

## New Homes Bonus Explanation

1. New Homes Bonus (NHB) rewards Councils for increases in the number of houses **liable for Council tax**\*\*\* and for reductions in number of long term empties (over 6 months). The bonus is calculated based upon the national average Council Tax for a band D, Torridge as a district council receives 80% of the bonus, the balance going to the County Council. There is an additional bonus of £350 per property for increases in the number of affordable houses.

### Worked example of NHB due for one year

	Band A (6/9ths)	Band B (7/9ths)	Band C (8/9ths)	Band D (9/9ths)	Band E (11/9ths)	Band F (13/9ths)	Band G (15/9ths)	Band H (18/9ths)	Total
<b>A</b> – Number of dwelling liable for Council Tax prior year	8,155	7,097	6,783	5,617	3,220	1,063	362	29	32,326
<b>B</b> - Number of dwelling liable for Council Tax current year	8,202	7,151	6,845	5,654	3,251	1,070	364	28	32,565
<b>C = B - A</b> Increase / (decrease) in the number of properties liable for Council Tax	47	54	62	37	31	7	2	(1)	<b>239</b>
<b>D</b> – Number of long term empty properties prior year	87	69	40	36	14	9	3	0	258
<b>E</b> – Number of long term empty properties current year	106	58	40	38	16	3	3	0	264
<b>F = E – D</b> reduction / (increase) in the number of long term empties	(19)	11	0	(2)	(2)	6	0	0	<b>(6)</b>
<b>G = C + F</b> Net Movement	28	65	62	35	29	13	2	(1)	233
<b>H</b> – Convert to Band D	19	51	55	35	35	19	3	(2)	215
<b>I - LESS</b> Central Government deadweight adjustment of 0.4%									<b>(114)</b>
<b>J = H + I</b> Reward Movement									91
<b>K</b> – Average National Band D Council Tax									£1,622
<b>L = J x K</b> New Homes Bonus Reward									£147,602
<b>M = L x 80%</b> (20% to Devon County)									£118,082
<b>N</b> – Add additional Reward for affordable homes @ £350 x 10									£3,500
<b>TOTAL NEW HOMES BONUS FOR YEAR = M + N</b>									<b>£121,582</b>

\*\*\* Holiday Homes will be liable for Business Rates and consequently do not contribute to New Homes Bonus funding

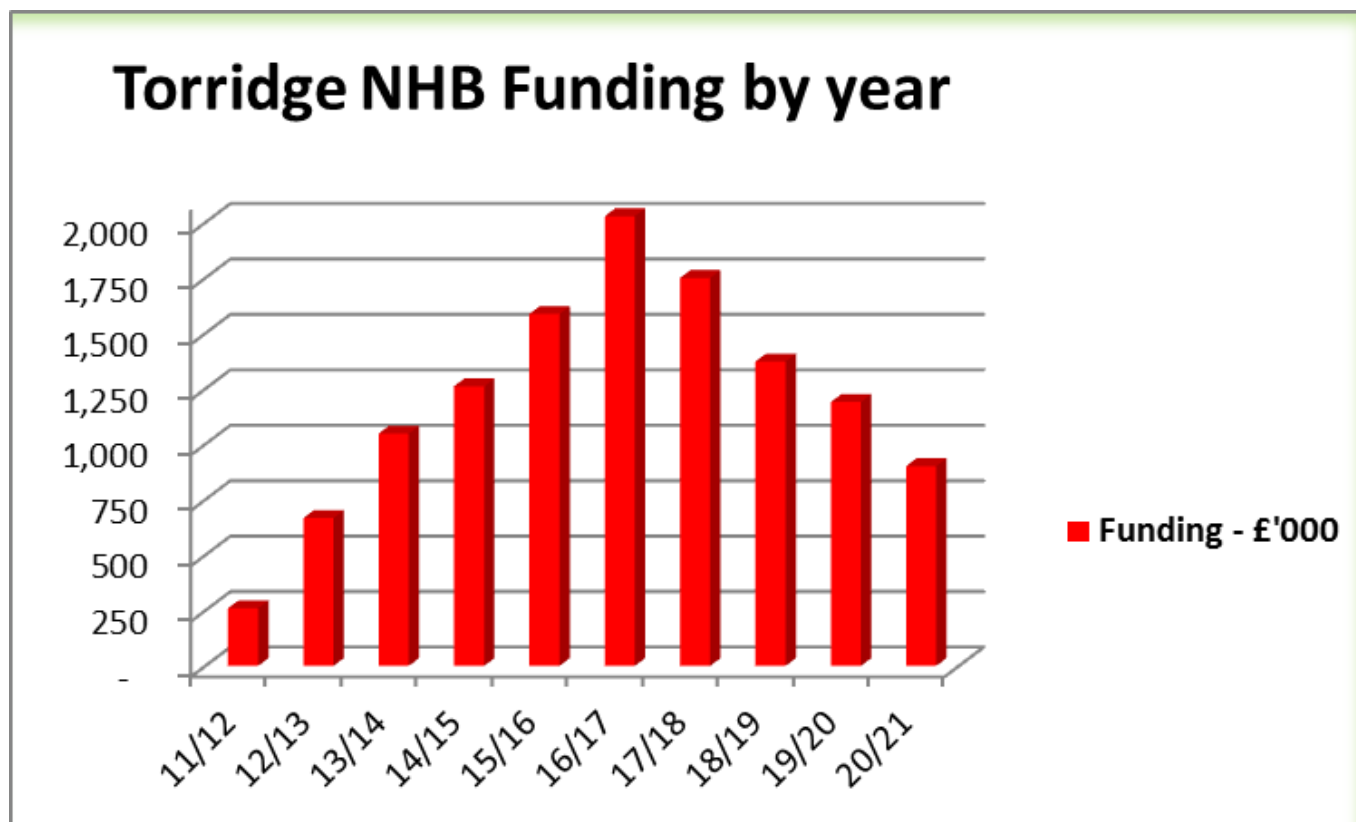
## 2. Why has New Homes Bonus funding reduced?

2011/12 was the first year that Councils received New Homes Bonus; when it was introduced Councils retained the benefit of NHB earned for **SIX** years, with effect from the financial year 2017/18 the benefit period dropped to **FIVE** years, and then **FOUR** years from 2018/19.

From 2017/18 Central Government introduced the deadweight adjust at 0.4%; essentially this means Councils are only rewarded for property growth above 0.4%; for Torridge this means **NO New Homes Bonus** is payable for the first additional 114 Band D Equivalent properties. Whilst the number of new properties varies from year to year; circa 250 band D properties are added to the Council's tax base each year. So currently approximately **45% of the new properties added to the Council's Tax base will not accrue any New Homes Bonus funding.**

In addition to the rules changes introduced by Central Government there has been a reduction in the number of new properties being built within Torridge in recent years

The graph below illustrates the impact of Central Government changes to NHB funding for Torridge Council.



### 3. Impact of reduced funding on Community Grants

In recent years New Homes Bonus funding has been allocated as follows:

50% is earmarked to support the Council's Capital Program  
25% being earmarked to support the Council's general revenue budgets  
25% for Community Grants.

Full Council on the 25<sup>th</sup> February 2019 approved a top slice of £115k from Community Grants to balance the revenue budgets.

**For 2019/20 the funding allocated for Community Grants was as below:**

Total New Homes Bonus Received	£1,190k
Less 75% allocated to Capital and Revenue	(£893k)
Less top slice to support revenue budget approved by Full Council Feb 2019	(£115k)
Less members grants 36 x £2k	(£ 72k)
Less officer support for grant administration	(£ 32k)
<b>Balance to allocate to General Community Grants</b>	<b>£78k</b>

**Essentially once New Homes Bonus income is circa £900k there aren't any funds available for General Community Grants.**

It should be noted that Government has indicated that 2020/21 will be the last year of New Homes Bonus Funding; whilst NHB will be replaced it is not known in what format any successor funding mechanism will take.