

Committee(s): Resource Allocation Sub Committee – For decision	Date(s): 23/01/2020
Subject: Community Infrastructure Levy (CIL)	Public
Report of: Chamberlain	For Decision
Report author: Julie Smith, Acting Deputy Director, Financial Services	

Summary

At the meeting of your Committee on 12th December 2019 Members agreed in principle to the centralisation of the various CIL pots (other than the neighbourhood and admin pots) to maximise flexibility of the capital programme – subject to a detailed report in January 2020. This report, therefore, outlines the current governance arrangements and the proposed changes to those arrangements to better align expenditure with corporate capital priorities for Members approval.

The City of London Community Infrastructure Levy (CIL) was adopted by the City Corporation on 1 May 2014 and implemented from 1 July 2014.

The current governance procedures have been in place for 5 years, having been agreed by Policy & Resources Committee on 21 November 2013. Changes in Corporate ambitions and changes to CIL regulations mean that it is an opportune time to review CIL allocation and governance procedures.

At the time of writing this report £25.9 million of CIL receipts is currently unallocated and available for allocation to infrastructure projects that meet the regulatory criteria.

Recommendation(s)

Members are asked to:

- Note that up to 5% of CIL receipts are required to be retained for the Administration of CIL.
- Note that 15% of CIL funds are required to be set aside for neighbourhood funding and the procedures agreed by Policy & Resources Committee to manage applications for funding.
- Agree that the existing service-based allocations (80% of CIL receipts) be replaced with a single CIL funding pot and that CIL monies should be aligned to the annual capital bids process where these also accord with CIL regulatory requirements.

Main Report

Background

1. At the meeting of your Committee on 12th December 2019 Members agreed in principle to the centralisation of the various CIL pots (other than the neighbourhood and admin pots) to maximise flexibility of the capital programme – subject to a detailed report in January 2020.
2. The City of London Community Infrastructure Levy (CIL) was adopted by the City Corporation on 1 May 2014 and implemented from 1 July 2014.
3. Governance arrangements for the management of CIL were agreed by Policy & Resources Committee on 21 November 2013. The arrangements agreed set out a decision-making structure and broad spending priorities with scope for the processes to be refined by Resource Allocation Sub Committee (RASC) in the light of practical experience.
4. 55% of CIL income was ‘pre-allocated’ to 3 service committees (40% to Planning & Transportation, 10% to Community & Children’s Services and 5% to Open Spaces and City Gardens). Spending within the financial limits of these pots was to be the responsibility of the service committee, with annual monitoring to Resource Allocation Sub-Committee.
5. For the remaining 45% of CIL income, up to 5% was set aside to cover CIL administration, 15% for the CIL Neighbourhood Fund (both are regulatory requirements) and 25% set aside for determination by Members through Resource Allocation Sub-Committee.
6. An Officer Corporate Priorities Board, chaired by the Town Clerk and including chief officers from Chamberlains, Built Environment, Community & Children’s Services, Open Spaces, and Surveyors, meets quarterly to consider CIL spending bids and make recommendations for spending to the Resource Allocation Sub-Committee
7. Members of Resource Allocation Sub-Committee subsequently requested oversight of all CIL spending, including the pre-allocated pots, and all CIL expenditure is now determined by the Sub-Committee on advice of the Corporate Priorities Board.
8. On 1st September 2019, revised CIL Regulations came into effect and will need to be reflected in future governance arrangements:
 - Restrictions on the spending of s106 planning obligations alongside CIL have been lifted, providing much greater flexibility on how projects can be funded through development.
 - The requirement to publish a list of types of infrastructure to be funded through CIL (the Regulation 123 List) has been replaced with a requirement to produce an annual Infrastructure Funding Statement (IFS), setting out CIL and s106 income and expenditure at individual project level and including an

annual statement of spending priorities for the year ahead. The spending priorities statement should demonstrate how CIL and s106 contributions will be used to deliver the strategic policies of the local plan, including any specific infrastructure projects. This IFS will need to be publicly available on the City Corporation's website. The first IFS is required to be published by 31 December 2020, reporting on CIL funds received and spent in 2019/20 and setting out the City Corporation's priorities for spending. Corporate spending priorities agreed through this Governance Review will need to be incorporated into this first IFS.

Current Position

9. The current CIL governance procedures have been in place for 5 years. Changes in Corporate ambitions and changes to CIL regulations mean that it is an opportune time to review CIL governance. Resource Allocation Sub-Committee have requested a review of CIL governance to ensure greater alignment of CIL expenditure with Corporate capital projects and the Corporate Plan.
10. At the time of writing this report £33.6 million of CIL had been received, £7.7 million allocated to projects, of which £1.5 million has been spent, leaving a balance of £25.9 million available for allocation to infrastructure projects that meet the CIL regulatory criteria.

Proposed Changes to Governance Procedures

11. Changes in CIL Regulations have created more flexibility in how local authorities can spend CIL and address changing corporate and infrastructure requirements. Reflecting these regulatory changes and the request from Resource Allocation Sub-Committee for greater oversight of CIL expenditure, it is proposed that the governance procedures be changed as follows:
 - CIL Administration – Up to 5% of City CIL receipts will continue to be set aside to cover the staff and IT costs associated with day to day implementation and monitoring of CIL. If less than 5% is expended in each financial year, the remaining funds will be transferred to general CIL spending.
 - CIL Neighbourhood Fund – 15% of CIL receipts must be set aside for neighbourhood funding. A CIL Neighbourhood Fund is being established and is due to go live early in 2020, with bids for funding managed by the Central Grants Unit. The process agreed by Policy & Resources Committee on 2 May 2019 envisages the creation of an officer panel, chaired by a Director, to determine grants of under £25,000 under delegation, grants of £25,000 to £50,000 to be determined by this panel with sign off by the Chairman/Deputy Chairman of Resource Allocation Sub-Committee, and grants of over £50,000 to be determined by the Sub-Committee with advice from Corporate Priorities Board. The composition of the officer panel to consider funding requests has yet to be determined.

- Remaining CIL Funds – comprising 80% of CIL receipts. Existing service-based allocations would be replaced with a single CIL funding pot. All service-based funding bids for CIL monies would be aligned to the annual capital bids process. This will allow for greater alignment of CIL expenditure with corporate capital priorities (where these also accord with CIL regulatory requirements).

Corporate & Strategic Implications

12. The use of City CIL accords with the Corporate Plan aims of shaping outstanding environments, contributing to a flourishing society and supporting a thriving economy. It particularly addresses Outcome 4 that communities are cohesive and have the facilities they need, Outcome 9 that we are digitally and physically well connected and Outcome 12 that our spaces are secure, resilient and well-maintained.

Financial Implications

13. Replacing the service based CIL pots with a single CIL funding pot supports the Fundamental Review requirement to align spending to corporate priorities. Service Committees are consulted on their project priorities as part of the annual capital bids and estimate setting process.

Conclusion

14. The current CIL governance procedures have been in place since implementation of the City CIL in July 2014. Changes to CIL Regulations allow for greater flexibility in the use of CIL receipts, this along with the Fundamental Review and subsequent introduction of an Annual Capital Bids process mean that it is an opportune time to review CIL allocation and governance procedures.
15. Members are requested to agree that the existing service-based allocations (80% of CIL receipts) be replaced with a single CIL funding pot and that CIL monies should be aligned to the annual capital bids process where these also accord with CIL regulatory requirements.

Appendices

None

Background Papers

- Report to Policy & Resources Committee 21/11/2013 (Public): City's Community Infrastructure Levy (CIL): Governance Arrangements and Broad Spending Priorities
- Report to Policy & Resources Committee 2/5/2019 (Public): City of London Community Infrastructure Levy – Approval of Neighbourhood Fund.
- Report to Resource Allocation Sub Committee, 12 December 2019 (Public): Capital Funding – Prioritisation of 2020/21 Annual Capital Bids

Julie Smith

Acting Deputy Director, Financial Services, Chamberlain's Department

T: 020 7332 1344

E: Julie.smith@cityoflondon.gov.uk