

Taunton Deane Borough Council

Executive - 3 December 2015

New Homes Bonus – Funding towards Growth and Regeneration Priorities

Report of the Director – Growth and Development

(This matter is the responsibility of the Leader of the Council, Councillor John Williams)

1 Executive Summary

The purpose of this report is to outline proposals for the allocation of New Homes Bonus funding towards growth and regeneration priorities over the medium term.

2 Background

- 2.1 Growth remains a top priority for the Council. This commitment has been reflected over recent years, by members' allocation of New Homes Bonus (NHB) funding, primarily for growth and regeneration purposes.
- 2.2 In 2013, members approved a list of growth schemes that were intended to have 'first call' on NHB growth funding. The schemes, including total project cost estimated at the time, was as follows:
- Firepool infrastructure and planning (£3.5m)
 - Toneway Corridor Transport improvements (£23m)
 - Junction 25 Improvements (£9.2m)
 - Taunton Strategic Flood Alleviation works (£15m)
- 2.3 It was accepted that NHB receipts would not be sufficient to fund the above schemes in total and that a substantial funding 'gap' would remain in most cases. NHB funding could nevertheless provide an important 'match funding' contribution towards schemes, with support from other funding partners increasing the likelihood of delivery.
- 2.4 Since 2013, the Council has achieved significant success with partners in taking forward its growth priority. Although not an exhaustive list, particular examples of success include:
- Joint agreement (with Somerset County Council) of a *Growth Prospectus for Taunton*, establishing a clear vision for Taunton's economic success and a list of key growth projects to accelerate delivery.
 - Agreement of the *Taunton Rethink* – a refreshed vision for Taunton Town Centre and plans for key sites including Firepool, Coal Orchard and Market House area.

- Funding awards for major transport schemes, including Taunton Rail Station enhancement (£4.6m), Junction 25 improvement (£12m) and dualling of A358 between A303 and J25 (c. £275m).
- Completion of an in-depth study to understand the current and long term (100 years) future flood risk in Taunton, taking account of the proposed town centre developments, planned housing growth and the long term effects of climate change – and subsequent establishment of a joint project delivery team (TDBC and Environment Agency) for the next phase.
- Roll-out of superfast broadband to at least 90 per cent of properties through phase 1 of the *Connecting Devon and Somerset* programme in a £52m contract by end 2016. A further £45m phase 2 roll out will reach a minimum of 95 per cent of properties by end 2018.
- Development of an alternative and commercially viable proposal for the Firepool site, consistent with the *Taunton Rethink*, which will bring forward an exciting mixed use scheme providing over 1800 new jobs and high quality connections from the newly enhanced Railway Station, through to Coal Orchard and the existing Town Centre. A planning application for the scheme will shortly be submitted by the Council's development partner, St Modwen.
- Approval of a Delivery Strategy for the redevelopment of the Coal Orchard site, and appointment of consultants to progress the next phase.
- Transformation of the landmark Market House Building, providing a new home for the Taunton Visitor Centre as well as a new high quality restaurant.
- £1.2m funding for Wiveliscombe Enterprise Centre.
- Shared commitment of key partners to delivery of a major new strategic employment site adjacent to Junction 25, providing up to 4000 jobs and stimulating growth in higher value business. Significant progress has been made in the last 12 months, especially in securing major transport funding, and partners are aiming for first occupiers on site by 2018/19.
- Government funding for a dedicated delivery team for the Monkton Heathfield Urban Extension, providing 4,500 new homes.
- The establishment of strong governance arrangements, including key delivery partners, to build shared commitment and facilitate delivery of priority schemes. This has been a key ingredient in all of the successes highlighted above.
- A very positive report from a Peer Review carried out by the Local Government Association (LGA) in Summer 2015. The LGA commended the Council for making 'brave decisions' and said it was seen as a strong, pro-active and well respected growth partner whose vision is regarded as 'credible and deliverable'.

3 Use of New Homes Bonus – Funding for Growth

Refreshing Growth Funding Priorities

- 3.1 Having made significant progress as summarised above, it is now appropriate for the Council to renew and refresh its plans for allocation of New Homes Bonus, so that spending plans are aligned as far as possible with current and emerging growth priorities. Work has recently been undertaken to update and refresh the outline financial plans for investment in growth and regeneration.
- 3.2 A number of growth spend categories are proposed, reflecting the priorities established in the Taunton Growth Prospectus and aligned with the relevant plans and priorities of key partners, such as Somerset County Council, Environment Agency, Local Enterprise Partnership and the business community. Having such funds allocated will enable the Council to respond quickly to commercial and funding opportunities to support growth, which in turn will facilitate the realisation of Taunton's economic vision and key economic benefits (as defined in the approved Taunton Growth Prospectus), such as: new homes, new enterprises, new and better jobs, increased employment land – new office space and industrial land, and a vibrant town centre.
- 3.3 The table below outlines a number of growth spend categories and NHB commitment proposed for each category over the period 2016/17 – 2020/21:

Growth Spend Categories and Proposed NHB Commitment

Growth Category	Description	NHB commitment
Taunton Strategic Flood Alleviation	<p>Contribution towards a major flood alleviation strategy to enable growth and provide long term protection for properties.</p> <p>The scheme will comprise a large upstream alleviation facility, improvements to Town Centre defences and other measures to be determined.</p> <p>A phase 1 study has already been completed and a strong partnership has been established with the Environment Agency to take the strategy forward to detailed design and implementation. A bid to the Local Enterprise Partnership has been submitted and this has been included in a short list of top growth priorities for Somerset.</p>	£3m
Major Transport Schemes	Transport infrastructure is an important enabler of growth and this allocation will enable the Council to provide a degree of match funding towards priority transport schemes, such as Toneyway Corridor and Junction 25. It will also support investment in improving parking	£2.5m

Growth Category	Description	NHB commitment
	provision, access and signage in Taunton Town Centre.	
Town Centre Regeneration	A successful and high quality Town Centre is an important element within the Council's overall economic growth strategy. This allocation will enable investment to bring forward key sites such as Firepool, Coal Orchard, the riverside environment, Market House area, the Railway Station, and general improvements to town centre pedestrian environment	£2.5m
Employment site enabling and promoting enterprise and innovation	This allocation will be used to help remove barriers to the delivery of key employment sites in Taunton Deane and to support the development of innovation centres, working with educational establishments and employers to nurture skills in key areas and help new businesses set up and grow.	£4m
Marketing, promotion and inward investment	This category will enable the promotion of Taunton Deane as a destination for business, including dedicated campaigns and incentives to target priority growth sectors and support business growth and new investment. The LGA Peer Review recommended that the Council should boost its support for marketing and promotion, having made excellent progress on infrastructure projects to improve the environment for business.	£0.5m
Supporting Urban Extension Delivery	Taunton is Somerset's fastest growing settlement, with plans for three major urban extensions already under way or in the pipeline. This funding category will support the planning and delivery of key infrastructure for these new communities.	£4m
Preparation of Local Development Orders (LDOs)	Providing funding to prepare LDOs for key Town Centre sites and other strategic sites, facilitating business growth in Taunton Deane	£0.1m
TOTAL		£16.6m

3.4 The table below shows the proposed NHB funding allocation and indicative spend profile by category, and the NHB balance remaining in each of the financial years 2016/17 – 2020/21. The current projected closing balance (end 2015/16) for unallocated New Homes Bonus is an estimated £1.96m. This takes into account all approved and anticipated commitments to date.

Proposed NHB Allocation and Indicative Spend Profile

Growth project / category	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Total NHB allocation £
Taunton Strategic Flood Alleviation			1,000,000	1,000,000	1,000,000	3,000,000
Major transport schemes	400,000	800,000	1,000,000	300,000		2,500,000
Town Centre regeneration	500,000	750,000	750,000	500,000		2,500,000
Employment site enabling and innovation to promote Growth		2,000,000	2,000,000			4,000,000
Urban Extensions		1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Marketing, Promotion and Inward Investment	100,000	100,000	100,000	100,000	100,000	500,000
Preparation of LDOs	50,000	50,000				100,000
Total NHB allocation	1,050,000	4,700,000	5,850,000	2,900,000	2,100,000	16,600,000
Estimated NHB receipt	3,890,106	4,014,306	3,882,741	3,711,974	3,651,974	
Less allocation to annual GF budget	392,000	392,000	392,000	392,000	392,000	
Indicative year end unallocated NHB balance (rounded)	4,410,000	3,330,000	970,000	1,390,000	2,550,000	

Principles of Spending

3.5 The following are proposed as principles that will guide the spending of allocated NHB funds:

- A business case for funding should be provided to the Director and Portfolio Holder, justifying the proposed investment in terms of contribution to growth and regeneration priorities and/or potential for financial return.
- NHB contributions for physical infrastructure projects should normally be used as match funding, or to attract match funding, from other sources (public/private) as part of a total funding package. This issue will be considered as part of the business case mentioned above. It is noted that NHB funding on its own will not normally be sufficient to fund projects in their entirety.

- NHB funding in the above categories can be used to fund specialist expertise and project related costs that will be required to deliver key schemes, as well as costs associated with 'hard infrastructure'.
- The NHB funding allocation and indicative profile will be refreshed annually (in the Autumn), to ensure that spending plans remain aligned with an evolving picture of external funding secured, opportunities for new funding and new growth priorities.
- The profile of spending shown is indicative. With approval of the Director and relevant portfolio holder, spend may fall outside of the indicative years shown, within the overall sum allocated for the category and subject to sufficient NHB balance being available.
- The principles for NHB spend do not apply to the Community Infrastructure Levy (CIL), for which separate governance arrangements have been established.
- Decisions on project spend within allocated budgets will be taken by the Director – Growth and Development, in consultation with the Leader of the Council and the relevant Portfolio Holder.
- The Growth Steering Group will have an overview of all major spending on growth projects, and additional monitoring by Councillors will occur through on-going Budget Monitoring reports.
- Any significant single items of expenditure (with a value of more than £250,000) will be published in the Weekly Bulletin and therefore subject to the usual 'call in' process.

3.6 The request to support the above prioritisation of New Homes Bonus will enable these outline plans to be factored into the MTFP, with initial requests in respect of 2016/17 being included in the final budget proposals for next year. The medium term proposals are predicated on the NHB funding regime remaining in its current form and also that the levels of funding required are delivered through the annual NHB grant settlement. The proposals will be reviewed each year, and this will need to reflect affordability as well as any changes or updates to priorities.

4 Scrutiny Comments

- 4.1 This report was considered by the Corporate Scrutiny committee 17 November 2015 (as part of the Budget Update and Initial Savings Options report), where the proposed allocation of New Homes Bonus and principles of spending were supported for consideration by the Executive and Full Council.
- 4.2 The main observation made related to decision-making for project spend (ref final bullet point under 'principles of spending', section 3.5), and what level of decisions should be subject to the full democratic decision-making process. This has been subsequently reflected in revisions to the principles of spending (section 3.5).

5 Finance Comments

- 5.1 The New Homes Bonus Grant (NHB) is non-ringfenced which means the Council is free to decide on its use for additional funding towards the Council's key corporate priority of Growth and Regeneration. GF Revenue Estimates – para 5.15/5.16/5.17 (Exec 5 Feb 2015)
- 5.2 The strategic principle set out in the Budget Approach (Corporate Scrutiny 19 September 2013) is that all "unallocated" NHB will be set aside for investment in Growth and Regeneration. This approach is re-enforced by the incorporation of the principle in the framework of "High Level Principles" for future budget setting (MTFP update Sept 2014). Members are also reminded that as part of the Budget Strategy for 2016/17 there is a possibility that final budget proposals to be considered by Council in February will include a recommendation to use NHB reserves to help close the budget gap for next year.
- 5.3 The realigning of NHB funds will support the delivery of the Council's vision and is in-keeping with the aim to regenerate in several growth categories and in turn bring economic benefit and transformation to a wider geographical area.
- 5.4 The longevity of the New Homes Bonus funding arrangements cannot be guaranteed – there is a risk that Government policy could change.

6 Legal Comments

- 6.1 Each of the projects referred to may have legal implications and these will be assessed on a project by project basis.

7 Links to Corporate Aims

- 7.1 As stated in 2.1, Growth remains a top priority for the Council. This commitment has been reflected over recent years, by members' allocation of New Homes Bonus (NHB) funding, primarily for growth and regeneration purposes.

7.2 The council's commitment to 'growth' is reflected in TDBC's Corporate Business Plan, which includes the following strategic aims and objectives:

Aim 1) Quality sustainable Growth & Development:-

- Objective 1) Facilitate a significant increase in the number, quality and range of available houses within the Borough, including the highest achievable proportion of affordable housing
- Objective 2) Deliver the infrastructure necessary to bring forward development opportunities

Aim 2) A vibrant economic environment:-

- Objective 3) Improve the perception of Taunton as a regional centre of economic growth and a place to do business – attracting new businesses whilst supporting existing ones
- Objective 4) Increase the economic activity within the Borough including the number and value of jobs

Additionally, the Council approved the 'Growth Prospectus for Taunton' and Taunton Town Centre 'Rethink' in January 2014.

8 Environmental and Community Safety Implications

8.1 None for the purpose of this report.

9 Equalities Impact

9.1 None for the purpose of this report.

10 Risk Management

10.1 The TDBC Corporate Risk Register includes the following strategic risk:

- *If the Growth Programme is not successful in the delivery of its projects, there is a risk of failure to deliver the ambitions or realise the outcomes and benefits as defined in the Taunton Growth Prospectus and Taunton Rethink.*

10.2 The LGA Peer Challenge report (Sept 2015) also highlighted the following risks:

- *Resources need to be directed to growth priorities to avoid distraction and loss of capacity. Councils and elected Members are ambitious for their areas but at a time of greatly reduced local government resources it will be essential to maintain focus on agreed priorities. Not to do so could put at risk delivery on agreed corporate priorities, including economic growth.*
- *The Council is preparing to address an emerging financial gap of an estimated £1.26m* rising to a cumulative figure of £3.63m* by 2019-*

2020. The risk is that this could worsen if growth is not delivered as planned and highlights the importance of the economic growth priority and programme not only to the area but for the Council.

*Please note – these figures have recently been revised as reported in the Budget Update and Initial Savings Options report to Corporate Scrutiny 17 November 2015. The latest Medium Term Financial Plan now estimates a budget gap for 2016/17 of £1.339m, rising to £3.777m by 2019/20.

- 10.3 NHB income estimates will be influenced by the pace and mix of housing growth delivery, therefore forecasts within the MTFP are indicative only. Changes to the level of funding available will need to be taken into account as part of the annual review of growth spend categories and NHB commitments.

11 Partnership Implications

- 11.1 As described in section 3.5, Principles of spending - NHB contributions for physical infrastructure projects should normally be used as match funding, or to attract match funding, from other sources (public/private) as part of a total funding package. This reflects the reality that most 'growth' projects can only be delivered in partnership with other public and private sector organisations.
- 11.2 The 'Growth Prospectus for Taunton' is a joint publication between TDBC and Somerset County Council, and the growth projects outlined in this publication are endorsed by the Taunton Economic Advisory Board (key public, business and voluntary sector partners).
- 11.3 The Taunton Growth Programme and TDBC Corporate aims and objectives for growth link closely to the wider area's strategic growth objectives as defined in the Somerset Growth Plan, and Heart of the South West Local Enterprise Partnership (HoSWLEP) Strategic Economic Plan.
- 11.4 All 17 local authority partners within the HoSWLEP area are currently committed to developing a joint Statement of Intent towards a devolution deal with Central Government. *'Unlocking productivity by creating the right conditions for growth'* and *'improving connectivity and resilience'* are key ambitions at the core of this.

12 Recommendations

The Executive is recommended to seek the approval of Full Council to:-

- 12.1 Agree the principles of spending (as outlined within the report).
- 12.2 The proposed allocation of New Homes Bonus in 2016/2017 budgets (as part of the Budget approval process).
- 12.3 Incorporate growth spend categories and proposed NHB commitment for 2017/2018 to 2020/2021 within draft MTFP and Capital Programme (subject to annual review).

Background Papers

- MTFP – Corporate Scrutiny report Sept 2014
- Revised Capital Programme Budget Estimates – Full Council 10 Dec 2013
- LGA Peer Challenge report Sept 2015 (e-mailed to all Members 8 Oct 2015)
- A Growth Prospectus for Taunton (report to Executive Jan 2014)
- Taunton Rethink (report to Executive Jan 2014)

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