

## **New Homes Bonus Projection to 2016/17**

As at June 2012

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New Homes bonus for the first two years in Watford was £419,613 in 2011/12 and £1,516,361 in 2012/13. The large increase in 2012/13 is not expected to be repeated.

This analysis has considered information available to the council to make the best prediction we are currently able regarding the likely New Homes Bonus that the Council will receive between 2013/14 to 2016/17. (A summary of the way in which New Homes Bonus is calculated is attached at Appendix A)

The calculations contain the following assumptions:

1. The number of empty properties within different council tax bands in Watford will remain at current levels throughout the period of the projection.
2. The New Homes Bonus for each new property delivered in Watford will average £1,000 per annum (not including the £350 premium for any affordable homes). This is an approximation which is equal to a council tax (at national level) of £1,250 (£1,000 + £250, 80% Watford, 20% County) which is a little below Band C and is a fair estimate of the average bonus likely to be received in Watford based on past experience.
3. Annual completions have been assumed to be equally split between April to September and October to March, and for the CTB return to include completions for the first half of the year, but not the second.
4. For the purpose of the calculation, all completions are assumed immediately occupied.

### Housing Completions

The Annual Monitoring Report is the starting point for information on completions. This includes a projection of completions which is maintained by planning and updated periodically as new and revised information is received. For this analysis the data has then been amended following liaison with various council officers with specific knowledge of likely completions that differ from the projection, but have not yet been included in an annual updating exercise. The number of completions that are affordable have been collated in the same way, starting with planning and then factoring in knowledge from other council sources. The amendments made are detailed at Appendix B and the results of the exercise are shown in table 1. These figures have been used to calculate the likely New Homes Bonus.

<b>Table 1</b>	<b>All completions</b>	<b>Affordable completions</b>
2010 11	633	260
2011 12	417	95
2012 13	408	146
2013 14	427	88
2014 15	379	62
2015 16	110	30
2016 17	67	30

The timing of the payment is different for the main element and the affordable element (see Appendix A). Table 2 shows for each year how the bonus is made up from completions during a one year period for the main payment (source dates - main payment) and a different one year period for the affordable payment (source dates - affordable payment). The table also shows the relevant number of completions multiplied by the payments per completion.

<b>NHB Payment Year</b>	<b>Main payment</b>			<b>Affordable payment</b>		
	<b>Source dates</b>	<b>Completions</b>	<b>£1,000 each</b>	<b>Source dates (1<sup>st</sup> April to 31<sup>st</sup> March)</b>	<b>Completions</b>	<b>£350 each</b>
2013 14	Oct 11 - Oct 12	412.5	£412,500	2011 12	95	£33,250
2014 15	Oct 12 - Oct 13	417.5	£417,500	2012 13	120	£42,000
2015 16	Oct 13 - Oct 14	403	£403,000	2013 14	88	£30,800
2016 17	Oct 14 - Oct 15	244.5	£244,500	2014 15	62	£21,700

When the main element and the affordable element are added together they give the payments in table 3 – each of which is repeated for 6 years.

2013 14	£445,750
2014 15	£459,500
2015 16	£433,800
2016 17	£266,200

Table 4 shows how the payments total to give the projected New Homes Bonus up to 2016/17.

<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
£419,613	£419,613	£419,613	£419,613	£419,613	£419,613
	£1,096,748	£1,096,748	£1,096,748	£1,096,748	£1,096,748
		£445,750	£445,750	£445,750	£445,750
			£459,500	£459,500	£459,500
				£433,800	£433,800
					£266,200
<b>£419,613</b>	<b>£1,516,361</b>	<b>£1,962,111</b>	<b>£2,421,611</b>	<b>£2,855,411</b>	<b>£3,121,611</b>

### Sensitivity Analysis

Depending on various factors including the general economic situation and the health of the housing market, completions may not come forward as expected in this best case scenario. A further scenario has been completed in table 5 to test the impact of a 25% less completions each year.

<b>Table 5 (Worst Case)</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>
£419,613	£419,613	£419,613	£419,613	£419,613	£419,613
	£1,096,748	£1,096,748	£1,096,748	£1,096,748	£1,096,748
		£394,750	£394,750	£394,750	£394,750
			£355,125	£355,125	£355,125
				£325,350	£325,350
					£199,650
<b>£419,613</b>	<b>£1,516,361</b>	<b>£1,911,111</b>	<b>£2,266,236</b>	<b>£2,591,586</b>	<b>£2,791,236</b>

## Conclusion

Table 6 shows the expected worst case and best case scenarios for New Homes Bonus payments in Watford 2013/14 to 2016/17

<b>Table 6</b>	<b>Worst case</b>	<b>Best Case</b>
2013/14	£1,911,111	£1,962,111
2014/15	£2,266,236	£2,421,611
2015/16	£2,591,586	£2,855,411
2016/17	£2,791,236	£3,121,611

## Potential future changes

The Local Government Finance Bill contains provisions regarding current council tax exemptions. The proposed changes currently being consulted on may well impact on New Homes Bonus. The number of exemptions involved (class A, C and L) stand at 371 as at June 2012. Further information is required before we can make a more robust analysis of the impact, but ***the best and worst case scenarios have been recalculated below on the assumption that a) 371 less dwellings qualify for new homes bonus and b) the average impact per dwelling is £1,000 (this is consistent with other aspects of the projection.***

<b>Table 7 (Amended Best Case)</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>
£419,613	£419,613	£419,613	£419,613	£419,613	£419,613
	£1,096,748	£1,096,748	£1,096,748	£1,096,748	£1,096,748
		£74,750	£74,750	£74,750	£74,750
			£459,500	£459,500	£459,500
				£433,800	£433,800
					£266,200
<b>£419,613</b>	<b>£1,516,361</b>	<b>£1,591,111</b>	<b>£2,050,611</b>	<b>£2,484,411</b>	<b>£2,750,611</b>

<b>Table 8 (Amended Worst Case)</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>
£419,613	£419,613	£419,613	£419,613	£419,613	£419,613
	£1,096,748	£1,096,748	£1,096,748	£1,096,748	£1,096,748
		£23,750	£23,750	£23,750	£23,750
			£355,125	£355,125	£355,125
				£325,350	£325,350
					£199,650
<b>£419,613</b>	<b>£1,516,361</b>	<b>£1,540,111</b>	<b>£1,895,236</b>	<b>£2,220,586</b>	<b>£2,420,236</b>

<b>Table 9</b>	<b>Worst case</b>	<b>Best Case</b>
2013/14	£1,540,111	£1,591,111
2014/15	£1,895,236	£2,050,611
2015/16	£2,220,586	£2,484,411
2016/17	£2,420,236	£2,750,611

## Appendix A

New Homes Bonus is based on average council tax for the relevant council tax banding across the country for 6 years. Payments for 2010/11 and 2011/12 were both based on an average of £1439.33 for Band D as council tax was frozen.

For 2012/13 the average council tax for Band D is £1,444. The breakdown of the amount payable by band is shown in the table below. 80% of the payment comes to lower tier authorities and the remaining 20% goes to the upper tier.

		Ctax rate 2012/13	X 80%
Band A	6/9	£963	£770
Band B	7/9	£1,123	£898
Band C	8/9	£1,284	£1,027
Band D	9/9	£1,444	£1,155
Band E	11/9	£1,765	£1,412
Band F	13/9	£2,086	£1,669
Band G	15/9	£2,407	£1,925
Band H	18/9	£2,888	£2,310

Figures are taken from the council tax base return in October to calculate the main bonus for which payments are made in monthly instalments throughout the following year.

There is a premium for affordable homes of £350 per property for 6 years, but a different source is used (CLG table 1011) and the timing is out of sync with the main payment. The CLG table reports completions April to March. Completions 2012/13 will generate an affordable homes enhancement for new homes bonus in 2014/15. The diagram below indicates when payments are made in relation to when the homes are built.

	Apr 2011/12	Apr 2012/13	Apr 2013/14
Main data source (Ctax base return)	Oct 10 to Oct 11	Oct 11 to Oct 12	Oct 12 to Oct 13
Main NHB payment			
Aff homes data source (CLG table 1011)		Apr 11 to Apr 12	Apr 12 to Apr 13
Aff homes supplement payment			

Appendix B

	<b>Net annual completions Planning Monitoring table</b>		<b>Comments</b>	<b>Affordable housing</b>	<b>Affordable housing comments</b>
2010 11	633	633		260	
2011 12	328	417	2011 12 likely to come in above this figure - up to 417 - but additional dwellings need to be deducted from following year (+89)	95	Housing figures - possible some extra via developers that we are not aware of. This is 26 more than Planning monitoring previous projection
2012 13	497	408	(-89) see above comment	120	Planning monitoring figures previously 146 reduced by 26 (see above)
2013 14	427	427		88	Planning monitoring figures
2014 15	379	379		62	Planning monitoring figures
2015 16	70	110	Karen's figures previously didn't have Health Campus factored in until 2017/18 then based on 504 dwellings 100 a year. Following conversation with Tom, will include total of 620 (217 affordable) start 2015 16 - 40 a year of which 30 affordable (+40)	30	Revised Health Campus
2016 17	27	67	(+40)	30	Revised Health Campus