



**AGENDA ITEM:**

**CABINET: 10 November 2020**

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**Report of:** Corporate Director of Place and Community

**Relevant Portfolio Holder:** Councillor David Evans

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**SUBJECT: INFRASTRUCTURE FUNDING STATEMENT 2020**

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Wards affected: Borough-wide

## **1.0 PURPOSE OF THE REPORT**

1.1 To introduce the first CIL Infrastructure Funding Statement (IFS) and seek approval to publish the report.

## **2.0 RECOMMENDATIONS**

- 2.1 That the content of the Infrastructure Funding Statement are noted, and approval is given to publish it on the Council website.
- 2.2 That delegated authority is given to the Corporate Director of Place and Community to make any amendments to the Infrastructure Funding Statement, prior to its publication, to reflect the decision of Cabinet regarding the CIL Funding Programme for 2021/22, and any other non-material amendments required.

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## **3.0 BACKGROUND**

3.1 The Community Infrastructure Levy (CIL) allows local authorities in England and Wales to raise funds from new developments in their area, with the charges for each liable development dependent on the use, size and location of the proposal. The imposition of the CIL charge is non-negotiable, and the revenue received by the Council must be used to pay for a wide range of infrastructure required to support new development.

- 3.2 CIL is administrated in accordance with the CIL Regulations 2010 (as amended). Until 2019, CIL Regulation 123 required charging authorities (Councils) to set out the types of infrastructure items / projects they intended to fund through CIL and was designed to prevent the double-charging of developers. This was known as the Regulation 123 (R123) list. In addition, Regulation 62 required Councils to report annually on their CIL receipts and expenditure through a CIL Report, and publish this on the Council webpages. As an extra measure, the Council's Annual Monitoring Report (AMR) also included a summary of CIL and S106 finances as well as providing an update on the delivery of infrastructure schemes across the Borough.
- 3.3 In September 2019, the government introduced a new set of amendments to the regulations which have changed some of the requirements relating to how we must set out the infrastructure types / projects that are eligible to receive CIL funding, and how we must report receipts and expenditure on developer contributions. This included the removal of Regulation 123 (infrastructure list) and Regulation 62 (annual reporting) and the introduction of a new requirement.

#### **4.0 THE INFRASTRUCTURE FUNDING STATEMENT (IFS)**

- 4.1 CIL Regulation 121A (introduced by the 2019 amendments) now requires Councils to publish an Infrastructure Funding Statement each year, from December 2020, to identify infrastructure needs, the total cost of this infrastructure, anticipated funding from developer contributions, and the choices the authority has made about how CIL contributions will be used. In doing so, authorities should consider known and expected infrastructure funding costs, taking into account other possible sources of funding to meet those costs. The process is intended to help the charging authority to identify the infrastructure funding gap and a levy funding target. It also enables local communities and developers to see how contributions are being spent, ensuring a transparent and accountable system.

##### Understanding and identifying infrastructure needs

- 4.2 Preparation of the CIL Charging Schedule (in 2013) saw the Council prepare a list of infrastructure items identified as necessary to support new development across the Borough, which subsequently identified a funding gap to evidence the need to charge an infrastructure levy on new development. The Council has developed this list into an Infrastructure Delivery Schedule (IDS) – a database containing details of all infrastructure projects identified as necessary across the Borough. The IDS fulfills two key purposes: i) to continue to provide the evidence of an aggregate funding gap to demonstrate a need for the community infrastructure levy; and ii) to provide the information upon which the Council will assess listed projects as to their suitability to receive CIL funding in the following financial year, in accordance with the Council's adopted Governance and Expenditure Framework for CIL and S106s (updated July 2020).
- 4.3 It is widely recognised that CIL cannot be expected to deliver all the necessary infrastructure and instead is designed as a mechanism to lever in match funding. The IDS therefore contains details of available match funding, where known. In many cases, it is difficult to pinpoint other funding sources, particularly for those

projects planned beyond the short term (1-2 years). Government guidance states that any significant funding gap should be considered sufficient evidence of the desirability of CIL funding, where other funding sources are not confirmed.

- 4.4 Following the removal of Regulation 123, and the accompanying R123 list, the IFS should now be the appropriate vehicle to set out the Council's future spending priorities on infrastructure in line with the Council Vision and Priorities, so as to provide clarity and transparency for communities and developers on the infrastructure that is expected to be delivered. The IFS should set out the infrastructure projects or types of infrastructure that the authority intends to fund, either wholly or partly, by the levy or planning obligations. This is not to dictate how funds must be spent, but to set out the local authority's intentions.
- 4.5 It is not considered that there is any need to change the infrastructure types that CIL can fund and so it is proposed that the items set through the R123 list should be carried forward into the new IFS to state the infrastructure types that we will continue to fund through CIL.

They are:

- Strategic transport and highways improvement or provision
- Strategic green infrastructure
- Community facilities

The only change to the list has been to remove reference to the Burscough-Ormskirk linear park and the new town park at Burscough which had been listed as being excluded from receiving CIL funding. The removal of pooling restrictions (2019 amendments) regarding CIL and planning obligations means that the Council now have more flexibility in using CIL and S106 monies together if they so wish and so there is no need to exclude specific projects from potentially receiving CIL funding if it is needed to 'top up' any shortfall in funding that may be necessary to ensure the delivery of schemes funded primarily by S106 monies.

Planning obligations or planning conditions will continue to be used, where needed, on a site by site basis to secure affordable housing, education provision, on-site public open space and its future maintenance, and flood alleviation measures.

#### Identifying projects

- 4.6 The Council would like to save the majority of its CIL receipts to fund larger, costlier schemes that can deliver benefits to a wide number of its residents. However, the Council also want to balance this with delivering smaller, shorter-term projects that can bring immediate benefits. Consequently, each year, the Council will allocate up to £200,000 of CIL monies to 'smaller' infrastructure projects (each requiring less than £100,000 of CIL funding) that can be delivered in 1-2 years. The remainder of CIL monies will be 'saved up' until such time that larger, costlier schemes are identified and shown to be deliverable. This approach strikes an appropriate balance between delivering smaller-scale projects each year and collecting sufficient CIL funding to make a meaningful contribution to the delivery of larger-infrastructure projects.
- 4.7 To identify those smaller and/or short-term delivery schemes, each year, in accordance with the Council's Governance and Expenditure Protocol (2020), the

Council works to identify and prioritise a number of infrastructure schemes which are suitable to receive CIL funding in the following financial year. These projects are drawn from the IDS and assessed against a set of criteria examining deliverability, need, appropriateness and priority. Members are invited to comment on the shortlisted projects in summer, before the schemes are presented for public consultation in the early autumn. Final recommendations on the most appropriate schemes to receive CIL funding are then made to Cabinet for a final decision in late autumn / winter on the expenditure of CIL receipts. This year's recommendations are presented through a separate Cabinet report.

- 4.8 This annual cyclical process is known as the 'CIL Funding Programme' and focuses primarily on those short-term delivery schemes each requiring less than £100,000 of CIL funding. However, it will also extend to include any schemes requiring more than £100,000 of CIL funding, and which, through the assessment process, are deemed suitable and deliverable within the two year period. These will also be subject to consideration by Cabinet, with a view to making a separate decision on allocating some of the saved CIL funding towards such larger projects.
- 4.9 As the recommendation at 2.2 sets out, it is proposed that authority is delegated to the Corporate Director of Place and Community to update Section 1.4 of the IFS with this year's CIL Funding Programme, once Cabinet have made their final decision (another item on the Agenda for this Cabinet meeting). This will ensure the IFS reports the most up to date information on committed CIL funds, in advance of the December 2020 publication deadline.
- 4.10 The IFS must also identify any significant / larger, specific projects that CIL is anticipated to fund. For these schemes, it is expected to take several years to build up sufficient levels of receipts, and for all the necessary preparations to come into fruition – for example, obtaining planning permissions or additional finance. The Council expect that a significant proportion of the available strategic monies will be used on the following key schemes which will support delivery of the Council's key objectives, including ensuring people in the Borough can live healthy and fulfilling lives. These are:
- **The development of new leisure facilities:** New Leisure and Wellbeing Hubs are one of the Council's key priorities. The building of replacement leisure centres in Skelmersdale and Ormskirk was set out in the Leisure Facility and Contract Procurement report to Council in July 2018.
  - **Green infrastructure / cycling provision and improvements:** Including the 'West Lancs Wheel'; canal towpath improvements on the Leeds-Liverpool canal; the River Douglas Linear Park; the Ormskirk-Burscough Linear Park; and the Skelmersdale-Ormskirk Linear Park.

#### Estimating income

- 4.11 In order to give communities a better understanding of how infrastructure may be funded in the future, Councils should also use the IFS to report on estimated future income from developer contributions, where they are able to do so (although this is not a mandatory requirement of annual reporting under R121A).

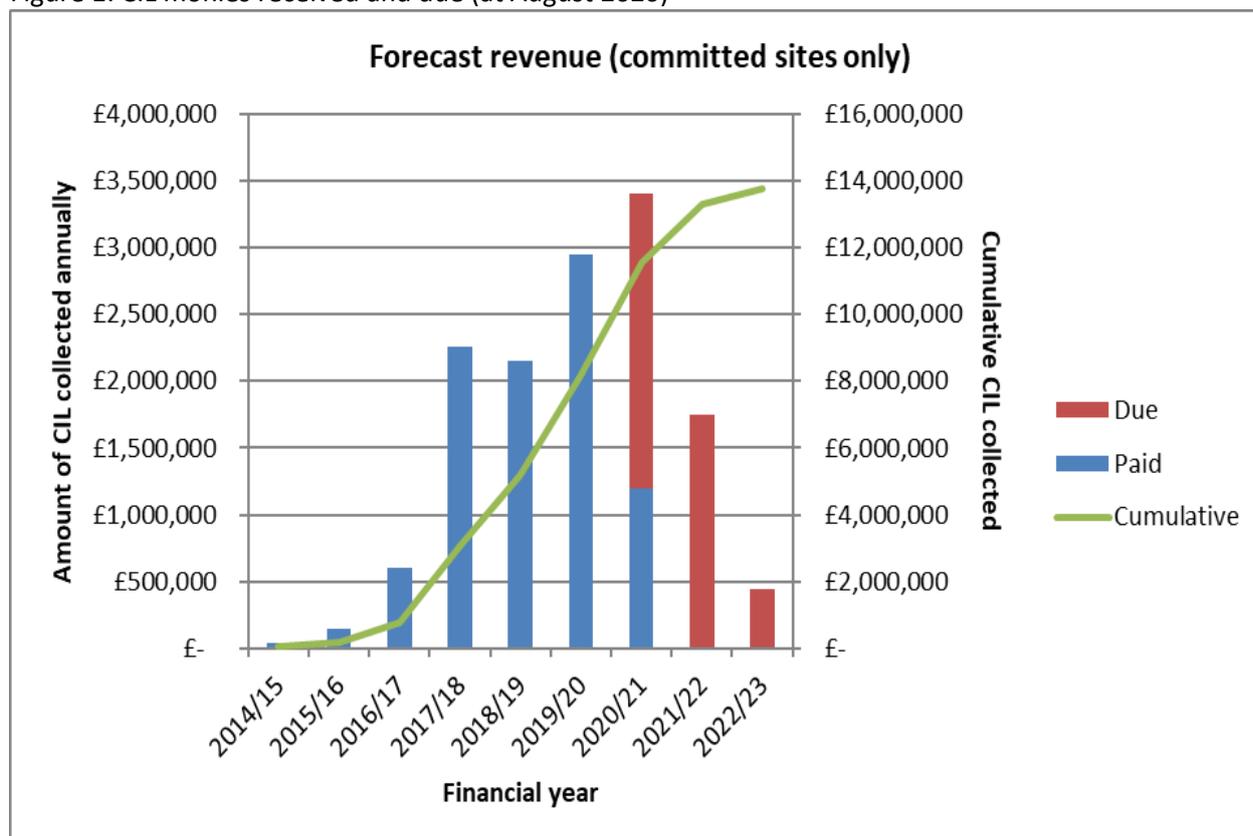
However, it should be stressed that anticipated future income is provided as a guide only as there is never any guarantee as to i) when developments will commence to trigger CIL payments or ii) that a developer will make payment on time. A small number of developments may also be able to delay payment of CIL instalments as a result of COVID. Therefore, estimates represent a given point in time and are subject to change.

4.12 Table 1 shows the amount of receipts the Council can expect to receive over the next few years. The figures are based on those developments that have already commenced, where most payments are due in instalments, and therefore does not include further developments, or phases, that will commence in the future triggering further CIL payments, or future planning permissions which will have new CIL liabilities attached to them.

Table 1: Forecast for CIL, based on commenced sites with committed monies (at August 2020)

	Forecast	Admin	NCIL	Strategic portion
2014-20	£8,146,638	£407,330	£1,185,850	£6,553,455
2020/21	£3,403,705	£170,185	£510,555	£2,722,964
2021/22	£1,746,843	£87,342	£262,026	£1,397,474
2022/23	£446,693	£22,334	£67,003	£357,354
Forecast Total	£5,597,241	£279,861	£839,584	£4,477,792
Overall total	£13,743,879	£687,191	£2,025,434	£11,031,247

Figure 1: CIL monies received and due (at August 2020)



Progress with Infrastructure Delivery

- 4.13 Progress with delivering infrastructure schemes has previously been reported through the Council's Annual Monitoring Report (AMR) but with the introduction of the IFS it makes logical sense to group all elements of reporting infrastructure delivery together to provide a complete picture.
- 4.14 During the reporting year (2019/20), a number of infrastructure schemes, funded through CIL or S106 monies, have been commenced and/or delivered. This includes the Tawd Valley projects, various play area / facility improvements and a replacement community centre in Hesketh Bank.

### Receipts and Expenditure

- 4.15 Part Two of the IFS provides the reports on receipts and expenditure, and replaces the previous requirement to publish a CIL Annual Report. Notably, the IFS requires Councils to now report on Section 106 planning obligations as well as CIL (although both have been previously reported through the AMR). Full details of both CIL and S106 receipts and expenditure are therefore detailed through a number of tables within the IFS.
- 4.16 During 2019/20, the Council:
- received almost £3 million of CIL
  - allocated £325,000 of 'strategic' CIL to two infrastructure projects
  - transferred £420,885 to local councils
  - allocated £40,000 of Ormskirk Neighbourhood CIL to one infrastructure project

Since 2014, the Council have:

- collected £8.1 million of CIL
  - allocated £1.057 million of 'strategic' CIL to fourteen projects
  - transferred almost £1.2 million to local councils
  - allocated £143,000 of Ormskirk Neighbourhood CIL to three infrastructure projects
- 4.17 In 2019/20 the Council also collected £763,400 of S106 monies. The S106 money is to be used to fund site-specific requirements for public open space, education and transport, in accordance with the terms of the relevant planning agreements. In addition, five planning obligations were signed in 2019/20 to secure affordable housing.
- 4.18 Should Members have any suggestions as to how CIL and S106 monies could be used, and require further details on the submission process for your proposal, then please contact the CIL Officer for guidance.

### Reporting Neighbourhood CIL

- 4.19 15% (or 25% where there is a Neighbourhood Plan in place) of CIL monies collected in an area must be transferred to the local (parish or town) council so that the monies can directly benefit the area in which the development stemmed. Local councils must report on their Neighbourhood CIL (NCIL) receipts and

expenditure, and therefore use of NCIL does not comprise part of this IFS. In those areas that have NCIL receipts but do not have a parish or town council (Ormskirk and Skelmersdale), the Council must retain the NCIL portion and spend it in consultation with the local community. As per the local council requirements, the Council must produce annual reports for those NCIL monies in our control, and publish them online. Copies of all NCIL reports, including this years' annual NCIL Reports (19/20) for Ormskirk and Skelmersdale, are published, as they are made available, at:

<https://www.westlancs.gov.uk/planning/planning-policy/community-infrastructure-levy/cil-receipts-and-expenditure/annual-reports.aspx>

## **5.0 SUSTAINABILITY IMPLICATIONS**

- 5.1 There are no significant sustainability effects associated directly with this article. Use of CIL and S106 monies have some implications on sustainability because they are used to provide public open space, environmental and transport improvements that can encourage healthier, fitter, more sustainable lifestyles and support access to employment. The IFS reports on intentions, delivery progress, receipts and expenditure but does not seek to make any recommendations as to the use of developer contributions. Such recommendations will be made, and approved by Cabinet, at the appropriate time.

## **6.0 FINANCIAL AND RESOURCE IMPLICATIONS**

- 6.1 This update provides an overview of infrastructure delivery and CIL/S106 monies and does not seek to make recommendations for their use. This will be done through appropriate Cabinet reports at the relevant times. Therefore, there are no financial and resource implications to note through this article.

## **7.0 RISK ASSESSMENT**

- 7.1 This item is for information only and makes no recommendations. It therefore does not require a formal risk assessment and no changes have been made to risk registers as a result of this article.

## **8.0 HEALTH AND WELLBEING IMPLICATIONS**

- 8.1 This update provides an overview of infrastructure delivery and CIL/S106 monies and does not seek to make recommendations for their use. Therefore, there are no health and wellbeing implications to note through this item.

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## **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

There is no direct impact on members of the public, employees, elected members and / or stakeholders. Therefore, an Equality Impact Assessment is not required.

### **Appendices**

Appendix A – Infrastructure Funding Statement 2020

Appendix B – Infrastructure Delivery Schedule extract