Executive – 10 October 2012

Present: Councillor Williams (Chairman)
Councillors Mrs Adkins, Cavill, Edwards, Hayward, Mrs Stock-Williams and Mrs Warmington

Officers: Brendan Cleere (Strategic Director), Tim Burton (Growth and Development Manager), Lesley Webb-Crookes (Housing Enabling Lead), Suzie Rea (Housing Regeneration Officer), Martin Price (Tenant Empowerment Manager), Paul Harding (Corporate and Client Services Lead), Tonya Meers (Legal and Democratic Services Manager) and Richard Bryant (Democratic Services Manager and Corporate Support Lead).

Also present: Councillors Nottrodt, T Slattery and A Wedderkopp.
Cathy Osborne (Savills Plc) and Mike Day and Wendy Lewis (Knightstone Housing Association)

(The meeting commenced at 6.15 pm.)

76. **Apology**

Councillor Mrs Herbert.

77. **Minutes**

The minutes of the meeting of the Executive held on 12 September 2012, copies of which had been circulated, were taken as read and were signed.

78. **Halcon North, Taunton Regeneration Project**

Reference Minute No. 6/2012, considered report previously circulated, which updated Members on the further work undertaken since the decision was taken to progress the project to the next stage.

This work had comprised a review of the Housing Revenue Account (HRA) Business Plan impact of a full-scale regeneration as well as further resident consultation and stakeholder engagement.

Halcon North comprised 7.25 hectares of housing land and approximately 220 dwellings and featured in the top 5% of the most deprived wards in the country. Although, much good work had been done over many years by a range of agencies, the deprivation indices currently showed no sign of improvement.

The rationale for the Project was that to make a real difference in the area required a physical shift in the type of place it was.

The project comprised the redevelopment of the entire area which covered Creechbarrow Road, Valley Road, Brendon Road and Moorland Road.

The Executive had previously decided to accept that the wider benefits of regeneration should outweigh any concerns around mix and tenure and to proceed to the next stage and the procurement of a developer.

However, opposition to a full scale regeneration from local residents, particularly around the reduction of HRA stock had continued over the month since.

A principle of this project had always been that to achieve the wider aspirations, a multi-agency approach and involvement of the local community would be needed.

As a result it was decided to take a step back and to re-engage with the community in order to ascertain whether the oppposition expressed truly represented the overwhelming view of the North Halcon community as a whole.

In addition, Savills had been asked to review the business plan impact of regeneration of the four streets concerned and its report was submitted for the information of Members.

The findings were based upon an assessment from stock condition data and details of rents for each of the 192 Council owned properties. It also gave income and expenditure projections and the HRA debt position.

The report had concluded that the significantly lower stock condition costs associated with these properties currently generated a net surplus in the business plan. This surplus was currently available as a contribution towards the servicing and repayment of the HRA debt, the investment in new homes and further investment in existing homes, estates and services.

This net surplus would be lost to the HRA if the 192 dwellings were to be demolished. Current Development Appraisals did not assume that there would be any residual capital receipt available from the redevelopment to replace net income loss to the HRA.

The report also identified actions that could be considered to reduce the impact identified. These included phasing redevelopment to reduce net income loss in the early years, although the end position would remain the same; or redefinition of the regeneration area to focus on smaller pockets of stock with the highest investment need.

Reported that further consultation with residents was carried out during late August 2012 by the Estates Team accompanied by members of the Tenant Services Management Board and Tenants Forum. 82% of households completed the questionnaire, the full results of which were also submitted.

52% of respondees supported the preferred option - full scale regeneration - although analysis of responses indicated that a number of the issues in this neighbourhood and improvements necessary to address such problems could be achieved without demolishing all the properties, for example, removing problem families, dealing with rubbish, removal of planters and reduced speeding.

The consultation had also revealed that whilst the majority of properties were only two bedroomed, most were occupied by three or less people. This implied that overcrowding was not widespread and that extension of some existing properties could therefore be a more proportionate response to this issue.

Although the Development Appraisal had indicated a maximum of 50 dwellings being returned to the HRA, the consultation had identified that 75 respondents would like to move back to the area as a Council tenant should redevelopment occur.

As well as consultation with local residents, discussions had been held with the various stakeholder organisations involved in the area, the results of which were as follows:-

The **Halcon Multi-agency Group** acknowledged that there were housing issues in the area, but that a solely housing regeneration would be an opportunity missed.

A phased approach to regeneration was supported, which could act as a catalyst for further change. It was felt that redevelopment should be linked to an overall master plan which identified opportunities for change across the entire estate and not just in the four streets the subject of the project.

The Group considered that a full scale and unphased redevelopment would cause issues around the school roll and upon neighbour and family support networks.

The **Tenant Services Management Board** considered the consultation responses and HRA Business Plan impact at its meeting on 24 September 2012.

Following a detailed discussion, the Board had concluded that they would not be happy with the loss of stock and recommended that the Council moved away from full scale redevelopment and looked instead at opportunities for smaller scale proposals to address the issues identified in the consultation.

The **North Halcon Residents Association** agreed that full scale redevelopment was not necessary to address the problems of the area and that existing family networks should not be broken up.

The Association had expressed the view that the existing properties were generally good solid houses which, where appropriate, could be extended and made more energy efficient. If the Council wanted to do something, a new school or medical centre was considered to be more important. Development should therefore be smaller scale and phased.

The Chairman invited Lisa Wychwood and John Beaman to address the Executive. Both re-iterated the points that had emerged from the consultations that had taken place with residents and the stakeholder groups. They were particularly pleased that local people had been listened to and thanked the Council for consulting further.

The Chairman also invited Mike Day of Knightstone Housing Association to speak.

Mr Day confirmed that Knightstone had worked on previous projects with the

Council and were willing to help again with regard to Halcon, if formally invited to do so. He also confirmed that funding from the Home and Communities Agency was currently available which could be used to provide up to 30 units of housing in the Halcon North area.

Reported that the matter had been debated at the meeting of the Community Scrutiny Committee the previous evening when it had been resolved that:-

“The Executive be recommended to consider the smaller scale, phased regeneration of Halcon North to include, where appropriate, extensions and refurbishment to the highest level of energy efficiency specification. This work to be carried out alongside a revised and clear focus on other means of tackling the multiple deprivation issues associated with this area.

This Committee was also pleased to note that the doctor’s surgery would be ready to open as early as January 2013, which was seen as a very positive step forward and long overdue”.

Following the latest consultations, the following factors had been identified:-

- The previously preferred option of a large-scale housing regeneration would have a negative impact on the HRA Business Plan;
- Although 52% of residents still supported the preferred option, analysis of the reasons would suggest that many of these aspirations could be achieved without full scale redevelopment of the four streets;
- More Council tenants would wish to remain Council tenants in the area than could be accommodated by the preferred option identified through the Development Appraisal; and
- Stakeholders still recognised the benefits that could be derived from physical regeneration, but generally felt that any regeneration should be small scale or phased and linked to a wider range of actions to address local issues (potentially more closely linked to Priority Areas Strategy outcomes).

Resolved that, in view of the consensus of opinion in favour of smaller scale regeneration in Halcon North, Taunton, options be explored with partners to access funding for smaller scale development whilst maintaining and improving retained Housing Revenue Account stock. Any regeneration would be linked to the Priority Area Strategy, be constructed to the highest energy efficiency standards practicable and to include full risk and community impact assessments.

79. **Retained Business Rates – Formation of a Somerset Rate Pool**

Considered report previously circulated, concerning proposals in the Local Government Finance Bill which would allow authorities to retain a proportion of the business rates revenue generated in a local area with effect from 1 April 2013.

Business rates retention was intended to provide incentives for local authorities to drive economic growth, as the authorities would be able to retain a share of the growth that was generated in business rates revenue in their areas, as opposed to the current system where all business rates revenues were held centrally.

The Government had announced that the share to be paid to them from business rates collected would be 50%. Therefore 50% of business rates could be retained locally.

The proposals did not include any changes to the system of business rates and that rate-setting powers would remain under Central Government control. The revaluation process would also remain unchanged.

For each authority, a funding baseline position would be set, based on their 2012 funding settlement and their average business rates collected over the last five years. The overall level of funding to each authority from Central Government for 2013/2014 would reflect the amount which would have been receivable from Formula Grant had there been no change to the system.

The business rates baseline would be achieved by first splitting the average business rates yield in each 'collection authority' in the following proportions:-

- 50% - to Central Government;
- 9% - to the County Council;
- 1% - to the Fire Authority; and
- 40% - retained by the District (the District's 'Business Rates Baseline')

In Taunton Deane's case, the amount represented by the 40% rates to be retained would then be compared against the authority's 'funding baseline'.

If the Business Rates Baseline was greater than the Spending Baseline then the difference would have to be paid to the Central Government as a 'Tariff'.

Conversely, if the Funding Baseline was higher, the Government would pay the authority the difference through a 'Top Up' payment.

In two-tier areas 80% of the local share of business rates (40% of total rates) would be retained by district councils. One of the consequences of this was that County Councils would be "top up" councils as their business rates income would fall a long way short of their funding needs. Districts in two tier areas would usually be subject to paying a tariff as their business rates income greatly exceeded their funding requirement. This was the case for all Somerset District Councils.

At the end of a financial year, The Department of Communities and Local Government (DCLG) would calculate whether a levy payment was due from an authority. This would be done by comparing an authority's pre-levy income under the Business Rates Retention scheme with its baseline funding level. An authority which increased its business rates by 1% would only receive a 1% increase in its overall spending power. Levies would be applied to tariff authorities only.

This meant that Taunton Deane, even if it grew its business rate base, would only benefit from a relatively small proportion of that growth and the remainder would be returned to the Government as a levy.

Further reported that the Local Government Finance Bill also allowed local authorities to form pools for the purposes of business rates retention. It was expected that pooling could offer local authorities an opportunity to retain more of the rates generated in their local areas and could allow them to use that additional revenue more effectively to drive future economic growth, which in turn should increase future business rates yield.

Modelling done so far had suggested that pooling by all Districts and the County Council would be beneficial and provide additional funding to spend. The financial advantage would be achieved due to there being a lower collective levy rate applied to growth as a pool than would be the case if the Somerset Councils acted alone – so the region would pay a reduced levy payment to the Government should growth occur.

Submitted for the information of Members a table which illustrated the possible benefits of pooling in Somerset, at different assumed business rate growth levels.

When authorities decided to enter into a pooling arrangement, a single funding baseline and single business rates baseline would be calculated for the whole pool. This had the effect of off-setting the District tariffs with the County's top-up, meaning that a combined tariff and levy would be applied to the pool's business rates revenue as opposed to this being applied to each individual authority. This could deliver significant collective benefits for those involved in the pool.

Noted that if a pool was dissolved then all member authorities would revert to their individual baselines, tariffs and levies.

Further reported that the Section 151 Officers within the six local authorities in Somerset had considered the advantages and disadvantages of pooling and believed the case for a county-wide pooled approach should be considered.

As a result, a non-binding expression of interest had been submitted to the DCLG before the deadline of 27 July 2012. Since then further discussions between the six Somerset Councils had taken place and the overwhelming consensus was that the formation of a Somerset Pool could provide significant local benefit and reduced financial risk. However, it was recognised that there could be an increase in financial risks in extreme cases where rate income within the pool fell dramatically and the impact and share of this risk would need to be agreed.

Final approval of pool membership, together with details of governance arrangements would require sign-off by each authority's Chief Executive and Section 151 Officer. This then had to be delivered to the DCLG by 9 November 2012.

The development of a Somerset Pool would be based on the following assumptions:-

- The significant additional funding retained in Somerset would come from the county-wide Somerset Pool having a significantly lower levy rate than individual Districts. This would mean that less of the growth in business rates would be paid over to central Government and would therefore remain in Somerset;

- The intention was that no authority would be worse off inside the pool, than if they had elected not to pool;
- The distribution methodology of any ‘bonus’ arising would need to consider the creation of a Somerset Safety Net to manage financial risk and hardship, recognise economic growth rates of individual authorities and support additional economic development projects; and
- That the risk of pool losses and their likelihood as well as methodology for dealing with any such losses was clear within the governance arrangements.

Reported that DCLG would announce the draft Local Government Finance Settlement in late November / early December 2012. This would set the starting point for the new business rates and would confirm the tariffs, top up and levy rates for each council, together with their spending baselines and should also confirm the benefits arising through this pooling arrangement.

Councils would have the opportunity, during the financial settlement consultation period, to decide to withdraw from a pooling arrangement if they decided that it did not offer the benefits they had thought. If this happened, then the DCLG legislation would require the pool to be immediately dissolved for 2013/2014 and the affected councils would have to restart the process of applying to create a new pool in the following year.

Resolved that it be agreed that:-

(a) Taunton Deane Borough Council should continue to progress forming a rating pool, comprising the five Somerset District Councils, together with the County Council for the financial year 2013/2014 (with effect from 1 April 2013);

(b) The detailed governance and operating arrangements of the pool be delegated to the Section151 Officer and Chief Executive, in consultation with the political Group Leaders;

(c) The County Council should continue to act as the lead authority and co-ordinator for the pool;

(d) The Chief Executive and Section151 Officer be empowered to sign on behalf of the Council to request DCLG to designate the Somerset Pool, in line with DCLG timescales, together with approval of the detailed governance arrangements; and

(e) If, on receipt of the provisional settlement figures, or if satisfactory arrangements for governance and surplus /loss sharing could not be agreed, that the decision to leave the pool be made by the Section 151 Officer and Chief Executive in consultation with the political Group Leaders.

80. **Executive Forward Plan**

Submitted for information the Forward Plan of the Executive over the next few months.

Resolved that the Forward Plan be noted.

(The meeting ended at 7.43 pm.)