

## New Homes Bonus (NHB) – November 2017

## Appendix A

Dec 2016 settlement for NHB		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
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				
Using current 0.4% baseline	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	
	2017/18							1,186	1,186	1,186	1,186
	2018/19								<i>1,186</i>	<i>1,186</i>	<i>1,186</i>
	2019/20									<i>1,186</i>	<i>1,186</i>
	2020/21										<i>1,186</i>
		379	769	1,166	1,942	2,936	4,398	4,815	<i>4,828</i>	<i>5,020</i>	<i>4,744</i>
	Used to fund revenue	0	0	1,166	1,166	1,166	1,166	700	250	0	0
	Used for BBH leisure centre	0	0	0	0	0	2,000	5,000	4,500	2,500	
	Used for investment property									2,000	3,000
	Added to / (drawn from) Reserves	379	769	0	776	1,770	1,232	-885	78	520	1,744
	<b>Total Reserve figure</b>	<b>379</b>	<b>1,148</b>	<b>1,148</b>	<b>1,924</b>	<b>3,694</b>	<b>4,926</b>	<b>4,041</b>	<b>4,119</b>	<b>4,639</b>	<b>6,383</b>

### Notes:

The 2016 Autumn Statement introduced changes to the mechanism of NHB. The Council received 5 years of payments in 2017/18, which will reduce to 4 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 *red italics* are subject to the announcement being made in the December 2017 settlement on the baseline. At this point too, no figures beyond 2020/21 are included on the assumption that payments may not continue into the 2020s. No decision has been made by central government and has not yet been confirmed.

Reliance on NHB to support revenue is being tapered down over the period from 2017/18 to 2018/19. This tapering period will enable us 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.

The government has retained the option of making adjustments to the baseline in future years. An increase in the baseline of 0.1% is equivalent to approximately 60 band D dwellings, which at the standard payment of around £1,530 per dwelling would reduce NHB by £90k. The second table models NHB with a 0.7% baseline which is more akin to the national average increase.

By 2020/21, an increase in the baseline from 0.4% to 0.7% could impact the Council's NHB by approximately £1.65m over the period.

<b>Dec 2016 settlement for NHB</b>		<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
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				
Using 0.7% baseline	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	
	2017/18							1,186	1,186	1,186	1,186
	2018/19								911	911	911
	2019/20									911	911
	2020/21										911
		<b>379</b>	<b>769</b>	<b>1,166</b>	<b>1,942</b>	<b>2,936</b>	<b>4,398</b>	<b>4,815</b>	<b>4,553</b>	<b>4,470</b>	<b>3,919</b>
	Used to fund revenue	0	0	1,166	1,166	1,166	1,166	700	250	0	0
	Used for BBH leisure centre	0	0	0	0	0	2,000	5,000	4,500	2,500	
	Used for investment property									2,000	3,000
	Added to / (drawn from) Reserves	379	769	0	776	1,770	1,232	-885	-197	-30	919
	<b>Total Reserve figure</b>	<b>379</b>	<b>1,148</b>	<b>1,148</b>	<b>1,924</b>	<b>3,694</b>	<b>4,926</b>	<b>4,041</b>	<b>3,844</b>	<b>3,814</b>	<b>4,733</b>

If the Government sharpened the incentive even further to houses over and above the requirement as set out in the Housing Planning Framework, the Council could have its own baseline of about 1.2%, and a reduction in NHB. This is modelled below from 2019/20 on the assumption of a gradual sharpening. The impact by the end of 2020/21 would be £2.8m compared to the baseline staying as it is at 0.4%.

Dec 2016 settlement for NHB		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
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				
Using 0.7% baseline in 2018/19	2013/14			397	397	397	397	397			
Using 800 homes as per the Housing Planning Framework as the baseline from 2019/20. Equivalent to about 1.2%	2014/15				776	776	776	776			
	2015/16					994	994	994	994		
	2016/17						1,462	1,462	1,462	1,462	
	2017/18							1,186	1,186	1,186	1,186
	2018/19								911	911	911
	2019/20									530	530
	2020/21										530
		379	769	1,166	1,942	2,936	4,398	4,815	4,553	4,089	3,157
	Used to fund revenue	0	0	1,166	1,166	1,166	1,166	700	250	0	0
	Used for BBH leisure centre	0	0	0	0	0	2,000	5,000	4,500	2,500	
	Used for investment property									2,000	3,000
	Added to / (drawn from) Reserves	379	769	0	776	1,770	1,232	-885	-197	-411	157
	Total Reserve figure	379	1,148	1,148	1,924	3,694	4,926	4,041	3,844	3,433	3,590

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