can now do so in the certain knowledge that for every successful intervention they will benefit financially through the New Homes Bonus. This is within their immediate power in a way that the building of new homes may not be. There are grounds for disputing the ability of New Homes Bonus to incentivise new house-building. But there can be no grounds for disputing its status as an incentive for local authorities to tackle empty homes.
2. The amount of reward is significant. Our analysis shows that the median reward earned by local authorities in 2012-13 (payable April 2013) was £1160⁵ per unit, excluding any additional amount for affordable housing. That is £6,960 over six years for a single dwelling brought back into use. In many areas, particularly unitary authorities, the figure will have been considerably higher.

Financial and political drivers

3. Regardless of the calculations made by accountants in back offices, local communities will know that the level of their council tax is affected by the success of their local authority in tackling long-term empties. Councils should no longer be able to afford the luxury of half-hearted, amateurish and reactive empty homes initiatives.

Organising for success

4. Local authorities should, therefore, organise themselves to tackle long-term empty homes in a systematic way. Local communities should expect nothing less. We publish *Good Practice Standards*⁶ that we think all local authorities should meet (but preferably exceed).
5. To maximise New Homes Bonus, councils should focus their efforts on homes that would otherwise be unlikely to come back into use in the near future. However, it will be important not to lose sight of the fact that maximising New Homes Bonus is only one driver behind empty homes interventions. Addressing homelessness, tackling blight and nuisance associated with empty homes, and reducing pressure on greenfield sites all retain their importance.

Invest to earn

6. Councils vary in the extent to which they hypothecate New Homes Bonus. Because there is no statutory obligation to have an empty homes initiative, we think it useful and appropriate for councils to allocate some NHB to empty homes work and thereby highlight the useful work they are doing.
7. The first and most obvious call on funding is the employment of an Empty Homes Officer with appropriate expertise who is able to engage with owners of empty homes and build an effective framework that will help bring homes back into use.

8. The availability of financial support whether in the form of a loan or grant can often be a critical factor in helping bring empties back into use. The availability of New Homes Bonus can justify offering such support. For example, NHB could be used to service the interest on Prudential Borrowing used by a Council to create a pot of cheap loan funding to tackle empties. The capital itself would be paid back after the home was brought back into re-use. The best documented loan scheme, run by Kent County Council, has returned long-term empty homes to use for a cost of under £3000 (being the interest lost by the council on the capital invested). Costs of this magnitude are well under half the amount that might be earned via the New Homes Bonus. With current savings rates, the interest lost would be even less today.
9. Small amounts of funding might also be used to support and incentivise conversions of redundant commercial properties. For example, Bristol City Council offer funding to help with the costs of professional services associated with conversions. This option is even more attractive following the changes to local government finance as the council will not only receive New Homes Bonus but also get to keep the council tax on the new home indefinitely. These are significant benefits if the conversion would not otherwise have happened.

What if the number of empties goes up?

10. It has sometimes been argued that no reward may be earned, despite a council's interventions, if the number of empty homes in an area goes up for reasons beyond the council's control. This is incorrect. What would have happened had the council NOT intervened and the homes had remained empty? In that case there would have been even more empty homes and the amount of New Homes Bonus earned from new house-building would have been correspondingly reduced⁷. **Whether the overall number of empty homes goes up or down, councils receive the same financial benefit for a successful intervention to bring dwellings registered as long-term empty back into use⁸.** It is just that in one case there is a cash reward and in the other less income is lost. It is important that Councillors, senior managers and other decision-makers understand this.

Prevention is as valuable as cure

11. In the same way, the overall number of empties may reduce, thus earning some NHB, but only a small amount. After effective empty homes work to reduce the number of long-term empties a plateau may be reached, with new longer-term empties appearing at approximately the same rate as the older ones are being dealt with. This is exactly the same issue as in the previous point. The continuing work of the empty homes team is critical in preventing the number of empties from rising.

Keeping records and staying accountable

12. It is clear from the previous two points that councils must maintain records of their own successful interventions to deal with empty homes, so that they can calculate the financial benefits accruing via New Homes Bonus and can report back to their local communities on what they are doing. They need to be in a strong position to explain what they are doing about empty homes and distinguish this from whatever is happening with the overall number of empties in the area, which may fluctuate with market conditions beyond the Council's control. The Empty Homes Network

has published guidelines on counting successful interventions⁹ and we strongly recommend that all councils adhere to them to maintain a standardised picture across the country.

13. Any calculation of the amount of NHB earned by bringing a long-term empty home back into use needs, if it is to be taken seriously, to pay some regard to the “additionality” of the council’s intervention. Although six years’ worth of NHB will be earned, it is not necessarily the case that the home would have remained empty for six years had the council *not* intervened. On the other hand, there is a strong likelihood that the New Homes Bonus will be discontinued if there is a change of government. So we would regard it as inappropriate to assume that it is just a matter of waiting for the home to come back into use “naturally” down the line and earning NHB later. As there is no way of knowing for sure what would have happened had the council not intervened, we recommend assuming, as a rule-of-thumb, that the amount of *additional* NHB earned is based on the period of time a home was empty before being brought back into use, always rounded up to the nearest year. This would mean a minimum of 1 year’s NHB; and if a home had been empty for say 17 months then the estimated gain would be rounded up to 2 years NHB; and so on.

Close working between Council Tax departments and empty homes teams

14. Forward-thinking councils have recognised that empty homes teams and council tax teams can help one another. Empty homes practitioners are obvious candidates for helping council tax teams maintain accurate data given that they are in constant contact with situations where properties are inaccurately recorded or are changing their status. There is no reason at all why they should not have access to council tax records to help in that task, provided always that basic data protection principles are observed.
15. The most obvious data protection principles engaged are that the access to the data does not compromise its security; that the access is for purposes connected to the maintenance of accurate council tax records and collecting council tax revenue; and that the empty homes practitioner does not use information gained inappropriately. (It should however be noted that Section 85 the Local Government Act 2003 does allow the key personal data of owner name, address and number to be used for the purpose of empty homes strategies). Appropriate controls can be established via a written protocol.

“Data cleansing”

16. It is widely recognised that in some areas many homes that are recorded as empty in council tax lists are in fact occupied. It is strongly recommended that systematic exercises be undertaken to identify such cases which can be done via a combination of site visits and desk-top exercises including phoning owners or writing to them. This is a good opportunity to build stronger links between empty homes staff and council tax teams; an alternative is to use a specialist outside agency.
17. Particular attention should be paid to ensuring accuracy in the period immediately preceding the completion of the Council Taxbase (CTB) return. Any systematic exercise can reasonably include homes that are not currently long-term-empties but will be at the time the CTB return is made, if their status does not change.

18. The opposite situation can occur ie. where homes that are actually empty are flagged as occupied. These cases often come to the attention of empty homes practitioners and, despite the potential adverse effect on New Homes Bonus, we regard it as essential that such cases are accurately recorded. This may prove important down the line to the success of certain types of intervention such as Empty Dwelling Management Order, to providing an accurate picture of the value of the work of empty homes teams, and to securing Empty Homes Premium.

Management of social housing stock and short-life housing

19. The combination of changes to council tax discounts and exemptions and the New Homes Bonus should provide a strong incentive to social landlords—i.e. housing associations and councils—to ensure that their homes remain empty for as short a period of time as possible. Where homes are due for refurbishment it will make sense for them to be occupied as short-life housing rather than allowing them to stand empty. In areas of high housing demand there will normally be found households willing to occupy homes on a short-life basis. Councils might reasonably provide strategic support—including funding— to short-life organisations that facilitate this solution.
20. Where homes are scheduled for demolition, short-life housing may simply defer the “evil day” when NHB will be lost as a result of demolition. But given political factors which may result in the New Homes Bonus scheme being discontinued there is a good case for adopting the view that “the bird in the hand is worth two in the bush”.

Affordable housing

21. Councils receive an additional reward of £2,100 over six years for newly built or acquired affordable housing. This can include homes leased for over 3 years, provided they are let at sub-market rents to people whose needs are not met by the market (for example, homeless households). It will be important to verify that any eligible leased homes are included in the Local Authority Housing Statistics return in order to qualify for the Bonus.

Recognition

22. The New Homes Bonus has made a significant contribution to the development of local authority empty homes initiatives. This contribution is insufficiently recognised and may be under threat from other less positive aspects of the scheme. We would like to ensure that the positive impacts of the scheme are fully understood so that, should the scheme be discontinued, alternative support for empty homes initiatives is put in place.

The Involvement of Local Economic Partnerships

23. The recent government announcement to top-slice £400million from NHB in 2015-16 in order to fund Local Economic Partnerships’ (LEPs) Strategic Plans gives LEPs a direct stake in the work that empty homes practitioners do to maximise NHB. The economic benefits of bringing empties back into use should also encourage LEP support. It will be useful for LEPs and local authorities to negotiate how they can help one another to deliver more New Homes Bonus.

THE NEW HOMES BONUS AND EMPTY HOMES

The government commitment to support empty homes work

The government used the New Homes Bonus *Consultation* document to emphasise its commitment to tackling empty homes. In a dedicated section on empty homes which was subsequently included more or less word-for-word in the *Final Scheme Design* it said:

“Empty homes are a blight on local communities and a waste which we cannot afford. We need to harness this potential to meet pressing housing need.” (*Final Scheme Design*, point 17)

This is a useful policy statement which is in some ways stronger than the text to be found on the government website’s *Empty Homes* page¹⁰.

The purpose of the New Homes Bonus

The New Homes Bonus is all about incentivising the delivery of more housing.

The New Homes Bonus is designed to create an effective fiscal incentive to encourage local authorities to facilitate housing growth. It will ensure the economic benefits of growth are more visible within the local area, by matching the council tax raised on increases in effective stock. This will redress the imbalance in the local government finance system, whereby resources for growth areas did not keep pace with growth. (*Final Scheme Design*, point 2)

The link between new housing supply and empty homes

The Coalition government has, for the first time, clearly recognised the links between new-build housing and tackling empty homes and, in the phrase “effective housing supply” recognised that both have a contribution to make. This is reflected in the design of the New Homes Bonus scheme:

“The New Homes Bonus is designed to increase the supply of effective housing[sic] so it follows that local authorities should be rewarded for bringing empty homes back into use. In addition, making use of existing stock can be important in overcoming some local opposition to new housing.” (*Final Scheme Design*, point 20)

Incentivising empty homes work

The *Final Scheme Design* spells out what this should mean in practice

“The New Homes Bonus will strengthen the incentive for local authorities to identify empty properties and work with property owners to find innovative solutions that allow these properties to be brought back into use. Where local authorities are pro-active they will see the benefits ” (point 19)

HOW THE NEW HOMES BONUS WORKS

In a nutshell

The New Homes Bonus is calculated by comparing Council Taxbase figures for the number of dwellings in an area, year on year. The current year figures are subtracted from the previous year's figures. Any net increase in dwellings is rewarded. In other words, one year's snapshot is subtracted from another year's snapshot to calculate the change over the year.

Critically for empty homes practitioners, to arrive at the number of dwellings in an area **the number of long term empties is deducted from the total number of dwellings**. To all intents and purposes, long-term empty dwellings cease to exist for the purpose of calculating New Homes Bonus.

This netting off of long-term empties means that any **reduction** in the number of long-term empties has the same effect as building new homes because the homes returned to occupation now re-appear in the net dwelling figures. Conversely, any **increase** in the number of long-term empties has the same effect as demolishing homes and thereby reduces the reward that might otherwise have been paid as these long-term empty homes effectively disappear from the net dwelling figures.

Further details of the scheme are described below.

The Council Taxbase (CTB) return - process

The CTB forms¹¹ are returned by local government to central government usually in October and contain data from a cluster of dates from the middle of September to mid October. The starting point is the overall number of dwellings on the local authority's **Valuation List**. (Valuation Lists are produced by statutory Listing Officers employed by the **Valuation Office Agency** and record the number of dwellings in each council tax band.) The other figures come from Council Tax departments themselves, and include for example the numbers of exempt properties, the number of long-term empties and so on.

Looking at the timings in 2010 as an example, the Listing Officers had to provide their Valuation Lists on 13th September. But figures supplied by Council Tax departments were for the position three weeks later, as at the 4th October 2010. (The time delay between the two lots of figures has some minor relevance as discussed later.) The deadline for submission was later again¹².

What's on the CTB form

The CTB form is little more than a side of A4 paper and is mainly in the form of a table where each column records the figures for a different council tax band. Figures on the form are referred to by the *Line number* associated with each row of the table. A sample form from 2010 can be found at Annex A and this includes the descriptors of the lines.¹³

Calculating the net number of dwellings

The calculation of the **net number of dwellings** for New Homes Bonus purposes is simple. It is:

Line 1 (total number of dwellings on valuation list)
minus Line 3 (recent demolitions : see below)
minus Lines 12, 14 and 15 (long-term empty dwellings)

Line 3 records the number of “*demolished dwellings and dwellings outside area of authority on 4 October 2010*”. This is of minor significance as it refers only to those dwellings that have been demolished in the short period of time **since the Valuation List was produced**. Most authorities report no homes in this category. For the avoidance of doubt, this line does NOT refer to the number of homes demolished over the previous year.

Lines **12, 14** and **15** are simply three different lines for long-term empty dwellings distinguished according to the different levels of discount applied by different authorities as follows:

- Line 12: 50% maximum discount retained
- Line 14: discount is less than 50% but more than 0%
- Line 15: no discount (100% council tax on long-term empties)

The vast majority of local authorities only have one level of discount for long-term empties, so typically only one of Lines 12,14 and 15 has any figures in it.

Essentially, the calculation is: total number of dwellings **less** recent demolitions **less** long-term empty homes.

What is a “long-term empty”?

The simple answer is that a “long-term empty home” is one that is recorded as such in the council tax system. This should mean that:

- it is in the valuation list (bearing in mind some delapidated empties are removed from the list following an application to the local Valuation Office)
- it has been empty for over six months
- it is substantially unfurnished (otherwise it will be a “second home”)
- it is not exempt (eg awaiting granting of probate, owner in care etc etc).

What is a dwelling?

Again, it is simply whatever is recorded in council tax lists as a separate dwelling. This might include some types of student accommodation. Many Houses in Multiple Occupation will count only as one dwelling; but if there is a higher degree of self-containment each individual unit might be a separate dwelling.

What about the recent changes in council tax discounts and exemptions?

Exemption class “C” (unfurnished, empty for less than 6 months) is being discontinued, to be replaced by flexible amounts and periods of discount for unfurnished empties. This could mean that an unfurnished empty could move onto 100% council tax in a month or less from becoming empty and there would be no change after six months, so that there might be no reason for the council tax system to identify when a property is empty for more than six months from the point of view of revenue collection.

However, this does not impact New Homes Bonus because the government has made it clear that local authorities will still have to collect the relevant information to be able to distinguish homes that have been empty for over 6 months. This was stated in *Council Tax Information Letter 2/2012*¹⁴:

This change will not affect the basis of calculation of the New Homes Bonus, which uses a six-month threshold to distinguish between short-term and long-term empty properties. Local authorities will need to ensure that they have the necessary internal procedures in place in order to continue to collect the data necessary for those calculations, and the Government will expect any local authority exercising such flexibilities to continue to collate accurate statistics to assist the New Homes Bonus allocations.

Calculating the change in the net number of dwellings

To assess the net change in the number of dwellings year on year, the figures for Year n are deducted from Year $n+1$. The difference is the change in the number dwellings. This has nearly always been positive for every local authority because generally the number of dwellings in each area is increasing. For example, in 2012-13 only one authority had a negative result.

The change in the number of dwellings is a key parameter in the calculation of the amount of New Homes Bonus each authority receives. But there are some further details which are described in the next section.

How much is the New Homes Bonus worth?

There is a simple answer and a complicated answer to this question. The simple answer is that what you get back is based on the **national average council tax for the band** of the dwellings that have come back into use. So if there is one fewer long-term empty in Band A, you will get 6 years' worth of the national average council tax for a Band A dwelling; and if there is one fewer long-term empty in Band C you will get the national average council tax for a Band C dwelling (again, for 6 years).

The actual calculation is more complicated than this because it involves converting all the dwellings to “Band-D equivalents” as follows. Firstly, the number of net additional homes is calculated separately for each council tax band as described above (this might be a negative number in some cases). These numbers are then adjusted by giving weightings to the different bands, reflecting the way that council tax is currently calculated. The weightings applied are as shown in Table 1 below:

Table 1

Band A	6/9
Band B	7/9
Band C	8/9
Band D	1
Band E	11/9
Band F	13/9
Band G	15/9
Band H	2

This produces a number of “net additional Band-D-equivalent dwellings” for each council. The total New Homes Bonus in a given area is calculated by multiplying this figure by the **national average council tax for a home in Band D**. This amount of reward is then paid in six consecutive years.¹⁵ (There is also a separate reward for additional affordable homes, described in a later section.)

The national average council tax for a Band D dwelling has changed little since the New Homes Bonus was introduced, standing at £1,456 for 2013-14. So the building of a new Band D dwelling—or **reducing the number of Band D long-term empties by 1**—would produce a reward on current figures of **£8,763** over the full six years that the bonus would be paid, anywhere in the country.

As a result of the somewhat convoluted way of working out the New Homes Bonus, if you bring, say, a Band B dwelling back into use, rather than getting a reward based on the national average of the council tax for Band B dwellings, you will get a reward based on 7/9 of the national average council tax for a Band D property. These two figures are not necessarily the same, but they are not going to be far apart...

Provisional and Final Allocations

Using the CTB data supplied by local authorities, CLG calculates the amount of New Homes Bonus they expect to pay in the following April and this is published in the form of provisional allocations in the late Autumn. For example the provisional allocations for 2013-14 were published on 10th December 2012¹⁶.

Local authorities have a short window of opportunity to submit requests for changes at this point, presumably based on errors in the data they had previously submitted. It seems that CLG too is prepared to challenge data provided by local authorities, such that in the 2012 provisional allocations over 20 authorities were shown with zero New Homes Bonus because the figures supplied were being investigated. The National Audit Office report on the New Homes Bonus noted:

“The Department checked figures reported in the third year of the Bonus. It successfully challenged the empty homes data for seven local authorities, resulting in reducing their Bonus allocations for 2013-14 by £1.7 million in total.”¹⁷

The final allocations are announced about six weeks after the provisional allocations - for example in 2013 the announcement was made on 1st February¹⁸.

What if the number of net additional dwellings is negative?

In this rare circumstance, no New Homes Bonus is earned (i.e. NHB = £0). But nor are there deductions (eg from future years' income, from formula grant).

When is the New Homes Bonus paid?

New Homes Bonus is paid at the beginning of April as part of the normal revenue settlement from central to local government. The reward for any given year continues to be paid for a further five years at the same level. The total amount of reward paid in any given year is the sum of the rewards earned for the previous six year (see next point).

A growing pot of money

Obviously as the scheme is still new, the amount of money that councils receive is continuing to rise as the reward for successive years is added. So the total paid in New Homes Bonus has gone up from £199M in the first year to £668.3million in year 3. The amount will continue to rise until it levels off after the first six years have elapsed. At that point, for every additional year's reward added, an earlier year will drop off.

Looking at an individual local authority, we can see in the example below (Table 2) how this plays out. The assumptions in the example are that the authority sees a net addition to its housing stock of 100 Band-D equivalent homes every year for seven years during which time the level of Band D council tax remains static at £1400.

Table 2 Growth of total NHB reward received over time

CTB Form data	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Change in net dwellings	+100	+100	+100	+100	+100	+100	+100
Year 1 Bonus	£140,000	£140,000	£140,000	£140,000	£140,000	£140,000	
Year 2 Bonus		£140,000	£140,000	£140,000	£140,000	£140,000	£140,000
Year 3 Bonus			£140,000	£140,000	£140,000	£140,000	£140,000
Year 4 Bonus				£140,000	£140,000	£140,000	£140,000
Year 5 Bonus					£140,000	£140,000	£140,000
Year 6 Bonus						£140,000	£140,000
Year 7 Bonus							£140,000
Total Bonus	£140,000	£280,000	£420,000	£560,000	£700,000	£840,000	£840,000

As the amount of NHB being received increases over time, we can expect local authorities to take it more and more seriously.

When did the scheme start and what is the baseline?

The first payment was made in April 2011 based on the change between the CTB returns from Autumn 2009 and Autumn 2010.

Thus the **baseline** for long-term empty homes is the number reported in the Autumn 2009 CTB return. No local authority will have lost any New Homes Bonus for homes that were already flagged as long-term empty at that point.

Changing to and from “long-term empty”

Councils do not gain or lose money for properties *being* empty or occupied, but as a result of them *becoming* empty or occupied. So a council with a lot of empty homes at the baseline date was no worse off than a council with only a few.

New Homes Bonus is *lost* when a home moves into the long-term empty status and is reported as such on the CTB return (or is de-listed). NHB is *gained* when a home that was previously long-term empty or de-listed is re-occupied and is reported as such on the CTB return. To take some specific examples that may not be immediately obvious

Table 3 – Examples of events and their impact on NHB

Event	Impact on NHB
1. A home that was shown as LTE in autumn 2009 CTB return is demolished	No effect on NHB (discounted from net dwelling stock already in 2009).
2. A home shows up as LTE for the first time in the 2010 CTB return	6 years' NHB* lost
3. The same home is demolished; it disappears from the 2011 CTB return	No effect on NHB (discounted from net dwelling stock when it fell empty in 2010).
4. A home that was LTE on the autumn 2009 CTB return shows up as re-occupied on the 2011 CTB return	6 years' NHB gained
5. A home shows up as LTE for the first time in the 2010 CTB return	6 years' NHB lost
6. The same home is reoccupied and appears as such on the 2011 CTB return	6 years' NHB gained

* This will be will be 6 years' of the “national average council tax” for the band which the home is in.

Understanding the swings and roundabouts

The number of long-term empties in an area can go up or down. Currently the trend in most areas is downwards. Nevertheless, the 2012-13 NHB results show 101 local authorities out of 326 reporting an increase in the number of empty homes. These local authorities (bar one) will still have earned New Homes Bonus. But the amount they will have earned from newly built dwellings will have been reduced because of the increase in the number of empties.

The following example illustrates the position where

- The local authority has 100,000¹⁹ homes at baseline
- 2,000 of them are long-term empties
- 1000 new homes are built every year.
- In the first year, there is no change in the number of empty homes;
- In the second year the number of long-term empties goes down by 200 to 1800;
- In the third year the reduction cannot be sustained and number creeps up by 50 to 1850. The bonus is calculated at £1400 per net additional home per annum.

Table 4: Impact of fluctuations in the number of empties

	CTB Form data	Baseline	Year 1	Year 2	Year 3
Profile			LTEs stay same	LTEs go down	LTEs go up
Line 1	Dwellings	100,000	101,000	102,000	103,000
Line 3	Recent demolitions	0	0	0	0
Lines 12,14,15	Long-term empties	2,000	2,000	1,800	1,850
Line 1- (3+12+14+15)	Net dwellings	98,000	99,000	100,200	101,150
	Change in net dwellings		+1000	+1200	+950
	Year 1 Bonus*		£1,400,000	£1,400,000	£1,400,000
	Year 2 Bonus*			£1,680,000	£1,680,000
	Year 3 Bonus*				£1,330,000
	Difference due to LTEs (current year)		£0	+£280,000	-£70,000
	Difference due to LTEs over 6 years		£0	+£1,680,000	£-420,000

*Although not shown, the bonus figure for each year will continue for 6 years in total

The Year 2 bonus increases by £280,000 as a result of the reduction in the number of empty homes. Over 6 years, this amounts to £1,680,000.

In Year 3, when the number of empty homes creeps up by 50 from 1800 to 1850, this costs the council £70,000 of its New Homes Bonus, amounting to a reduction of £420,000 over 6 years.

Who gets the New Homes Bonus now?

“Single-tier” authorities like London Boroughs, Metropolitan Boroughs and other unitary authorities around the country receive all the New Homes Bonus earned in their areas.

However, the split in two-tier or “shire county” areas²⁰ is as follows:

- 80% districts
- 20% upper tier (counties)

This makes sense insofar as the districts are the main planning and housing authorities: in principle they should be incentivised to approve new developments and (presumably) to accept higher housing numbers in Local Plans.

But despite the lion's share going to districts, the total for a county will normally be more than that received by any individual district. For example, in a county with 8 districts the county might receive about double the average amount going to a district (80% for each district; $8 \times 20\% = 160\%$ for the county,). **Thus counties have a good incentive to support county-wide empty homes initiatives** such as the partnership supported by Kent County Council in Kent.

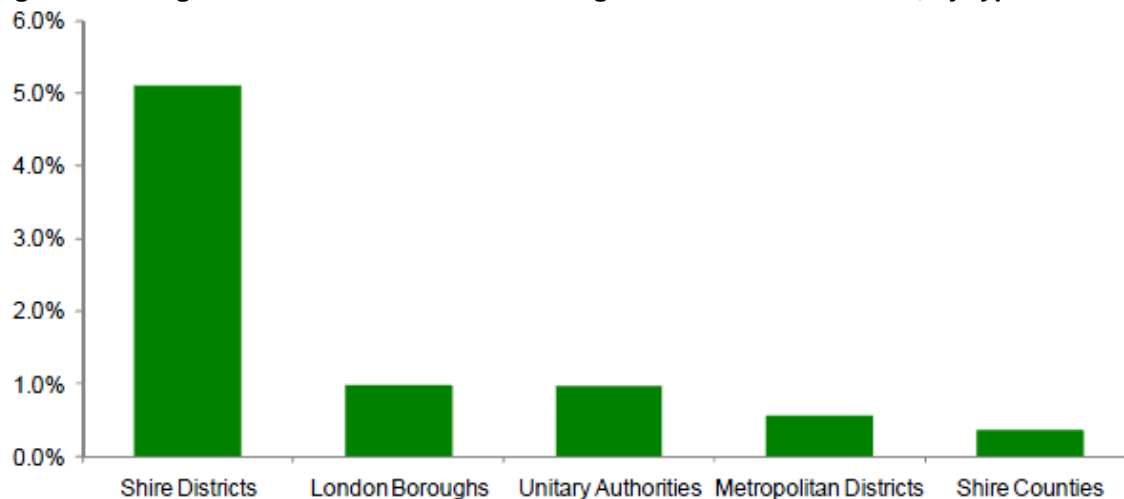
What about the future and Local Enterprise Partnerships?

The 2013 Spending Review included an announcement that £400million would be top-sliced from New Homes Bonus in 2015-16 and passed to LEPs. This is discussed further below in the section entitled *What Now, What Next*.

How much difference does NHB make to council budgets?

District councils have much smaller budgets than higher-tier authorities, because they don't fund social services, education or highways. Consequently, New Homes Bonus forms a much *larger* percentage of the total revenue of districts compared with other authorities: they are more dependent on it.

Figure 1: NHB grant received as a % of formula grant allocated in 2011/12, by type of authority



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If this was the position in 2011/12, i.e the first year of the NHB, then the percentage can be expected to rise significantly as further years' NHB is added. This is confirmed by the National Audit Office report on the New Homes Bonus that showed by 2013-14 the NHB reward payments represented over 10% of total "spending power" for a significant minority of district authorities.²² And there are still three years of growth to go before the size of the NHB pot going to local authorities starts to plateau.

Where does the money come from?

In principle, the New Homes Bonus is “revenue neutral”. This was spelled out in the *Impact Assessment* that was part of the original *Consultation* document. Interestingly, this aspect is not mentioned in the *Final Scheme Design*. The *Impact Assessment* noted:

“The New Homes Bonus is set to be funded primarily by taking money out of the formula grant settlement. That is, money will be taken out of the formula grant allocation and redistributed based on the parameters of the bonus: the policy therefore – in the long run - is revenue neutral. This redistributive mechanism of the New Homes Bonus means that the scheme will create financial winners and losers: **for any authority to gain financially (relative to their allocation before the bonus), one or more authorities must lose financially.**” [emphasis added] (New Homes Bonus consultation paper p48).

To mitigate the impact of this aspect of the New Homes Bonus, the government set aside about £950million in the 2010 Comprehensive Spending Review for the NHB: £199M in year 1 and £250million in each of the following 3 years. But anything over these amounts comes from formula grant over the CSR period. After the CSR period all the reward money is intended to come from formula grant.

It can be seen that the amount of transitional funding allocated in the Comprehensive Spending Review quickly becomes less than the amount required to fund the national total of New Homes Bonus. The first year figure for transitional funding of £199M was set because the government already knew how much reward it was going to be giving in April 2011 for Year 1 of the scheme: so there was no impact on formula grant. But if we treated this £199M as a reasonable estimate for the amount payable in subsequent years then we would see the following

Split between transitional grant and top-sliced formula grant - example

Year 1, NHB national total = £199M

Year 2, NHB national total = £199M + £199M = £392M

Year 3, NHB national total = £199M + £199M + £199M = £588M

Year 4, NHB national total = £199M + £199M + £199M + £199M = £784M

On this model, Year 2 shows a shortfall of £392M-£250M = £142M; Year 3 shows a shortfall of £588M-£250M = £338M and so on. These shortfalls would be made up by top-slicing from formula grant.

To see this in perspective, it has been estimated that once the transitional funding ends, funding the New Homes Bonus might mean top-slicing 6% off the total amount of formula grant²³.

No further funding was announced in the 2013 Spending Review so that from 2015-16 the New Homes Bonus will be revenue-neutral as originally planned.

What is the statutory basis of the NHB?

The implementation of New Homes Bonus did not require any changes to legislation. It fits within the existing process of government funding to local authorities. This is entirely at the discretion of central government.

INSIGHTS AND ISSUES

Scope

This section covers some of the more general issues associated with the New Homes Bonus, not just those directly connected with empty homes, so that the NHB can be seen in a wider perspective.

Justifying the cost of an Empty Homes Officer

Local authorities already have numerous reasons for employing empty homes officers. But the New Homes Bonus is certainly a powerful new one. If:

- a single Full-Time-Equivalent Empty Homes Officer costs £36,000 per annum including all on-costs and other associated expenditure of the empty homes initiative
- the annual amount of New Homes Bonus earned per long-term-empty brought back into use is £1,200

then the empty homes officer would need to be responsible at the most for **reducing by 30** the number of long-term empties reported on the CTB return, or **preventing 30 dwellings** being reported as long-term empties, to cover costs.

Owners and communities

There is a widely-held view that what the owner of a property does with it is up to them provided it doesn't affect anybody else. With the introduction of the New Homes Bonus, an owner who allows their property to become long-term empty now costs **other** local taxpayers money by reducing the amount of New Homes Bonus payable in a given area. Thus residents can be expected to become less sympathetic to empty homes owners than hitherto. The owner leaves the home empty: the community suffers in the form of reduced income for services.

The responsibility of local authorities

The local authority earns a reward or suffers a penalty depending on changes in the number of empty homes in its area. But these changes are mostly outside of its control, for example flowing from changes in market conditions.

It is true that for every empty home a local authority is responsible for bringing back into use it will receive a financial benefit or reward. But at the same time it will face bigger rewards and bigger penalties for outcomes for which it is *not* responsible ie the outcomes that occur as a result of the action or inaction of home owners and other third parties. This can be considered unfair, but it does not alter the fact that the NHB does offer significant incentives to local authorities to do more about empty homes.

The finance director’s view of the New Homes Bonus?

From a local authority finance director point of view the “bonus” aspect of the New Homes Bonus is not quite as straightforward as it may seem to an empty homes practitioner, for two different reasons.

Firstly, there have been significant cuts in funding to local authorities. It is natural in such circumstances that many will view the income from New Homes Bonus as simply making up some of the shortfall. Thus, in many cases (60% of local authorities according to an *Inside Housing* survey²⁴) the NHB has been rolled into the General Fund, without hypothecating it for any particular purpose or accounting for it separately to residents.

Secondly, much of the money received is not really a “bonus” at all, because of the top-slicing from formula grant. This is illustrated in the table below:

Table 5: Actual “bonus” relative to calculated formula grant

	Authority 1	Authority 2	Authority 3
Calculated Formula grant before top-slicing	£10,000,000	£10,000,000	£10,000,000
Formula grant after 5% top-slice	£9,500,000	£9,500,000	£9,500,000
NHB reward per new home	£1,000	£1,000	£1,000
Net additional dwellings	400	500	600
Amount earned in NHB	£400,000	£500,000	£600,000
Total including NHB	£9,900,000	£1,000,000	£1,100,000
Actual “bonus”	-£100,000	£0	+£100,000

It will be seen in this example that whereas Authority 1 appears to have earned £400,000 in New Homes Bonus, it has actually lost £100,000 compared with what it would have received based on its Formula Grant calculation. Authority 2 earns nothing and Authority 3, which seems to be earning £600,000, is really only earning a bonus of £100,000.

The picture is affected in the short term by the additional funding that the government has given for NHB over and above formula grant. But as noted previously this forms a smaller and smaller proportion of the amount being distributed—currently just under 40%.

It will seem reasonable to most people to characterise as a “bonus”—and treat as such—only that amount that is *above* what an authority would have received under formula grant arrangements.

The recent announcement to top-slice £400million from New Homes Bonus to fund LEP Local Strategic Economic Plans could be viewed as the final nail in the coffin of the idea that NHB is in any sense a “reward” for local communities accepting more housing in their areas.

Short-term empties

From the perspective of the New Homes Bonus, a short-term empty will always have to be regarded as a long-term empty-in-waiting. Short-term empties cannot be ignored because the moment they roll over the 6-month empty mark in the autumn CTB submission they will cost the council NHB. Steps should certainly be taken to ensure that they are not recorded as long-term empty when they have in fact returned to use in the period leading up to the submission of the Council Taxbase return.

Data issues

Council tax data about long-term empty homes is notoriously inaccurate. It has been reported that staff conducting London's audit of long-term empties found anything from 35% to 60% of those recorded on council tax lists of them were actually occupied²⁵. The extent of mis-recording is likely to vary from area to area according to the level of discount offered on long-term empties, which has varied from 0% to 50%. For example, why bother to tell the council that your previously empty home is now occupied if you are already paying 100% council tax on it as an empty?

In addition, however, there are the homes that are flagged as occupied when they are actually vacant. Historically, there may have been fewer of these because omitting to inform the council about the vacancy will have meant foregoing the 6 months Class C exemption. But the situation may become more common with replacement of Class C exemption with discounts that may be small and short-term: owners may just decide not to bother. Other situations where empty homes might be flagged as occupied include:

- Liable person claiming single-person occupancy to minimise their liability
- Use of empty home to perpetrate identity fraud
- People who don't want to tell the council that their home is empty

"Data cleansing" involves tracking down these mis-recorded properties and updating the status to "occupied". It is an entirely legitimate and appropriate activity. Residents deserve accurate information about the status of homes in their area, and council tax liabilities and payments under schemes such as the New Homes Bonus should be based on accurate data.

However, whilst it is practical to review homes classified as empty (say 3% of the dwelling stock) to find out if they are occupied, it is not realistic to review all the homes classified as occupied (say 97% of the dwelling stock) to find out if they are empty. Moreover, it is fair to assume that Councils will not be rushing to find the latter because of the implications for NHB. Even prior to the introduction of New Homes Bonus, there have been reports from empty homes practitioners about some (hopefully rare) council tax departments refusing to change the status of a home to "vacant" even when the evidence collected by the empty homes officer is definitive. In those cases, the council tax departments seem to have taken the view that if the owner is paying council tax and claims the home is occupied then that is good enough.

As far as earning New Homes Bonus is concerned, data cleansing of wrongly-recorded empty homes can only work for a limited period of time. Once the back-log of wrongly

reported empty homes has been cleared any further exercise will be restricted to preventing a further back-log arising. Moreover local communities are going to want to see their councils mount visible empty homes initiatives to assure them that action is keep council tax bills down and maximise New Homes Bonus. So the adoption of a cynical approach that focuses exclusively on data cleansing seems unlikely.

Nevertheless, the overall effect of the factors described above is likely to mean that the number of empty homes will be under-reported both locally and in national figures.

The Empty Homes Network supports the approach taken in Scotland of introducing fixed penalties for owners misreporting the status of their homes.

Variations in opportunity to earn NHB

Where housing markets are failing, fewer new homes are likely to be built as there will be a shortage of effective demand. In some cases the *need* for additional homes will be debatable in a context of economic and population decline. In other areas, the opportunities for new housing may be limited because of a shortage of available land: if demand is high, delivery may then be concentrated in adjoining areas.

In all these cases, the “winners-and-losers” aspect of the New Homes Bonus means that some local authorities will suffer financially for reasons that arguably are outside their control (while others will gain). Often the areas with least opportunity to earn New Homes Bonus are poorer areas with greater deprivation. For example the one area to earn no New Homes Bonus in 2012-13 was Hyndburn which is generally recognised to suffer from low housing demand and was the 34th most deprived district in England out of 326 according to the 2010 Indices of Deprivation published by CLG.

Variations in the value of the reward

Because of variations in property values, the typical reward per empty home returned to use will be less in low-value areas than in high-value areas. For example a Band E property earns nearly twice as much as a Band A property (11/9 as against 6/9). The same size and type of property (say a 1-bedroom flat) might be Band E in Chelsea and Band A in Sunderland. Consequently, the proportions in different bands vary widely across the country. In Hull, over 69% of homes are in Band A and over 95% are in bands A to C; in Westminster, under 2% of homes are in Band A; nearly 30% are in bands G to H.

This means that councils can earn significantly different rewards for carrying out the same work and achieving the same outcome (eg the re-occupation of a one-bed flat), depending on their geographical location. Because of the revenue-neutral (“winners-and-losers”) aspect of the NHB, this could mean that money is actually transferred from low-value, low-banding areas to high-value, high-banding areas that are both achieving exactly the same outcomes.

In the example below, as a result of cost-saving measures, the number of local authorities in Britain has been reduced to two: the “North” and the “South”. Most of the population has fled abroad and both local authorities now have the same number of dwellings (1,000,000). Their calculated formula grant is the same, but the homes are all Band A in

the North and Band E in the South because the pre-catastrophe north-south differential in property values persists. In this example, for the same outcome of 40,000 new dwellings, £20,000,000 is transferred from North to South, leaving the North with less money and the South with more money than was indicated by the formula grant.

Table 6: Impact of bandings on distribution of bonus (illustration)

	North of England	South of England
Number of dwellings	1,000,000	1,000,000
Banding	All Band A	All Band E
Formula Grant as calculated	£1,000,000,000	£1,000,000,000
Band A council tax	£1,000	
Band E council tax		£2,000
New dwellings	40,000	40,000
NHB earned	£40,000,000	£80,000,000
Total NHB £120,000,000		
Top-slice (pro rate to FG)	£60,000,000	£60,000,000
Amount after top-slice	£940,000,000	£940,000,000
Funding after adding back NHB	£980,000,000	£1,020,000,000

In our consultation response we argued that the New Homes Bonus reward should be set at a standard level regardless of Band.

Variations in the impact on revenue associated with top-slicing

The top-slicing of formula grant is at a standard rate across the board. So if the total calculated NHB came to 6% of total formula grant (the predicted rate by the sixth year of the scheme) then a county shire, a shire district or a single-tier authority like a London borough would all have 6% top-sliced from their formula grant.

However, the amount *earned back* through NHB would be a very different percentage of formula grant for different types of authority. This is clearest when looking at the position in a shire area. Here, the formula grant accruing to a district, lacking social services, education or highways responsibilities, would be much less than the formula grant accruing to the county. So in absolute terms, much more will be top-sliced from the county. But when the New Homes Bonus is added back in, most of it will go to the districts (80%). Consequently, it will simply not be possible for the county to earn back in NHB what it has lost through the top-slicing of the formula grant. Conversely, a district may not perform very well in generating new homes but may still receive more revenue than it would have done through formula grant.

WHAT NOW, WHAT NEXT?

Is the scheme working?

The National Audit Office report on the New Homes Bonus is unequivocal about the benefits for empty homes work.

2.24 Around 40 per cent of respondents to the Department’s survey in 2011 (paragraph 1.28) from district, unitary and London and metropolitan borough councils reported that they were now more supportive of tackling empty homes...

Empty homes brought back into use

2.30 We found some evidence that the Bonus is incentivising local authorities to bring empty homes back into use. A downward trend in the number of empty homes, which began in 2008, is being maintained.... Bonus allocations have been paid for approximately 56,000 empty homes brought back into use between October 2009 and September 2012, representing around 12 per cent of total net additions. Around two-thirds of the sample of 28 local authorities’ empty homes strategies we reviewed refer to the Bonus as an incentive to bring empty homes back into use.

2.31 Local authorities cited examples of their actions to reduce the number of empty homes. For example, they have protected the posts of empty homes officers who identify empty homes and plan how to bring them back into use. They suggested that these actions would not have occurred, and efforts to tackle empty homes would have been weaker, if the Bonus had not included payment for empty homes brought back into use.²⁶

This is supported by anecdotal evidence from empty homes practitioners around the country. Some teams have grown, few have been reduced. One local authority manager said that while its two Empty Homes Officers were both on temporary contracts, “they probably have the safest jobs in the council”. This has contributed to a significant reduction in the number of long-term homes.

Criticism of the scheme

On the other hand, the NAO report had little positive to say about the impact of the New Homes Bonus in promoting new house-building. It criticised the quality of evidence used to justify the scheme and the monitoring of the effects since the scheme was introduced. It did not identify any significant evidence that the measure was boosting house-building. It criticised the lack of any assessment of the financial risk posed to local authorities arising from the redistribution of formula grant.

A Commons Library paper on the New Homes Bonus²⁷, updated August 2012, gives a good flavour of the political opposition to the scheme—particularly on the grounds of its unfairness. The difficulty of justifying it in its current form were perhaps highlighted in the following exchange that occurred when the CLG Commons Select Committee was reviewing the New Homes Bonus in the context of the abolition of the Regional Spatial

Strategies (relied on by the previous government to promote housing growth), which the NHB could be thought to have replaced.

123. Pressed by our Chair on whether the Government had any evidence to show that the New Homes Bonus scheme would deliver more homes, the Secretary of State replied simply, "I hope my charm might have worked its magic on you, Mr Betts." This answer does nothing to rebut the widespread view that there is no evidence to show that the NHB will work. (p19).

A disappointing aspect of the Commons Library Paper is that the empty homes aspect of the New Homes Bonus is virtually ignored. In this it reflects most of the debates about the NHB, which tend to focus on new house-building.

Top-slicing of New Homes Bonus to Fund LEPs

The Government announced a £400million raid on New Homes Bonus in 2015-16 in a Treasury announcement on infrastructure spending (*Investing in Britain's Future*). The document stated:

The Spending Round announces that £400 million from the New Homes Bonus will be pooled within Local Enterprise Partnership areas to support strategic housing and economic development priorities.

In 2015-16 the total amount of New Homes Bonus has been estimated by the National Audit Office at £1,140million: The top-slice represents about 35% of this figure, an amount that would be taken out of the direct control of local authorities.

Strategic Economic Plans

The previous extract was taken from Chapter 6 of the funding announcement, on "Housing". Chapter 9 makes it clear that the money will be going into the **Single Local Growth Funds** of the 39 English LEPs

The Single Local Growth Funds will provide LEPs with the flexibility to tackle the barriers to growth in their areas and provide influence over the key levers of transport, skills and housing. An area's allocation from the SLGF will be available to be spent **on the priorities LEPs and their partners have determined in their strategic economic plans.**[emphasis added].

So whether or not funding gets spent on housing at all will depend on what is in the economic plan. The top-slicing has been announced for 2015-16 only but it is clear that the intention would be to continue with it in future years assuming LEPs perform as expected.

Empty Homes Initiatives and LEPs

For those working in local authority empty homes initiatives, a reduction in local authority revenue may be perceived as the latest potential threat to their existence. But there may be opportunities to be found in the changing strategic landscape for the following reasons.

1. Bringing empty homes back into use almost always involves some expenditure on refurbishment of the property in question. Much of that spending is local in nature as are any jobs created. Relatively small amounts of pump-priming can lever in significant amounts of private funding, as has been well-documented by Kent's *No Use Empty* programmes. So there are solid and immediate economic drivers for LEPs to support empty homes work.
2. The environmental and social benefits of reducing the numbers of empties are also compelling. Increasing the stock of available housing is likely to be a priority in most areas but the funding and levers for LEPs to achieve this will still be relatively limited. Ensuring there are effective empty homes initiatives is one of the cheapest options available.
3. Although what is proposed is a straight top-slice of NHB, it is reasonable to assume the distribution of the funding will reflect the NHB that would have otherwise gone to the local authorities in the LEP area. That presumably is what is meant by "pooled within Local Enterprise Partnership areas". **That means LEPs will have a direct stake in the amount of NHB earned in their area** and thus in their local empty homes initiatives.
4. LEPs are quite remote from most residents. But empty homes work is always local in character. Eyesore empty homes are by definition highly visible. Thus LEP-funded initiatives to bring empty homes back into use offer an opportunity to build grass-roots support for LEPs, creating greater awareness of what they can contribute to their local areas.

LEP-wide empty homes initiatives?

Given the advantages to LEPS of effective empty homes initiatives and the desire of local authorities to compensate for lost revenue, there are reasons to explore the option of **transferring local authority empty homes work to the LEPs** in some areas. LEP-wide initiatives would have the potential to offer economies of scale and to offer a dynamic environment sympathetic to the innovative initiatives that local authority teams are frequently involved in.

At the same time the close relationship between LEPs and local authorities could be expected to mitigate resistance on the part of local authorities to such a transfer of responsibilities: it could be viewed as a win-win opportunity by both parties.

At the moment, empty homes activities may well be off the radar of most LEPs as being too small-scale. If that can be challenged, there is some potential to create a network of better-resourced, fully professional empty homes initiatives around the country that makes the most effective use of the skills and experience developed by local authority practitioners.

Influencing LEPs

For LEPs to allocate funding to empty homes work, the activity would need to be identified in the Local Strategic Plan. Work to influence such plans would need to start immediately if it were to have any positive effect.

Future prospects for NHB

The combination of unfairness in redistribution of formula grant and ineffectiveness as an incentive would make it unlikely that the New Homes Bonus would survive a change of government. It may prove unpopular enough with local politicians belonging to Coalition partners to be scrapped or modified even without a change of government. This would seriously undermine local authority empty homes initiatives.

Some obvious ways that the NHB could be improved would be to decouple it from formula grant, so that it would become a true bonus. An alternative would be to retain only the empty homes part of the scheme (although consideration would need to be given to what would happen should the number of empties increase). Another option would be to introduce rewards based on the numbers of empty homes returned to use as a result of local authority interventions (as opposed to global changes in the number of empties).

Whatever happens, the positive impact of the New Homes Bonus in addressing the problem of empty homes needs to be more widely recognised. *The Empty Homes Network will continue to promote the positive aspects of the NHB in helping reduce the number of empty homes²⁸. We will try and ensure that if the NHB is discontinued then other incentives are put in place to support empty homes work.*

NHB SUPPLEMENT FOR AFFORDABLE HOMES

Each new affordable home receives an additional New Homes Bonus increment of £350 per home per year—£2,100 over 6 years—regardless of council tax band.

The increment for affordable homes is calculated according to the **gross additions** to affordable housing supply. The exercise is independent of the calculation of the rest of the New Homes Bonus. The data is available later and the reward is paid a year later, so the first payment was in April 2012 rather than April 2011.

As it is gross additions that are rewarded, demolitions or disposals are not netted off.

The definition of “affordable home” was originally taken from *Planning Policy Statement 3*²⁹. This has now been superseded by the *National Planning Policy Framework*, but this contains a very similar definition.

The figures used to calculate the amount of Affordable Homes supplement local authorities should receive derive from various sources. The sources used are documented in the Statistical Releases *Affordable Housing Supply, England*³⁰ and comprised, in 2011-12:

- The Investment Management System (IMS) from the Homes and Communities Agency (HCA)
- HCA figures on affordable homes delivered through the Property and Regeneration Programme, First Time Buyers Initiative (FTBi), London Wide Initiative (LWI) and the housing Private Finance Initiative;
- The Local Authority Housing Statistics (LAHS) return submitted to the Department for Communities and Local Government by Local Authorities

The number of products covered is considerable, as can be seen from the table in Annex B. Overlap between different sets of statistics has caused a certain amount of double-counting and revisions appear to be continuing³¹. The products include leased homes for example under “Temporary Social Housing” and “Empty Homes”.

Local authorities can include their own leased properties if they qualify. Leased properties can appear either as local authority-owned stock, if the lease is for longer than 21 years, or as “non-registered provider” stock if the term of the lease is between 3 and 21 years:

Private sector stock leased to local authorities or other registered providers for social or affordable rent leased for a term of between 3 and 21 years should be recorded as non-registered provider, provided it meets the criteria for affordable housing as set out in PPS3.³²

(A footnote points out that PPS3 has been replaced by the *National Planning Policy Framework*). The main part of the definition of Affordable Housing in the NPPF reads as follows:

Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing

should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

This definition would appear to include most homelessness accommodation, provided it is social rented, affordable rented or intermediate housing. “Intermediate housing” is defined as “...homes for sale and rent provided at a cost above social rent, but below market levels...”. Temporary accommodation let at rents at or above market levels would appear not to meet the criterion.

Homes leased on the back of HCA grant would not be counted in the local authority LAHS returns as they would be picked up by the HCA’s own affordable housing returns; **but homes leased independently by a council, providing the lease is for at least 3 years, should be recorded if the rent is below market rent levels.** Homes secured by management agreements or nomination agreements would also appear not to meet the criterion: the local authority would need a legal interest (i.e lease) in the home in question. An eligible home leased for 3 years would earn 6 years Affordable Housing Supplement.

ANNEX A – SAMPLE BLANK CTB FORM

CTB(October 2010) form for Exeter

Completed forms should be received by CLG by Friday 15 October 2010

Dwellings shown on the Valuation List for the authority on Monday 13 September 2010

Band A entitled to disabled relief reduction COLUMN 1

Band A COLUMN 2

Band B COLUMN 3

Band C COLUMN 4

Band D COLUMN 5

Band E COLUMN 6

Band F COLUMN 7

Band G COLUMN 8

Band H COLUMN 9

TOTAL COLUMN 10

1. Total number of dwellings on the Valuation List		9,775	14,153	13,137	7,653	3,731	1,621	803	56	50,929
2. Number of dwellings on valuation list exempt on 4 October 2010 (Class A to W exemptions)		0	0	0	0	0	0	0	0	0
When all fields above are complete, please click here to supply any explanations										
3. Number of demolished dwellings and dwellings outside area of authority on 4 October 2010 (please see notes)		0	0	0	0	0	0	0	0	0
4. Number of chargeable dwellings on 4 October 2010 (treating demolished dwellings etc as exempt) (lines 1-2-3)		9,775	14,153	13,137	7,653	3,731	1,621	803	56	50,929
5. Number of chargeable dwellings in line 4 subject to disabled reduction on 4 October 2010		0	0	0	0	0	0	0	0	0
When all fields above are complete, please click here to supply any explanations										
6. Number of dwellings effectively subject to council tax for this band by virtue of disabled relief (line 5 after reduction)	0	0	0	0	0	0	0	0	0	0
7. Number of chargeable dwellings adjusted in accordance with lines 5 and 6 (lines 4-5+6 or in the case of column 1, line 6)	0	9,775	14,153	13,137	7,653	3,731	1,621	803	56	50,929
8. Number of dwellings in line 7 entitled to a single adult household 25% discount on 4 October 2010	0	0	0	0	0	0	0	0	0	0
When all fields above are complete, please click here to supply any explanations										
9. Number of dwellings in line 7 entitled to a 25% discount on 4 October 2010 due to all but one resident being disregarded for council tax purposes	0	0	0	0	0	0	0	0	0	0
When all fields above are complete, please click here to supply any explanations										
10. Number of dwellings in line 7 entitled to a 50% discount on 4 October 2010 due to all residents being disregarded for council tax purposes	0	0	0	0	0	0	0	0	0	0
When all fields above are complete, please click here to supply any explanations										
11. Number of dwellings in line 7 classed as second homes and so treated for Formula Grant purposes as being entitled to a 50% discount on 4 October 2010 (even if a lower discount has been granted in practice).		0	0	0	0	0	0	0	0	0
12. Number of dwellings in line 7 classed as long-term empty and receiving a 50% discount on 4 October 2010		0	0	0	0	0	0	0	0	0
13. Total number of dwellings in line 7 entitled to a 50% discount for Formula Grant purposes on 4 October 2010 (lines 10+11+12)	0	0	0	0	0	0	0	0	0	0
14. Number of dwellings in line 7 classed as long-term empty and receiving zero% discount on 4 October 2010		0	0	0	0	0	0	0	0	0
15. Number of dwellings in line 7 classed as long-term empty and receiving between zero% and 50% discount on 4 October 2010. Please enter % discount here (please see notes):	40.0	0	0		0	0	0	0	0	0
When all fields above are complete, please click here to supply any explanations										
16. Number of dwellings in line 7 where there is liability to pay 100% council tax (lines 7-8-9-13-15)	0	9,775	14,153	13,137	7,653	3,731	1,621	803	56	50,929
17. Total equivalent number of dwellings after discounts, exemptions and disabled relief (to 2 decimal places) [(line 8 x 0.75) + (line 9 x 0.75) + (line 13 x 0.5) + line 15 x ((100 - % discount)/100) + line 16]	0.00	9,775.00	14,153.00	13,137.00	7,653.00	3,731.00	1,621.00	803.00	56.00	50,929
18. Ratio to band D		5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
19. Number of band D equivalents (to 1 decimal place) (line 17 x line 18)	0.0	6,516.7	11,007.9	11,677.3	7,653.0	4,560.1	2,341.4	1,338.3	112.0	45,206.7
20. Number of band D equivalents of contributions in lieu (in respect of Class O exempt dwellings) in 2010-11 (to 1 decimal place)										0.0
21. Tax base for Formula Grant purposes (to 1 decimal place) (line 19 col 10 + line 20)										45,206.7

Certificate of Chief Financial Officer

I certify that the information provided on this form is based on the dwellings shown in the Valuation List for my authority on 13 September 2010 and that it accurately reflects information available to me about exemptions, demolished dwellings etc, disabled relief and discounts applicable on 4 October 2010.

Chief Financial Officer : Date :

Ver 1.0

Line descriptions from 2010 CTB form

(These remain the same on the 2012 form)

1. Total number of dwellings on the Valuation List
2. Number of dwellings on valuation list exempt on 4 October 2010 (Class A to W exemptions)
3. Number of demolished dwellings and dwellings outside area of authority on 4 October 2010 (please see notes)
4. Number of chargeable dwellings on 4 October 2010 (treating demolished dwellings etc as exempt) (lines 1-2-3)
5. Number of chargeable dwellings in line 4 subject to disabled reduction on 4 October 2010
6. Number of dwellings effectively subject to council tax for this band by virtue of disabled relief (line 5 after reduction)
7. Number of chargeable dwellings adjusted in accordance with lines 5 and 6 (lines 4-5+6 or in the case of column 1, line 6)
8. Number of dwellings in line 7 entitled to a single adult household 25% discount on 4 October 2010
9. Number of dwellings in line 7 entitled to a 25% discount on 4 October 2010 due to all but one resident being disregarded for council tax purposes
10. Number of dwellings in line 7 entitled to a 50% discount on 4 October 2010 due to all residents being disregarded for council tax purposes
11. Number of dwellings in line 7 classed as second homes and so treated for Formula Grant purposes as being entitled to a 50% discount on 4 October 2010 (even if a lower discount has been granted in practice).
12. Number of dwellings in line 7 classed as long-term empty and receiving a 50% discount on 4 October 2010
13. Total number of dwellings in line 7 entitled to a 50% discount for Formula Grant purposes on 4 October 2010 (lines 10+11+12)
14. Number of dwellings in line 7 classed as long-term empty and receiving zero% discount on 4 October 2010
15. Number of dwellings in line 7 classed as long-term empty and receiving between zero% and 50% discount on 4 October 2010. Please enter % discount here (please see notes):
16. Number of dwellings in line 7 where there is liability to pay 100% council tax (lines 7-8-9-13-15)
17. Total equivalent number of dwellings after discounts, exemptions and disabled relief (*to 2 decimal places*) [(line 8 x 0.75) + (line 9 x 0.75) + (line 13 x 0.5) + line 15 x ((100 - % discount)/100) + line 16]
18. Ratio to band D
19. Number of band D equivalents (*to 1 decimal place*)(line 17 x line 18)
20. Number of band D equivalents of contributions in lieu (in respect of Class O exempt dwellings) in 2010-11 (*to 1 decimal place*)
21. Tax base for Formula Grant purposes (*to 1 decimal place*) (line 19 col 10 + line 20)

ANNEX B – TYPES OF AFFORDABLE HOUSING PRODUCT

Code	Product Description	Source	Build Type*	Tenure
LANB	New build local authority (social rented homes)	HCA IMS & LAHS	NB	Social Rent
MFRENT	Mixed funding Rent	HCA IMS	NB/A	Social Rent
REMRENT	Re-improvements (sheltered and supported	HCA IMS	A	Social Rent
ADREIMMF	Re-improvements	HCA IMS	A	Social Rent
SHMFR	Settled Homes Mixed Funded Rent	HCA IMS	A	Social Rent
TSH	Temporary Social Housing	HCA IMS	A	Social Rent
AFFRENT	Affordable Rent	HCA IMS	NB/A	Aff. Rent/Social Rent
AFFRENTC	Affordable Rent conversions	HCA IMS	NB/A	Aff. Rent
EH	Empty Homes	HCA IMS	A	Aff. Rent
INTRENT	Rent - Intermediate	HCA IMS	NB/A	Int. Rent
MORTGAGE	Mortgage Rescue	HCA IMS	A	Int. Rent
HBYDIR	HomeBuy Direct	HCA IMS	NB	LCHO
HBYNB	Newbuild Homebuy	HCA IMS	NB/A	LCHO
MFSALE	Mixed funding Sale	HCA IMS	NB/A	LCHO
ADREIMMS	Re-improvements	HCA IMS	A	LCHO
PnR	Social rent and low cost ownership units funded by Property and Regeneration Programme	HCA PCS	NB/A	LCHO/Social Rent
HOLD	Home Ownership for people with long-term disabilities	HCA IMS	A	LCHO
AFFHO	Affordable Home Ownership	HCA IMS	NB/A	LCHO
HBFB	FirstBuy	HCA IMS	NB	LCHO
FTBi	First Time Buyers Initiative	HCA	NB	LCHO
LWI	London Wide Initiative	HCA	NB	LCHO
RTA	Right to Acquire	HCA IMS	A	LCHO
SHB	Social HomeBuy	HCA IMS & LAHS	A	LCHO
CIS	Cash Incentive Scheme number of grants	LAHS	A	LCHO
PFI	New build social rent funded by PFI	HCA	NB	Social Rent
S106	Additional nil grant units	LAHS	NB	LCHO/Social Rent/ Aff Rent
LA	Local authority acquisition nil grant	LAHS	A	Social Rent

*NB = New-build; A=Acquisition

NOTES

¹ *The New Homes Bonus Consultation Document* and the *New Homes Bonus consultation: Summary of Responses* are downloadable via the Empty Homes Network Information Library. see <http://www.ehnetwork.org.uk/library-item/new-homes-bonus-consultation-2010>

² Accessible via <http://www.ehnetwork.org.uk/library-item/new-homes-bonus-final-scheme-design>

³ Our original briefing is still available to Full Members or Subscribers of the Empty Homes Network at <http://www.ehnetwork.org.uk/library-item/new-homes-bonus-ehn-briefing>. Members need to be logged in to access it.

⁴ The government has announced that in 2015-16 £400 million will be top-sliced from NHB and passed to Local Enterprise Partnerships, meaning that LEPs too will have a stake in the NHB via pooling of the receipts in their areas.

⁵ This includes shire districts, which only get 80% of the NHB earned, the remaining 20% going to the shire county.

⁶ Downloadable from our website here: <http://www.ehnetwork.org.uk/library-item/ehn-good-practice-standards-local-authority-empty-homes-initiatives>

⁷ If the number of long-term empties goes up then the total amount of New Homes Bonus will be reduced accordingly. This is explained further below.

⁸ The very rare exception would be where the council received no New Homes Bonus at all. In 2012-13 this applied only to Hyndburn. In addition, it might be that individual long-term empty homes had been recorded as occupied or were subject to council tax exemptions. In these cases, no NHB will be earned if they are brought back into use.

⁹ www.ehnetwork.org.uk/EHNMonitoringGuidelines

¹⁰ See <http://www.ehnetwork.org.uk/library-item/clg-empty-homes-web-page>. The corresponding statement on this web-page is:

“The government is committed to helping local people bring empty homes back into use. This is a sustainable way of increasing the local supply of housing and reducing the negative impact that neglected empty homes can have on communities.”

¹¹ See <http://www.ehnetwork.org.uk/library-item/council-tax-base-forms-and-letters-link-web-page> for the web-page where the form and relevant notice letters can be downloaded.

¹² To get a more detailed picture of the various deadlines and flexibilities refer to the relevant letter to local authorities, for example the one for 2012

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/36611/CTB_letter.pdf.

¹³ The **spread-sheet** which the form is a part of is quite large— around 1.5MB—because the *Data* worksheet contains all the data for the previous year for all local authorities. This includes useful information such as the levels of discounts applicable to long-term empty homes in each authority. You can download the forms via the Council Taxbase web-pages on the CLG website. See <http://www.ehnetwork.org.uk/library-item/council-tax-base-forms-and-letters-link-web-page> - the spread-sheet containing the form and the data is the first document listed.

¹⁴ See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8142/Potential_council_tax_discount_on_empty_homes.pdf

¹⁵ Thus the real value of the reward will reduce over time as it will not be adjusted for inflation. By Year 6, with inflation at around 3%, the reward would be worth about 20% less in real terms than in Year 1.

¹⁶ See <https://www.gov.uk/government/news/mark-prisk-boost-to-councils-and-communities-through-the-new-homes-bonus>

¹⁷ National Audit Office report *The New Homes Bonus* (2013), p36. Accessible via <http://www.ehnetwork.org.uk/library-item/new-homes-bonus-national-audit-office-report-2013>

¹⁸ See <https://www.gov.uk/government/news/new-homes-bonus-boosts-spending-power-for-local-communities>

¹⁹ Throughout this example, the numbers refer to “Band-D equivalent homes”.

²⁰ The original Consultation document distinguished between authorities inside and outside of London rather than between two-tier and single-tier authorities, suggesting a rather hazy view of how local government works outside the metropolis.

²¹ Reproduced from *New Homes Bonus: Statistics* - Commons Library Standard Note SN05954 downloadable via <http://www.ehnetwork.org.uk/library-item/new-homes-bonus-statistics-commons-library-standard-notes-sn05954>

²² NAO report *The New Homes Bonus* - see Figure 7.

²³ “If year one grants were replicated in future years, and all other elements remained the same, by 2015/16 the funding for NHB would equate to removing approximately 6% of formula grant.” *New Homes Bonus: Statistics* (see note 17 above).

²⁴ <http://www.insidehousing.co.uk/development/councils-ward-%C2%A3142m-new-homes-bonus-cash/6527511.article>

²⁵ Verbal reports to the author. Most of these audits were conducted before the introduction of the New Homes Bonus and will not have been affected by it. The inaccuracy of council tax data was also cited in the “Voyjas vs. Camden” Freedom of Information case. See the story on the Empty Homes Network website at <http://www.ehnetwork.org.uk/newsitem/foi-and-empty-homes-camden-case-highlights-latest-position> for further details.

²⁶ See Note 14 above.

²⁷ *The New Homes Bonus Scheme* Commons Library Standard Note SN/SP/5724; downloadable via <http://www.ehnetwork.org.uk/library-item/new-homes-bonus-house-commons-library-standard-note-5724>

²⁸ As an example, EHN contributed a chapter on New Homes Bonus to *Delivering Housing Growth*-accessible via <http://www.ehnetwork.org.uk/library-item/delivering-housing-growth-a-collection-essays-lga>

²⁹ Relevant wording is reproduced in Appendix B of the NHB Consultation Document.

³⁰ See <https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/affordable-housing-supply> . The most recent release at the time of writing can be found at <https://www.gov.uk/government/publications/affordable-housing-supply-in-england-2011-to-2012>

³¹ The *Affordable Housing Supply 2011-12 Statistical Release* notes: “Revised figures are labelled with an ‘R’. Revisions have been made to figures for 2009-10 and 2010-11 to reflect additional information from the HCA and from local authority returns. Total supply for 2009-10 has been revised down by 28 units since the 20-10-11 release, whilst supply for 2010-11 has been revised down by 199 (0.3%). Figures for 2011-12 are labelled provisional (P) as these have used provisional LAHS return data and may be subject to change as part of the New Homes Bonus provisional grant allocation process.”

³² *Local Authority Housing Statistics: 2011/12 Guidance notes for completion* p63. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5931/2141514.pdf

About the Empty Homes Network

We are a national network with approximately 500 individual members, launched in 2001 as the National Association of Empty Property Practitioners with the support of the government. Then-Minister Sally Keeble wrote

“NAEPP[=EHN] will provide a national voice for local authority and RSL staff in their work to bring empty homes back into use. The Government is keen to see its membership grow into a national network of empty property practitioners. So I would urge all local authorities to take out membership of NAEPP[EHN]. This will ensure that all relevant officers in the authority benefit from the good practice and training opportunities developed by, and for, empty property practitioners”.

Since then we have expanded our membership to include those working in regeneration companies, in self-help and community groups, and in private sector firms involved in helping bring empty homes back into use.

Our main role is to support all practitioners and organisations involved in addressing the issue of empty homes to help them work as effectively as possible. We do this by facilitating the sharing of information and experience, by organising training events and conferences, by promoting best practice amongst delivery partners and by promoting sound policy at national level.

We organise a biennial Empty Homes Summit to which key organisations are invited. We welcome representatives from the Homes and Community Agency, The Department of Communities and Local Government, the Chartered Institute of Housing, the Chartered Institute of Environmental Health, the Local Government Association and self-help-housing.org and more. And we run an annual National Empty Homes Conference.

Please note that as a membership organisation we are separate from and independent of the charity Empty Homes, whose contribution to the work of bringing empty homes back into use we greatly value.

A not-for-profit organisation, our strength comes from the commitment of our members and supporters.

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