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| Committee(s): Policy & Resources | Date(s): 02/05/2019 |
| Subject: City of London Community Infrastructure Levy – Approval of Neighbourhood Fund | Public |
| Report of: Carolyn Dwyer, Director of the Built Environment | For Decision |
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Summary

The City Corporation adopted a Community Infrastructure Levy (CIL) in 2014. National CIL Regulations require that 15% of CIL receipts be reserved for neighbourhood funding. Local authorities are required to engage with communities on how this neighbourhood funding should be used to support development of the area. Local authorities are required to report annually on the collection and use of CIL funds, identifying separately the amount of funds allocated to neighbourhood funding.

A consultation with City communities took place during December 2018 and January 2019. Responses were received from 17 City organisations and individuals, making 95 separate comments on the City Corporation's proposals. These comments variously support the proposed approach to the Neighbourhood Fund, sought clarification on how the Fund would operate, and suggested amendments to the design and operation of the Fund.

A number of changes are proposed to the draft Neighbourhood Fund in response to the comments. These include, providing for the determination of lower value funding applications by officers under delegation, whilst retaining the role of the Committee to determine higher value applications in excess of £50,000. A normal upper limit has been set on funds for any one project of 15% of outstanding funds at the time of application. Clarification has been provided on the reporting requirements for the Fund, including greater transparency in publishing details of applications and funding decisions. Clarification has been provided on those organisations that would be eligible to apply for funding, allowing applications from constituted resident and business organisations in the City. In response to community requests, amendments have been made to make the Fund more responsive to community-led projects and to allow for limited use of the Fund to cover robustly justified, time limited applications for revenue funding and maintenance, in accordance with national CIL Regulations.

The Neighbourhood Fund application process will be managed by the City Corporation's Central Grants Unit, with officer assessment of lower value applications and officer support to Committee in the consideration of larger applications. It is likely that administration will require a substantive post within CGU with additional resource for financial due diligence and management. These costs, and those incurred in service departments in operating the Fund are recoverable from the 5% of City CIL funds allowed to cover such costs in Regulations.

Recommendation

Members are recommended to:

1. Note the response to the consultation on the City CIL Neighbourhood Fund, set out in Appendix 1;
2. Approve the proposed approach to the City CIL Neighbourhood Fund, set out in Appendix 2, and
3. Subject to the approval of recommendation 2, delegate the approval of funding applications above £50,000 from the CIL Neighbourhood Fund to the Resource Allocation Sub-Committee.

Main Report

Background

1. Under the 2008 Planning Act and the Community Infrastructure Levy Regulations 2010 (as amended), a local authority may adopt a Community Infrastructure Levy (CIL) setting out how it will require contributions from development towards the cost of providing new infrastructure. A local authority adopting a CIL must set out the infrastructure it will fund through the CIL in a document known as a Regulation 123 List. CIL regulations allow for up to 5% of CIL receipts to be used to fund the administrative costs incurred in operating a CIL. Regulations also require that 15% of CIL receipts shall be reserved for neighbourhood funding, or 25% where there is a neighbourhood plan. Neighbourhood funding must be passed to a neighbourhood forum, parish or town council, where they exist. Where they do not exist (as in the City of London), the local authority will retain CIL neighbourhood funds but should engage with communities where development has taken place and agree with them how best to spend this element of CIL.
2. In accordance with national Planning Practice Guidance, local authorities should set out clearly and transparently how they will engage with communities and the use of the neighbourhood fund should match the priorities expressed by these local communities.
3. Regulations require that the neighbourhood fund must be used to support the development of the local council's area, or any part of that area. CIL Regulation 59F allows a wider scope of projects to be funded through the CIL neighbourhood fund than that allowed for other CIL funding, including:
 - a) the provision, improvement, replacement, operation or maintenance of infrastructure; (the same criteria as for other CIL funds) or
 - b) anything else that is concerned with addressing the demands that development places on an area (additional flexibility for neighbourhood fund).

In delivering against (b) above, the neighbourhood fund does not have to be spent in accordance with the local authority's CIL spending priorities (set out in its Regulation 123 List).

4. Local authorities are required to report annually on the collection and use of CIL funds, identifying separately the amount of CIL neighbourhood funds and how they have been used.

Current Position

5. The City of London CIL came into effect on 1 July 2014. At March 2019, the neighbourhood portion of the City CIL stood at £4.5 million.

Proposals

6. Draft proposals for the City CIL Neighbourhood Fund were considered and approved for consultation by the Policy & Resources Committee on 15 November 2019. Consultation took place between 3 December 2018 and 18 January 2019. Responses were received from 17 organisations and individuals, making 95 separate comments. Appendix 1 sets out a summary of the key issues arising from these representations and suggested amendments.

7. Key themes arising from the consultation included:

- That the process of considering applications for funding and the decision-making process should be more transparent.
- Use of the Fund should respond to local community needs and not be constrained by the City Corporation's Regulation 123 List or adopted City Corporation strategies.
- There should be an upper limit on Neighbourhood Funds allocated to individual projects to avoid a small number of projects using up the bulk of the available funds.
- Differences of opinion between resident community organisations and the business sector on whether developers and businesses should be able to apply for, and receive, Neighbourhood Funds.
- That applications to the Neighbourhood Fund should be considered at least quarterly, rather than twice a year, with a greater role for delegated authority for lower value applications.
- Potential to use Neighbourhood Funds to cover a wider range of projects than mainstream CIL, including provision for meeting maintenance costs and funding revenue expenditure.

8. Appendix 2 sets out a proposed City CIL Neighbourhood Fund, taking account of the comments received during the consultation process. Key changes proposed in response to comments received are:

- a. Greater clarity has been provided on the reporting mechanisms for the Neighbourhood Fund, setting out the annual monitoring that will be undertaken in line with national CIL Regulations. Greater transparency will be achieved through publication on the City Corporation's website of all applications for funding, approved applications and reasons for declining applications.
- b. Clarifying that applications for funding should demonstrate community support, removing the requirement that applications under £50,000 should align with the City's Regulation 123 List. Higher value applications, over £50,000, should have regard to and show whether they align with the Regulation 123 List or City Corporation strategies

- c. Introducing a normal minimum level of funding for which applications can be made, of £1,000, to ensure that very small applications do not lead to disproportionate administrative cost. Proposing a normal upper limit of 15% of CIL Neighbourhood Funds available at the time of application, to ensure that funding is not exhausted on a small number of schemes. Applications in excess of 15% can be considered in exceptional circumstances where there is demonstrable benefit to more than one of the City's communities and the proposal aligns with published City Corporation strategies.
 - d. Making provision for delegated authority to determine a proportion of applications, whilst retaining the requirement for Committee approval for larger value applications. Proposed thresholds are aligned with those already used by City Bridge Trust, requiring:
 - i. Applications under £25,000 – to be determined by officer delegation
 - ii. Applications between £25,000 and £50,000 – to be delegated to officers, in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee.
 - iii. Applications over £50,000 – determined by the Resource Allocation Sub-Committee, with advice from the officer Priorities Board.
 - e. Clarification that the 'local community' in the City includes residents, workers and businesses operating in the City. Developers are excluded from this definition as any mitigation or improvements proposed as a result of their developments should continue to be funded through other s106, s278 and general CIL funding. The revised guidance clarifies that individuals will not be eligible to bid for funding.
 - f. Amendment to the administrative process, to allow applications to be received at any time, with decisions taken through officer delegation normally considered within 12 weeks of receipt and those requiring consultation with the Chairman and Deputy Chairman within 16 weeks of receipt. Applications over £50,000 will be considered on a quarterly basis through the officer Priorities Board and the Resource Allocation Sub-Committee.
 - g. Clarification that Neighbourhood Funds can be used to fund time-limited revenue costs, including maintenance. Requests for revenue funding should be clearly justified, showing demonstrable community benefit, and should be time limited to a maximum of 5 years, to avoid creating long term commitments on the Neighbourhood Fund. The City Corporation will not commit to providing CIL funding beyond the agreed time period and will need to be satisfied that alternative funding is in place if the proposed project is intended to continue beyond 5 years.
9. Management of the City CIL Neighbourhood Fund process will be aligned with the City's existing grant allocation process, through the Central Grants Unit (CGU). Applications for funding will be made using an online application form on the CIL page of the City Corporation's website. Processing of these application forms will be undertaken by the CGU, with delegated funding decisions and advice to Committee being made by an officer panel, chaired by a Chief Officer and drawn from the CGU, the Department of the Built Environment and other Departments as required. Payment of funds and management of financial procedures will be

handled by the CGU. It is likely that these administrative functions will support a substantive post within the CGU with additional resource required for financial due diligence and management. Costs incurred by the CGU in fulfilling this function and by service Departments will be recovered from the 5% of all CIL funds that are available to fund the administrative costs of delivering CIL.

10. The consultation on the draft Neighbourhood Fund asked respondents to suggest priorities for use of the Neighbourhood Fund and any specific projects that could be funded. Many of the suggested priorities would fall within the wider definition of CIL fundable infrastructure on the City's Regulation 123 List, others could be considered as part of a future revision to this list. The suggested priorities are set out in Appendix 1. Appendix 1 also lists specific projects suggested by respondents to the consultation, many of which seek improvements to existing open spaces to provide enhanced facilities for residents, workers and visitors. It is likely that a number of these projects will form the basis of applications for funding once the Neighbourhood Fund is operational. It is suggested therefore that the lists of projects and priorities received should be used as a guide in the consideration of applications to the Fund, as well as informing the future development of City strategies and the use of other CIL and s106 monies. City Communities will be consulted annually on their community priorities. This consultation will enable communities to suggest priorities for the City CIL Neighbourhood Fund. A full review of the Neighbourhood Fund, including priorities and governance, will be undertaken at least every 5 years.

Corporate & Strategic Implications

11. Corporate Plan Implications: Adoption of a mechanism enabling City communities to bid for funding from the City CIL Neighbourhood Fund will enable community-led infrastructure improvements across the City and contribute towards meeting the 3 aims of the Corporate Plan 2018-23, particularly Contribute to a Flourishing Society and Shaping an Outstanding Environment.
12. Security Implications: The proposal to create a Neighbourhood Fund fulfils a statutory requirement for the spending of CIL. There are no direct security implications, though future funded projects may bring security benefits.
13. Financial Implications: The proposed City CIL Neighbourhood Fund would make use of that proportion of City CIL monies which are required by statute to be used to assist in the delivery of new infrastructure to meet community needs (15% of CIL funds). The costs of management of the grant application process will be met through the 5% of CIL funds set aside by statute to cover CIL administration.
14. Equalities and resourcing implications: The proposed City CIL Neighbourhood Fund has been subject to an Equality Analysis Test of Relevance. This has concluded that there are no impacts arising from these proposals for protected groups and that a full Equality Analysis is not required.
15. Delivery of the Fund will be through existing staff resources in Departments. It is likely that administrative functions will support a substantive post within the CGU with additional resource required for financial due diligence and management.

These additional staff resource requirements could be met through allocation of some of the City CIL funds set aside by statute to cover administration costs.

Conclusion

16. Community Infrastructure Levy legislation requires local authorities to reserve between 15% and 25% of CIL receipts for neighbourhood funding. Where there is no recognised parish or town council or neighbourhood forum, the local authority will retain the neighbourhood fund but must spend it on infrastructure which meets community needs. The local authority must consult the community on how these funds will be used.
17. Public consultation on draft proposals for a City of London CIL Neighbourhood Fund took place in December 2018 and January 2019. Responses were received from 17 organisations and individuals, making 95 separate comments. These comments variously support the proposed approach to the Neighbourhood Fund, sought clarification on how the Fund would operate, and suggested amendments to the design and operation of the Fund.
18. A number of changes are proposed to the draft Neighbourhood Fund in response to the comments, including: providing for determination of a proportion of funding applications by officers under delegation, whilst retaining the role of the Committee to determine applications in excess of £50,000; a normal upper limit on funds for any one project of 15% of outstanding funds at the time of application; clarification of the reporting requirements for the Fund; clarification on those organisations that would be eligible to apply for funding, but allowing applications from constituted resident and business organisations in the City; and amendments to make the Fund more responsive to community-led projects and to allow for use of the Fund to cover robustly justified, time limited applications for revenue funding and maintenance.
19. The Neighbourhood Fund application process will be managed by the City Corporation's Central Grants Unit, with officers assessing applications and providing support to Committee in the consideration of larger applications. The administrative cost incurred in operating the Fund is recoverable from the 5% of City CIL funds allowed to cover such costs in Regulations.

Appendices (contained within separate appendices pack)

Appendix 1 – City CIL Neighbourhood Fund – Key Themes arising from public consultation

Appendix 2 – Proposed City of London Community Infrastructure Community Levy Neighbourhood Fund

Background Papers

Report to Policy & Resources Committee 15/11/2018: City of London Community Infrastructure Levy –Neighbourhood Portion Proposed Governance Arrangements, Grant Application Process and Assessment Criteria

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