

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Deputy Chief Executive (Place)

to
Cabinet

on

20th June 2017

Report prepared by:

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Community Infrastructure Levy (CIL) Annual Financial Report 2016/17

Place Scrutiny Committee: Cllr Mark Flewitt

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To provide Members with the CIL Annual Financial Report for the financial year 2016/17, and an update in respect of allocation and expenditure of CIL funding.
- 1.2 This report, including the following recommendation and **Appendix 1**, is being referred to Cabinet in accordance with the arrangements set out in the CIL Governance Framework (agreed by Members in June 2015).

2. Recommendation

- 2.1 That Members note the content of this report and agree the following recommendations:
 - 2.1.1 **To note the content of the CIL Annual Financial Report 2016/17 (included in Appendix 1), and agree to carry forward CIL Main Fund receipts to date to the next financial year (2018/19), when spending will be reviewed;**
 - 2.1.2 **To delegate authority to the Deputy Chief Executive (Place) (in consultation with Ward Members and the relevant Portfolio Holder responsible for Planning) to agree how the Ward Neighbourhood Allocation (excluding allocation to Leigh Town Council area) is to be spent.**

3. Background

- 3.1 Southend Borough Council became a CIL Charging Authority and commenced CIL charging in July 2015. At this time, the Council also adopted a CIL Governance Framework (2015) setting out an agreed approach to spending and reporting for the levy.

- 3.2 The CIL Governance Framework includes details on how the Council has agreed to manage the requirements of the CIL Regulations 2010 (as amended) in respect of CIL spending. These regulations require that 80% of CIL receipts (referred to as 'CIL Main Fund') are spent on items identified in the Council's Regulation 123 Infrastructure List to support growth across the wider borough area; and that 15% of each year's CIL receipts be spent on locally determined infrastructure in areas where development takes place (referred to as the 'Neighbourhood Allocation'). This is consistent with the Government's localism agenda and National Planning Practice Guidance. The intention of the Neighbourhood Allocation is that it is used by local communities to address the impacts of new development in their neighbourhood; hence, the apparent range of funding allocated to each ward as set out below. The amount of the Neighbourhood Allocation is a direct reflection of the quantum of development that has taken place within Leigh Town Council's (LTC) boundary or within each ward, and the associated CIL receipts.
- 3.3 The first CIL Annual Financial Report for 2015/16 was presented to Cabinet on 28th June 2016. Members agreed to carry forward CIL receipts at that point, except Leigh Town Council Neighbourhood Allocation, which has been transferred to LTC, and 5% administrative expenses, which has been spent. The total CIL receipts in financial year 2015/16 amounted to £13,903.89. This included £11,123.11 in the CIL Main Fund (80% of total receipts); £2,085.58 (15% of total receipts) Neighbourhood Allocation; and £695.20 (5% of total receipts) to be applied to administrative expenses.
- 3.4 In accordance with the CIL Regulations the CIL Annual Financial Report is to be published on the Council's website by 31st December 2017.
- 3.5 As explained in the CIL Governance Framework, it was expected that there would be an initial 'lag' period for CIL income due to the number of planning permissions already in place prior to CIL adoption and the fact that planning permissions can be implemented any time within 3 years. Therefore, Cabinet has previously agreed within the CIL Governance Framework that the first release of CIL funds should not take place until **April 2019** (i.e. CIL receipts carried forward each financial year until this point). However, it was also agreed that this arrangement would be reviewed annually.
- 3.6 The total CIL receipts in the last financial year amounted to **£224,307.80**. This includes £179,445.66 in the CIL Main Fund, which is to be spent on items identified in the Council's Regulation 123 Infrastructure List; £33,646.06 (15% of total receipts) Neighbourhood Allocation; and £11,216.07 (5% of total receipts) to be applied to administrative expenses.
- 3.7 By way of comparison, to illustrate the significant increase in CIL income in FY 2016/17, £4,650 was received in Q4 of 2015/16 (October, November and December 2015) and £90,817.15 was received in Q4 of 2016/17 (October, November and December 2016).
- 3.8 The £33,646.06 Neighbourhood Allocation income for 2016/17 includes the following:

Local Council Neighbourhood Allocation

- Leigh Town Council allocation £5,834.54

N.B. Allocation includes receipts within Leigh, West Leigh, Belfairs (part) and Blenheim Park (part) only i.e. those wards within LTC's jurisdiction

Ward Neighbourhood Allocation

- Chalkwell ward allocation £4,693.49
- Kursaal ward allocation £392.19
- Milton ward allocation £9,608.52
- Southchurch ward allocation £444.35
- St Laurence ward allocation £1,137.55
- Victoria ward allocation £1,236.23
- West Shoebury ward allocation £606.00
- Shoeburyness ward allocation £1,305.40
- St Lukes ward allocation £1,457.50
- Thorpe ward allocation £1,104.23
- Belfairs ward allocation (outside LTC boundary) £361.73
- Blenheim Park ward allocation (outside LTC boundary) £5,464.43

3.9 As required by CIL regulation 59A and 59D, £5,834.54 is being transferred to the "local council", Leigh Town Council; and in accordance with CIL regulation 61, £11,216.07 is being applied to general administrative expenses associated with CIL.

3.10 In accordance with CIL regulation 59C, "A local council must use CIL receipts passed to it in accordance with regulation 59A or 59B to support the development of the local council's area, or any part of that area, by funding –

(a) the provision, improvement, replacement, operation or maintenance of infrastructure; or

(b) anything else that is concerned with addressing the demands that development places on an area."

Leigh Town Council will have 5 years to spend CIL receipts.

3.11 The spending criteria referred to above also apply to the Ward Neighbourhood Allocation across the Borough.

4. Options

4.1 Although significantly greater CIL income has been received in 2016/17 in comparison to the previous financial year, it is anticipated that by the end of the current financial year the Council will be closer to the projected income of approximately £429,000/year. Therefore, it is considered more beneficial to wait for further receipts in the CIL Main Fund before deciding how to apply them; hence the recommendation to carry forward the CIL Main Fund until 2018/19 when it is expected that the Council will be closer to £500,000 to spend on strategic infrastructure to support growth. In accordance with the CIL Governance Framework, a CIL Infrastructure Business Plan (IBP) will be prepared at the start of 2018/19 for presentation to Cabinet in September 2018, for consideration and agreement of the CIL spending allocation set out therein.

It is noted that Ward Member discussions regarding how they will spend the Ward Neighbourhood Allocations, and the transfer of CIL neighbourhood funds to LTC, will not be affected by the content of the IBP as it relates only to spending of the CIL Main Fund.

- 4.2 If the recommendation set out in paragraph 2.1.2 is agreed, then in accordance with the procedure set out in the CIL Governance Framework, ward councillors will be invited after Cabinet to agree a Funding Bid by the end of September 2017 for how their Neighbourhood Allocation is to be spent. Ward councillors will be invited to engage with their local community at ward level to establish local infrastructure priorities/neighbourhood projects requiring funding.
- 4.3 More significant CIL receipts are anticipated over the next year. Therefore, an alternative option would be to wait until further CIL Ward Neighbourhood Allocation funds are received before deciding how to spend receipts to date.
- 4.4 If it is decided to pursue the alternative option set out in paragraph 4.3, and carry forward the 2015/16 and 2016/17 CIL Ward Neighbourhood Allocations to 2018/19, then the following amended recommendation will need to be agreed:

To note the content of the CIL Annual Financial Report 2016/17 and agree to carry forward CIL Ward Neighbourhood Allocation receipts to date (except Leigh Town Council Neighbourhood Allocation) to the next financial year (2018/19), when spending plans will be reviewed.

5. Reasons for Recommendation

- 5.1 In the context of strategic infrastructure projects, as set out in the Council's Infrastructure Delivery Plan (2015) and CIL Regulation 123 Infrastructure List (2015), the CIL receipts to date in the CIL Main Fund are relatively small sums of money. More significant CIL receipts are anticipated over the next year, and it is considered more beneficial to wait until these receipts are received before deciding how to apply them to infrastructure projects. Hence, it is recommended at 2.1.1 to carry forward the CIL Main Fund at this stage.
- 5.2 In the context of smaller scale neighbourhood infrastructure projects, aimed at addressing the localised impact development places on each ward, the sums received to date are by comparison more significant. Expenditure of the CIL Neighbourhood Allocation will directly benefit local communities and support development at a local neighbourhood level, and it is therefore recommended at 2.1.2 that Ward Members are given the opportunity in the current financial year to commence discussions regarding how they will spend the funds allocated to their wards.

6. Corporate Implications

6.1 Contribution to Council's Vision & Corporate Priorities

CIL income will be spent on community infrastructure that supports development in the Borough (as defined in the Council's published Regulation 123 Infrastructure List). As such, this will support a number of the Council's Corporate Priorities, including creating safer, cleaner, healthier and more

prosperous communities. CIL is therefore considered to be a key corporate priority.

6.2 Financial Implications

As expected, the previously projected CIL income of approximately £429,000/year is unlikely to be realised until 2018 as CIL has been in operation for less than 2 years and there will still be a number of extant planning permissions granted prior to a CIL Charging Schedule being in place. Also, it is difficult to estimate with any accuracy the likely income from CIL as any estimate is highly sensitive to multiple assumptions and variables such as exemptions and deductions.

6.3 Legal Implications

All procedures in relation to CIL implementation, collection and reporting must adhere to the Planning Act 2008 (as amended) and the Community Infrastructure Levy Regulations 2010 (as amended). The relevant CIL regulations have been set out in the CIL Annual Financial Report.

6.4 People Implications

None.

6.5 Property Implications

CIL should have a negligible impact on Council assets.

6.6 Consultation

If recommendation 2.1.2 is agreed, then ward councillors will be required to consult their local communities in relation to neighbourhood projects potentially benefitting from CIL.

6.7 Equalities and Diversity Implications

CIL income and the continuation of S106 planning obligations, as appropriate, contributes towards infrastructure and other community needs made necessary by development thus taking into consideration issues of equality and diversity.

6.8 Risk Assessment

6.8.1 Delays in spending of the CIL Neighbourhood Allocation could result in a negative response from local communities as the connection between growth from development and the provision of supporting local infrastructure will be less evident.

6.8.2 Conversely, there is also a slight risk in spending the Ward Neighbourhood Allocation too soon on small projects, rather than waiting until more substantial sums have been received. Carrying monies forward could mean that a bigger 'pot' could be spent on larger and potentially more effective projects that address the demands that development places on each local area. This same

consideration applies to the CIL Main Fund, hence the recommendation to carry forward this element of the CIL funding until 2018/19.

6.9 Value for Money

The CIL Charging Schedule is an important means of ensuring value for money for the wider community from development.

6.10 Community Safety Implications

None.

6.11 Environmental Impact

None.

7. Background Papers/Reference Documents

The Community Infrastructure Levy Regulations 2010
The Community Infrastructure Levy (Amendment) Regulations 2011
The Community Infrastructure Levy (Amendment) Regulations 2012
The Community Infrastructure Levy (Amendment) Regulations 2013
The Community Infrastructure Levy (Amendment) Regulations 2014
The Community Infrastructure Levy (Amendment) Regulations 2015
Southend Borough Council CIL Charging Schedule 2015
Southend Borough Council Regulation 123 Infrastructure List 2015
Southend Borough Council CIL Governance Framework 2015

8. Appendices

Appendix 1: Draft CIL Annual Financial Report 2016/17