



Spatial Economics Research Centre

Friday, 15 April 2011

Is the New Homes Bonus working?

A little over a week ago, [DCLG announced the first payments](#) under the New Homes Bonus: "Under the first cash payments for the scheme, 326 local authorities will receive a share of £200m for increasing the effective housing stock by almost 150,000 in 2010-11". In contrast, "in 2009 there were just 118,000 completions, the lowest level of house building in peacetime since 1924".

On first impressions this seems like good news. But, sadly, this is yet another of those occasions when first impressions are misleading. It took me a while to delve behind the numbers, but here is my understanding. An increase of 150,000 in the effective housing stocks may sound bigger than 118,000 completions but that first impression is misleading because those two numbers are calculated differently.

In 2010/11 the 150,000 increase in effective housing stock comprised 134,000 net additions and 16,000 empty homes brought back in to use. The government provides [net additions data from 2004 onwards](#). They are calculated slightly differently from the figures used for the New Homes Bonus but the 129k figure for net addition in 2010/11 is close enough to the 134,000 figure reported by DCLG above to suggest the data are broadly comparable. Here is what those data show:

04/05: 186,930
05/06: 198,780
06/07: 207,370
08/09: 166,580
09/10: 128,690

So the 2010/11 figures represent the *worst* net addition figures for the last five years. I think the government could argue that given the recession thing may have been even worse without the New Homes Bonus (although the 08/09 numbers already capture the impact of the recession) and I think it would be reasonable to see what the numbers look like next year. But certainly the picture is much more worrying than misleadingly comparing completions to net additions.

Posted by [Prof Henry G. Overman](#) on [Friday, April 15, 2011](#)

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Jim said...

It's actually even more complicated than that. The net additions statistics you mention are calculated for financial years, i.e. April to April, but the New Homes Bonus is calculated on the change in stock from October to October (because that's when the council tax base is updated). So NHB paid out in April 2011 is for the change in stock between October 2009 and October 2010. See para 30 here: <http://www.communities.gov.uk/documents/housing/pdf/1846530.pdf>

This means that the CLG press release is wrong to talk about an increase in effective stock 'in 2010/11' since we haven't got those figures yet. This ministerial statement is more accurate: <http://www.communities.gov.uk/statements/newsroom/newhomesbonusyear1>

It also means that the New Homes Bonus figures aren't strictly comparable to the net additions statistics. Lastly, it is very unlikely that the New Homes Bonus could reasonably be said to have had any effect on the change in stock between October 2009 and October 2010, since it wasn't official government policy until relatively recently. If it is having an effect now it will presumably be at the plan-making and planning approval stage, apart from the empty homes element which could have a more immediate effect.

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