

# **Council Meeting – 13 December 2016**

## **The Proposed Use of the New Homes Bonus**

### **Motion proposed by Councillor Simon Coles and seconded by Councillor Simon Nicholls**

#### **Preamble**

The New Homes Bonus (NHB) was introduced in 2011 by the Coalition Government following political pledges to allow communities to gain more visible benefit from new development, such as minimising loss of amenity, traffic congestion, disruption during building and countering resistance to housing growth. NHB is currently paid over six years. It is very likely that this will be soon be reduced to four years, following negotiations taking place between Whitehall and the Local Government Association.

It was introduced as an inducement to Councils to replace their reliance on the diminishing Rate Support Grant, by increasing the tax flow of domestic rates through an increase in the number of new dwellings in the respective Council areas and the widening of the Tax Base.

However, it was never earmarked for the above purpose. It is widely recognised that many Councils have used this grant to alleviate the pressures arising from the austerity measures that Local Government has experienced since 2011. Taunton Deane has so far largely avoided this means of balancing its budgets.

As we are all aware, the Core Strategy Plan adopted by the Council in 2012 has led to an unprecedented rise in the infrastructure needs of Taunton Deane. The introduction of the Community Infrastructure Levy is likely to meet only some 25% of those needs. The property developers themselves are facing greater difficulties in obtaining a financial return on their investments. This in turn leads to lower numbers of affordable housing and difficulties in attaining all the District's needs in the fields of education, health provision, road provision, open spaces, cultural and leisure activities.

It is for this reason that we are setting out below recommendations to ensure that we ring fence all the present and future New Homes Bonus solely for infrastructure requirements.

#### **Recommendations**

##### **Part One**

- (1) The return to the Capital Reserves the sum of £1,218,000 identified in the paper tabled on 26 July 2016 to support the Transformation Case;

- (2) The withdrawal of the guarantee of a further £1,758,000 from the NHB towards the same transformation case, in the event of the Asset Management Strategy failing; and
- (3) That Taunton Deane Borough Council uses its borrowing powers to replace these funds (as they have done with the County Cricket Ground).

## **Part Two**

- (4) Taunton Deane Borough Council should consult communities about how they should spend the money, especially communities where housing stock has increased. The NHB should be used to serve the needs of these residents thus ensuring they see the benefits of growth in their area, to help and support the delivery of employment land and affordable homes.
- (5) All current and future income from the NHB should be ring fenced/set aside to improve infrastructure such as schools, roads, doctors' surgeries, flood control, open space provision, cultural and leisure activities in the areas that have directly been affected by the new growth.

## Taunton Deane Borough Council

### Motions to Council – Assessment Form

On receipt of a Motion from a Councillor, the Democratic Services Manager will carry out an assessment as to its contents to establish whether there are likely to be significant consequences to the Council should the Motion be carried at the subsequent Full Council meeting.

The first question to be addressed will be:-

“Can the Motion, if approved, be implemented without the need for any resource (financial and otherwise) to be identified outside existing budgets or staffing capacity?”

If the answer is ‘yes’, then the motion can proceed towards discussion and resolution.

An example of a Motion which would fall into the above category would be where the Council is being asked to lobby the Government, Somerset County Council or other body on a particular issue. If the motion is carried, the action required will usually involve no more than a letter being prepared and sent to the intended recipient.

However, as in the case of the recent Motion on ‘Legal Highs’, the answer to the above question would clearly be ‘no’.

In such circumstances, detailed analysis of the wording of the Motion will be required to identify what will be needed if the Motion – when it comes before Full Council – is carried.

Such analysis will include:-

- What additional resource would be required to ensure the Motion (if approved) could be implemented?
- What needs to be done to identify the level of resource necessary both in financial and staff terms?
- Are any approvals needed to provide these resources?
- Will this require reports to be submitted through Scrutiny and the Executive? If a Supplementary Estimate is required, Full Council approval will be required too.

If such analysis is required, the Democratic Services Manager will arrange for the attached pro-forma to be completed and this will accompany the relevant Motion onto the agenda of the Full Council meeting so all Members are aware that further investigation will be required before the Motion – even if it is carried – can be implemented.

## **Motions to Council – Assessment Pro-forma**

**(To be used in circumstances where it appears the wording of a proposed Motion will commit the Council to providing further financial or staffing resources which cannot be met from existing budgets)**

**Brief Details of the Motion –**

**That the Council should consider:-**

**Part One**

- (1) The return to the Capital Reserves the sum of £1,218,000 identified in the paper tabled on 26 July 2016 to support the Transformation Case;**
- (2) The withdrawal of the guarantee of a further £1,758,000 from the NHB towards the same transformation case, in the event of the Asset Management Strategy failing; and**
- (3) That Taunton Deane Borough Council uses its borrowing powers to replace these funds (as they have done with the County Cricket Ground).**

**Part Two**

- (4) Taunton Deane Borough Council should consult communities about how they should spend the money, especially communities where housing stock has increased. The NHB should be used to serve the needs of these residents thus ensuring they see the benefits of growth in their area, to help and support the delivery of employment land and affordable homes.**
- (5) All current and future income from the NHB should be ring fenced/set aside to improve infrastructure such as schools, roads, doctors' surgeries, flood control, open space provision, cultural and leisure activities in the areas that have directly been affected by the new growth.**

## Questions to be addressed

- ***What additional resource would be required to ensure the Motion (if approved) could be implemented?***

Set out below is an indication of the financial implications that would need to be considered should this Motion be approved on 13<sup>th</sup> December 2016. The information below is “indicative” and would need to be fully researched with the findings shared in a report to Full Council for their approval. Advice would be sought from our Treasury Management Advisors on the most advantageous treasury management approach to facilitating this additional borrowing.

For parts 1-3 of the Motion, the additional resource requirements would be the **financing costs** associated with additional borrowing. This would require Full Council approval to add the additional cost into the annual budget and MTFP. Under the current Minimum Revenue Provision (MRP) policy the borrowing would be charged to the Revenue Budget over 45 years through MRP. Interest costs over the same period would be at an assumed 3.1% PWLB interest rate, and the scenarios below are based on an Equal Instalment of Principal basis. Interest costs for an annuity loan would be much higher. It may be possible under the Council’s treasury management to reduce interest costs by taking any physical loan over a shorter period, taking advantage of cash flow balances. One-off loan arrangement fees of up to £1,340 would also be payable.

Desktop modelling, which needs to be properly worked up suggests the costs could be in the order of:-

Part One: £1,218,000 PWLB loan over 45 years:

MRP = £27,100 (rounded) per year for 45 years = Total £1,218,000. Interest costs = £19,150 (rounded) average for 10 years = Total £862,000. Total financing costs = £2,080,000 plus arrangement fees.

Part 2: £2,976,000 PWLB loan over 45 years:

MRP = £66,100 (rounded) per year for 45 years = Total £2,976,000. Interest costs = £46,800 (rounded) average for 45 years = Total £2,106,000. Total financing costs = £5,082,000 plus arrangement fees.

Part 3: set out in the answers above.

Part 4: resources would likely include officer time, communications materials/consumables and advertising costs.

Part 5, the Council has approved in principle to support £16.6m in growth and infrastructure priorities, subject to annual review. The Council also previously supported the strategic principle set out in the Budget Approach (Corporate Scrutiny, 19 September 2013) that all unallocated NHB will be set aside for investment in growth and regeneration – with a caveat that this may need to be revisited based on affordability. In the recommendations to 26<sup>th</sup> July 2016 FC, the proposal was agreed to reprioritise the Growth Plan to facilitate the spending on transformation.

- ***What needs to be done to identify the level of resource necessary both in financial and staff terms?***

Answer – Officer time would be needed to obtain treasury advice, determine the most advantageous approach to acquiring the loan finance – which could be through internal or external borrowing – and determine a recommended approach for approval by the S151 Officer. Implications would need to be incorporated in the budget plans, which would increase the Budget Gap to be addressed through the council’s planning processes.

- ***Are any approvals needed to provide these resources?***

Answer – Yes, Full Council approval required to add increased MRP and Interest Costs to the annual budget and MTFP.

- ***Will this require reports to be submitted through Scrutiny and the Executive? If a Supplementary Estimate is required, Full Council approval will be required too.***

Answer – Yes, budget proposals usually follow recommendations from Executive to Full Council, following consideration by Scrutiny.

#### **Likely timescale involved –**

If the Motion is supported the financial implications could be incorporated into the budget reports scheduled for Corporate Scrutiny in January and Executive/Full Council in February 2017.