

Committee(s):	Date(s):	Item no.
Planning & Transportation Policy & Resources	15 th October 2013 21 st November 2013	
Subject: City's Community Infrastructure Levy (CIL): Governance Arrangements and Broad Spending Priorities	Public	
Report of: Town Clerk, Chamberlain and Director of the Built Environment	For Decision	
<p style="text-align: center;"><u>Summary</u></p> <ul style="list-style-type: none"> • The City Corporation agreed its Draft CIL Charging Schedule in July 2013 and it is expected that this will be the subject of public examination in late 2013 with the resultant City CIL being operative from April 2014. Therefore the City Corporation needs to agree the procedures to be used to decide the broad spending priorities and the infrastructure projects to be funded by City CIL and scaled-back planning obligations from April 2014. The City CIL would then operate alongside the revised City planning obligations, the Mayoral CIL for Crossrail and the Mayor's planning obligations for Crossrail. • This report proposes a decision-making structure and broad spending priorities to be refined by the Resource Allocation Sub Committee. The report also proposes setting up an officer Priorities Board led by the Town Clerk to assist the Sub Committee in refining the broad approach and in making subsequent decisions on infrastructure spending priorities. • Paragraphs 7-14 describe the proposed approach which is summarised in Appendices A and B. The proposed approach would give service committees autonomy over some allocated CIL funds while retaining the Member overview role of Resource Allocation Sub Committee and its ability to allocate the remaining CIL funds consistent with current corporate priorities. A major benefit of this approach is that Resource Allocation Sub Committee will be able to take full account of other infrastructure spending priorities and commitments relating to planning obligations, the on-street parking reserve and TfL grants when making City CIL infrastructure spending decisions. This will make it possible to maximise the cumulative benefit of coordinated infrastructure investment across many sources of funding. • The broad spending priorities proposed comprise public realm and transport improvements, social and community enhancements, open spaces and neighbourhood infrastructure, plus an unallocated contingency 		

element for Member prioritisation. This approach would enable the City CIL to help fund the local infrastructure needed to complement expected growth in the City as set out in the City's Infrastructure Delivery Plan and the City's adopted development plan (Core Strategy 2011).

Recommendations

Members are asked to:

- Agree the broad approach to decision-making and spending priorities for the City CIL and revised planning obligations as set out in Appendices A and B.
- Agree to the creation of a Priorities Board led by the Town Clerk to assist Resources Allocation Sub Committee in refining the broad approach and in making subsequent decisions on infrastructure spending priorities.

Main Report

Background

1. The Planning Act 2008 introduced the Community Infrastructure Levy (CIL), a levy charged on new development to provide funding to mitigate the impact of development and deliver new infrastructure. CIL Regulations providing further detail were originally published in 2010 and these have since been amended several times to take account the Localism Act 2011 and other refinements made by the Government. The Government's CIL proposals were originally intended to replace the existing use of planning obligations (Section 106 agreements) but the amended regulations recognise that planning obligations will need to continue in a scaled-back form alongside the CIL.
2. Within London, the Mayor, London boroughs and the City Corporation are able to set a CIL. Since April 2012 the Mayor has applied a Mayoral CIL which is contributing towards the funding of Crossrail. The City Corporation collects the Mayoral CIL payable on City developments and forwards it to the Mayor. The City Corporation is able to set a separate City CIL to help address local infrastructure needs. However the City CIL must take account of the existing Mayoral CIL liability so that the combined CIL liability does not adversely affect the general viability of development in the City.
3. The process for setting a City CIL rate is prescribed by regulations and involves development viability testing, two rounds of public consultation (held January-March and July-October 2013) and a public examination before the rate is finalised. The City Corporation agreed its Draft CIL Charging Schedule in July 2013 and it is expected that this will be the

subject of public examination in January 2014 with the resultant City CIL being operative from April 2014.

4. Current CIL regulations provide that the City's s106 planning obligation pooling arrangements can continue in their current form until a City CIL is adopted, or April 2014, whichever is the sooner. Although this date may be extended by the Government it is prudent to prepare for the operation of a City CIL from April 2014. This preparation includes agreeing the procedures to be used to decide the broad spending priorities and the infrastructure projects to be funded from City CIL and other external sources. These matters are addressed and a proposed approach is set out in this report.

Regulatory Context for City CIL Spending on Infrastructure

5. The Planning Act 2008 and subsequent CIL Regulations set the context for the spending of City CIL funds on infrastructure. There are significant differences between the new CIL rules and the existing planning obligations rules that justify a new approach:
 - Planning obligations spending should be related to the development that generated the funds in accordance with the signed agreement, whereas City CIL income can be accumulated in a fund or 'pot'. The subsequent CIL spending does not need to be directly related to the donor development and can address infrastructure needs in general across the City.
 - The definition of infrastructure included in the CIL Regulations does not include the provision of affordable housing or skills training that are currently funded by planning obligations. Therefore there is an on-going need for a scaled-back approach to planning obligations to ensure that these important issues for London continue to be addressed.
 - The pooling of CIL funds and the establishment of CIL pots are encouraged by the Regulations but the pooling of new planning obligation funds will be severely limited once CIL is operative. New planning obligations operating in a scaled-back form from 2014 will need to be administered so that they fund discrete projects that do not involve the pooling of more than five planning obligation agreements.
 - A proportion of CIL income needs to be set aside for specific purposes:-
 - A neighbourhood infrastructure pot (minimum 15%) is to be established for spending within the neighbourhood of the contributing development. This could be spent in the vicinity by the City Corporation on behalf of the neighbourhood or alternatively this pot could be spent to further the aims of a neighbourhood plan if one is prepared by a neighbourhood forum.

So far there have been no proposals to form a neighbourhood forum or prepare a neighbourhood plan in any parts of the City.

- The actual CIL preparation and administration costs (maximum 5%) can be reimbursed from the CIL income.

Options

6. The City Corporation does not have to adopt its own City CIL but the new constraints on future planning obligations in the CIL Regulations make it prudent to do so. The City Corporation has therefore taken steps to set a City CIL rate and anticipates that this will be operative from April 2014. The City Corporation needs to agree the procedures to be used to decide the broad spending priorities and the infrastructure projects to be funded by City CIL from April 2014.

Proposed Approach to City CIL Spending on Infrastructure

Decision-making structures

7. Appendix A shows the broad tasks to be undertaken and sets out a decision-making structure that will enable Members in Resource Allocation Sub Committee and relevant service committees to decide the spending priorities for City CIL spending on infrastructure. Members will be supported by officers with scope for delegation of tasks to a high-level officer group, the Priorities Board, to be led by the Town Clerk. The proposed membership and terms of reference of the Priorities Board are set out in the Appendix C.
8. A major benefit of the proposed decision-making approach is that Resource Allocation Sub Committee will be aware of the infrastructure spending priorities and commitments relating to planning obligations, the on-street parking reserve fund and Transport for London (TfL) grants when making City CIL infrastructure spending decisions. This will require the Priorities Board to oversee better integration of spend-related databases to facilitate informed decision-making. It will also enable the City Corporation to maximise the cumulative benefit of coordinated infrastructure investment across many sources of funding. TfL grants are normally for transport improvements and highway changes and therefore it is proposed that the spending of these grants will continue to be the responsibility of Planning & Transportation Committee.
9. The City CIL funds accumulated from developer payments will help fund the infrastructure needed to support expected growth in the City as set out in the adopted development plan (Core Strategy 2011). City CIL spending will help deliver the City's Infrastructure Delivery Plan and therefore the proposed priorities for the allocated CIL funds are broadly consistent with the funding gaps identified in the Delivery Plan. However there will remain considerable Member discretion on project spending priorities subject to the requirement in the Regulations that CIL should be used for

the 'provision, improvement, replacement, operation or maintenance of infrastructure to support the development of its area'. It should be used to support growth and is not to be used to address existing infrastructure deficiencies.

Allocated CIL funds

10. Most of the City CIL funds (55%) will be allocated to spending 'pots' related to broad infrastructure spending priorities. The three allocated pots proposed are: - public realm and local transport improvements (40%), social and community enhancements (10%) and open spaces (5%). It is proposed that the CIL funds in these pots will be spent Citywide by the relevant service committee and that they will report annually on their spending to Resource Allocation Sub Committee.

Unallocated CIL funds

11. Some of the City CIL funds (45%) will not be allocated to a service committee and will be spent by Resource Allocation Sub Committee or delegated to officers on the proposed Priorities Board. These funds will include the 'neighbourhood' infrastructure pot (15%) required by the CIL Regulations and the 'administration' pot (5% maximum) to recover actual CIL preparation and running costs. The remaining 25% will form an unallocated 'contingency' pot available for any infrastructure project spending including topping up the infrastructure spending commitments made from other pots. It is anticipated that the Sub Committee will receive project spending bids from service committees and departments and will then allocate funds from the contingency pot according to current corporate priorities having taken account of the wider financial context.

Scaled-Back Planning Obligations

12. Planning obligations will continue after April 2014 in a scaled-back form consistent with their reduced role allowed in the CIL Regulations. The provision of affordable housing and skills training are not included in the definition of infrastructure in the CIL Regulations and so they cannot be funded from CIL income. Therefore there is an on-going need for a scaled-back approach to planning obligations to ensure that these important issues for London continue to be addressed and to confirm other non-financial obligations. It is proposed that planning obligation funding will continue for affordable housing and skills training on a similar scale to the present with the funds allocated to the relevant committees and departments as at present.

Annual Monitoring and Income Estimates

13. CIL Regulations require the annual publication of monitoring reports relating to CIL income and expenditure. Appendix A shows that the proposed City CIL spending processes will include annual monitoring reports to enable Resource Allocation Sub Committee to maintain an overview and to adapt priorities as needed. Developers would prefer some medium-term consistency regarding the City CIL to enable them to plan their developments. Therefore it is proposed that the headline City CIL rate payable will be reviewed after 5 years and the broad spending priorities and CIL pot % allocations will be reviewed after 2 years operation.
14. The estimated annual income payable by commercial developments towards City CIL (£3.9 million) and revised planning obligations (£1.1 million) are shown in Appendix B. CIL is normally payable upon commencement of development and these estimates are consistent with the scale of commercial development activity expected during the period 2014-26 in the City's Core Strategy. Actual development activity and income will fluctuate with the development cycle but it is reasonable to expect an annual income from City CIL and revised planning obligations to be normally within the range £2-8 million. The estimated annual total is similar in scale to the projected average annual net income for the On Street Parking Reserve during 2013/14-2016/17 (£3.8 million).

Corporate & Strategic Implications

15. Effective implementation of the City CIL would help deliver necessary infrastructure, addressing the 5 themes of the City Together Strategy and its vision to support the continued success of the City as the world's leading international financial and business centre in a way that meets the needs of its diverse communities and neighbours.
16. The proposed broad spending priorities would enable the City CIL to help fund the local infrastructure needed to complement expected growth in the City as set out in the adopted development plan (Core Strategy 2011). In particular it would accord with Core Strategy policy CS4 on planning contributions and its updated version in the Draft Local Plan 2013.
17. The proposed decision-making structures would give service committees some autonomy over relevant CIL funds while retaining the overview role of Resource Allocation Sub Committee and its ability to allocate funds consistent with current priorities. It would also enable decisions on CIL and planning obligations spending to be taken in a wider financial context.

Conclusion

18. This report proposes the decision-making structures and broad spending priorities intended to apply once the City's Community Infrastructure Charge (CIL) is operative from April 2014. The structure will enable spending decisions regarding income from the CIL or revised planning

obligations to be based upon agreed broad infrastructure spending priorities and to be informed by good current information on wider infrastructure spending plans and the overall financial context.

Background Papers:

- Consultation on the City of London Community Infrastructure Levy Draft Charging Schedule, report to the Court of Common Council 18th July 2013.

Appendices:

Appendix A: Proposed Tasks and Decision-Making Structures

Appendix B: Proposed Broad Spending Priorities and Income Estimates for City CIL and Revised City Planning Obligations from Commercial Development

Appendix C: Proposed Terms of Reference of the Priorities Board.

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