

New Homes Bonus (NHB) – November 2018

Appendix A

The mechanism of NHB has been sharpened since 2017/18. The Council received five years of payments in 2017/18, which reduced to four years in 2018/19. A 0.4% baseline was also introduced, which needs to be exceeded before any NHB payments are made. For 2018/19, measured against the total band D equivalents in the district, 0.4% equates to approximately 240 additional houses a year before we receive anything. The projected figures in figure (i) in *red italics* assume nothing changes and that the baseline and four years remains the same. Note that the number of band D equivalents built between October 2017 and October 2018 fell to 845 in comparison to an average of 1,100 in the previous three years.

Nothing changes - unlikely	Figure i	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
5 years in 2017/18	2011/12	379	379	379	379	379	379						
4 years from 2018/19	2012/13		390	390	390	390	390						
	2013/14			397	397	397	397	397					
	2014/15				776	776	776	776					
	2015/16					994	994	994	994				
	2016/17						1,462	1,462	1,462	1,462			
0.4% baseline	2017/18							1,186	1,186	1,186	1,186		
0.4% baseline	2018/19								1,185	1,185	1,185	1,185	
0.4% baseline	2019/20									810	810	810	810
0.4% baseline	2020/21										810	810	810
0.4% baseline	2021/22											810	810
0.4% baseline	2022/23												810
		379	769	1,166	1,942	2,936	4,398	4,815	4,827	4,643	3,991	3,615	3,240
Used to fund revenue		0	0	1,166	1,166	1,166	1,166	700	0	0	0	0	0
Used for BBH leisure centre		0	0	0	0	0	2,000	5,000	4,500	2,500	0	0	0
Used for investment property										3,000	3,000	3,000	3,000
One-off neighbourhood warden grant									150				
Added to / (drawn from) Reserves		379	769	0	776	1,770	1,232	-885	177	-857	991	615	240
Total Reserve figure		379	1,148	1,148	1,924	3,694	4,926	4,041	4,218	3,361	4,352	4,967	5,207

The government has retained the option of making adjustments to the baseline in future years, which is much more likely. Some further scenarios have been modelled. An increase in the baseline of 0.1% is equivalent to approximately 61 band D dwellings, which at the standard 2018/19 payment of around £1,590 per dwelling (of which 80% comes to the District) would reduce NHB by £78k to the Council.

In each of the modelled scenarios, the assumption is that house building continues at the same current rate, which may not be the case if the economy slows down.

Figure (ii) models a reduction of payments to three years with current 0.4% baseline.

Sharpened a little	Figure ii	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
5 years in 2017/18	2011/12	379	379	379	379	379	379						
4 years from 2018/19	2012/13		390	390	390	390	390						
3 years from 2019/20	2013/14			397	397	397	397	397					
	2014/15				776	776	776	776					
	2015/16					994	994	994	994				
	2016/17						1,462	1,462	1,462				
0.4% baseline	2017/18							1,186	1,186	1,186			
0.4% baseline	2018/19								1,185	1,185	1,185		
0.4% baseline	2019/20									810	810	810	
0.4% baseline	2020/21										810	810	810
0.4% baseline	2021/22											810	810
0.4% baseline	2022/23												810
		379	769	1,166	1,942	2,936	4,398	4,815	4,827	3,181	2,805	2,430	2,430
Used to fund revenue		0	0	1,166	1,166	1,166	1,166	700	0	0	0	0	0
Used for BBH leisure centre		0	0	0	0	0	2,000	5,000	4,500	2,500	0	0	0
Used for investment property										3,000	3,000	3,000	3,000
One-off neighbourhood warden grant									150				
Added to / (drawn from) Reserves		379	769	0	776	1,770	1,232	-885	177	-2,319	-195	-570	-570
Total Reserve figure		379	1,148	1,148	1,924	3,694	4,926	4,041	4,218	1,899	1,704	1,134	564

Figure (iii) models four years of payments with a 0.7% baseline scenario.

Sharpened a little	Figure iii	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
5 years in 2017/18	2011/12	379	379	379	379	379	379						
4 years from 2018/19	2012/13		390	390	390	390	390						
	2013/14			397	397	397	397	397					
	2014/15				776	776	776	776					
	2015/16					994	994	994	994				
	2016/17						1,462	1,462	1,462	1,462			
0.4% baseline	2017/18							1,186	1,186	1,186	1,186		
0.4% baseline	2018/19								1,185	1,185	1,185	1,185	
0.7% baseline	2019/20									570	570	570	570
0.7% baseline	2020/21										570	570	570
0.7% baseline	2021/22											570	570
0.7% baseline	2022/23												570
		379	769	1,166	1,942	2,936	4,398	4,815	4,827	4,403	3,511	2,895	2,280
Used to fund revenue		0	0	1,166	1,166	1,166	1,166	700	0	0	0	0	0
Used for BBH leisure centre		0	0	0	0	0	2,000	5,000	4,500	2,500	0	0	0
Used for investment property										3,000	3,000	3,000	3,000
One-off neighbourhood warden grant									150				
Added to / (drawn from) Reserves		379	769	0	776	1,770	1,232	-885	177	-1,097	511	-105	-720
Total Reserve figure		379	1,148	1,148	1,924	3,694	4,926	4,041	4,218	3,121	3,632	3,527	2,807

Figure (iv) models a pointed sharpening of both a reduction to three years of payments and a 0.7% baseline.

Sharpened a lot	Figure iv	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
5 years in 2017/18	2011/12	379	379	379	379	379	379						
4 years from 2018/19	2012/13		390	390	390	390	390						
3 years from 2019/20	2013/14			397	397	397	397	397					
	2014/15				776	776	776	776					
	2015/16					994	994	994	994				
	2016/17						1,462	1,462	1,462				
0.4% baseline	2017/18							1,186	1,186	1,186			
0.4% baseline	2018/19								1,185	1,185	1,185		
0.7% baseline	2019/20									570	570	570	
0.7% baseline	2020/21										570	570	570
0.7% baseline	2021/22											570	570
0.7% baseline	2022/23												570
		379	769	1,166	1,942	2,936	4,398	4,815	4,827	2,941	2,325	1,710	1,710
Used to fund revenue		0	0	1,166	1,166	1,166	1,166	700	0	0	0	0	0
Used for BBH leisure centre		0	0	0	0	0	2,000	5,000	4,500	2,500	0	0	0
Used for investment property										3,000	3,000	2,500	2,000
One-off neighbourhood warden grant									150				
Added to / (drawn from) Reserves		379	769	0	776	1,770	1,232	-885	177	-2,559	-675	-790	-290
Total Reserve figure		379	1,148	1,148	1,924	3,694	4,926	4,041	4,218	1,659	984	194	-96

Figure (v) models the NHB scheme ending with no new payments in 2020/21.

removed completely	Figure v	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
5 years in 2017/18	2011/12	379	379	379	379	379	379						
4 years from 2018/19	2012/13		390	390	390	390	390						
3 years from 2019/20	2013/14			397	397	397	397	397					
No new payment in 2020/21	2014/15				776	776	776	776					
	2015/16					994	994	994	994				
	2016/17						1,462	1,462	1,462				
0.4% baseline	2017/18							1,186	1,186	1,186			
0.4% baseline	2018/19								1,185	1,185	1,185		
0.4% baseline	2019/20									810	810	810	
Ended	2020/21												
Ended	2021/22												
Ended	2022/23												
		379	769	1,166	1,942	2,936	4,398	4,815	4,827	3,181	1,995	810	0
Used to fund revenue		0	0	1,166	1,166	1,166	1,166	700	0	0	0	0	0
Used for BBH leisure centre		0	0	0	0	0	2,000	5,000	4,500	2,500	0	0	0
Used for investment property										3,000	3,000	1,500	0
One-off neighbourhood warden grant									150				
Added to / (drawn from) Reserves		379	769	0	776	1,770	1,232	-885	177	-2,319	-1,005	-690	0
Total Reserve figure		379	1,148	1,148	1,924	3,694	4,926	4,041	4,218	1,899	894	204	204

Reliance on NHB to support revenue is being tapered down over the period from 2017/18 to 2018/19. This tapering period will enable the Council to take measures to increase income and phase in additional spending reductions to balance the budget as new homes bonus cannot be considered a permanent source of income, especially if it is included in 100% localisation of business rates. The table also assumes that NHB reserve is used to fully fund the capital project at Broadbridge Heath (BBH) leisure centre in addition to the £4m allocated in 2016/17 and in 2017/18 as previously approved by Cabinet. And that the £3m of commercial property investment each year starts to be funded from NHB once the BBH leisure centre is paid for, thus financing the purchases and reducing the MRP charge of an unfinanced asset.