Community Infrastructure Levy: Expenditure Strategy

June 2018

1. Purpose:

1.1 The purpose of the Community Infrastructure Levy (CIL) is to help to provide the infrastructure needed to support the development of the Borough. CIL receipts (excluding the neighbourhood element and administration fees) will be placed into a centralised pot for the purpose of supporting the delivery of strategic and local infrastructure improvements on a Borough-wide basis.

1.2 This Strategy sets out the process by which collected receipts from the Community Infrastructure Levy (CIL) will be allocated to infrastructure projects.

2. Background:

2.1 The Council began charging CIL on new development granted planning permission from 1st April 2016.

2.2 CIL works as a charge that councils can place on new development in their areas. The money raised through the levy helps to fund the infrastructure that is needed to support new development and growth.

3. CIL Expenditure - Foundations

3.1 CIL income can be used to contribute to a wide range of infrastructure projects so long as they support development and growth. CIL income will build up over time but early contributions will particularly depend on the development programmes for individual CIL-liable developments.

3.2 The Local Plan identifies the scale and type of infrastructure needed to deliver the Borough's local development and growth needs. Throughout the development of the Chesterfield CIL scheme, it was always understood that there would be a funding 'gap' i.e. a difference between the total financial cost of delivering all the infrastructure needed to support future planned growth across the Borough, and the revenues likely to be raised from CIL. Whilst it was never intended to act as the sole source of infrastructure funding, CIL will however play a key role in providing necessary infrastructure and offer an important opportunity for match funding.

The Chesterfield Borough Local Plan

3.3 The Local Plan (adopted Core Strategy (2013) and the emerging draft Local Plan (2017)) sets out the overall approach to future growth and development across the Borough, which is to concentrate new development within walking and cycling distance of centres, and to focus on areas that need regenerating.

3.4 The Local Plan identifies broad locations for new housing, as well as specific sites. Broad locations are identified as:

- Chesterfield Sub-Regional Centre,
- Staveley and Rother Valley Corridor Strategic Site
- Staveley Town Centre
- Local Service Centres (Brimington, Hasland, and Holme Hall)
- Regeneration Priority Areas (Barrow Hill, Duckmanton, Holme Hall, Mastin Moor, Poolsbrook).
- Local Centres

3.5 The Local Plan also identifies broad locations for new employment on already committed sites, principally Markham Vale and at Staveley and Rother Valley Corridor.

3.6 The Infrastructure Delivery Plan (IDP), which forms part of the adopted Local Plan, then identifies the strategic and local infrastructure which will be required at different times over the duration of the plan period to deliver the Local Plan strategy. This sets out what infrastructure will be needed and when, who will deliver it and how it will funded. The IDP estimates that the cost of providing all necessary infrastructure is significantly in excess of the amount expected to be raised through CIL. Nevertheless, CIL will form the basis for funding of key infrastructure to support growth, including in bids for match funding.

3.7 In order to avoid ad hoc or piecemeal decisions, the CIL Expenditure Strategy will be anchored by the Local Plan strategy. This will support coherent and transparent spending decisions which accord with the wider direction of policy and support growth on the scale and in the broad locations which the Plan sets out. Fundamentally, this will support the delivery of critical infrastructure necessary to unlock strategic sites, and support positive development in Regeneration Priority Areas which will deliver homes and jobs.

4. CIL Expenditure

4.1 The CIL Regulations set out the overall breakdown for how monies collected from the CIL are to be distributed (summarised in Table 1).

Table 1: Distribution of CIL income

Purpose of Funding	**% Allocated**
Administration (Costs of administrating receipt and expenditure of CIL)	5% of all receipts
Strategic infrastructure	80% of CIL receipts collected for the financial year.
Neighbourhood Area portion	15% of CIL collected within that area (capped in each financial year at an amount equal to £100 per dwelling in the local council's area)

A. Administrative expenses

4.2 The CIL Regulations recognise that there are costs associated with operating CIL and allow charging authorities to use funds from the Levy to recover up to 5% of total levy receipts to cover the costs of its administration. Administrative expenses associated with the levy include the costs of the functions required to establish and run a levy charging scheme. These functions include levy set-up costs, such as consultation on the levy charging schedule, preparing evidence on viability or the costs of the levy examination. They also include ongoing functions like establishing and running billing and payment systems, enforcing the levy, the legal costs associated with payments in-kind and monitoring and reporting on levy activity.

B. Strategic infrastructure

4.3 The purpose of CIL is to help to provide the infrastructure needed to support the development of the Borough. CIL receipts (excluding the neighbourhood element and administration fees) will be placed onto a centralised pot for the purposed of supporting the delivery of strategic and local infrastructure improvements on a Borough wide basis.

4.4 CIL must be spent on infrastructure needed to support the development and growth of the area in accordance with a published list of infrastructure projects set out in a list approved under Regulation 123 of the CIL Regulations (the 'Regulation 123 List'). The Chesterfield Regulation 123 Infrastructure List was adopted as part of the CIL Charging schedule: https://www.chesterfield.gov.uk/media/217383/cil-reg-123-list-april-2016.pdf.
The list sets out the types of infrastructure on which CIL revenue will be spent, ensuring that there is no duplication between contributions from CIL and S106 agreements in funding the same infrastructure projects. However, it was always made clear that inclusion of a project or type of infrastructure in this list is not a commitment to fund the listed project or type of infrastructure through CIL.

4.5 The Local Plan sets out the overall approach to future growth and development across the Borough, including site allocations. The IDP identifies the major infrastructure that will be critical to unlocking these sites.

Expenditure Strategy

4.6 The acknowledged infrastructure funding shortfall means that the Council will need to balance competing infrastructure requirements. This Strategy sets out how collected receipts for Community Infrastructure Levy will be allocated to infrastructure projects on the published Community Infrastructure Levy Regulation 123 list. The Strategy will be the basis for decisions on how the Council will spend CIL contributions to be taken in a way which is transparent and understandable, and provides a degree of certainty.

4.7 Given the scale of some items of strategic infrastructure needed to support, major development identified in the Local Plan, this is likely to require retaining a significant proportion of receipts received in any year to accumulate for the larger infrastructure projects.

Apportioning Strategic CIL Income – Methodology and Governance

4.8 In allocating CIL resources to infrastructure projects, the methodology will follow the following steps:

Stage One: **Identifying Available Funds**
A full breakdown of the CIL receipts collected for the previous financial year along with the distribution of those monies will be reported to Cabinet and published on the Council's website each December in an Annual CIL Monitoring report. This is the first step in distributing CIL monies and establishing the total amount of CIL available to be allocated to CIL Infrastructure Projects.

Stage Two: **Assessing Infrastructure Projects**
The second stage would identify which infrastructure projects are eligible as candidate schemes for an allocation of CIL expenditure. Projects included on the CIL Regulation 123 List are strategic, long term schemes which can require significant lead in times in order to secure the necessary funding, resourcing and decision making processes are in place. Therefore at any one time, some of these projects will be more deliverable than others.

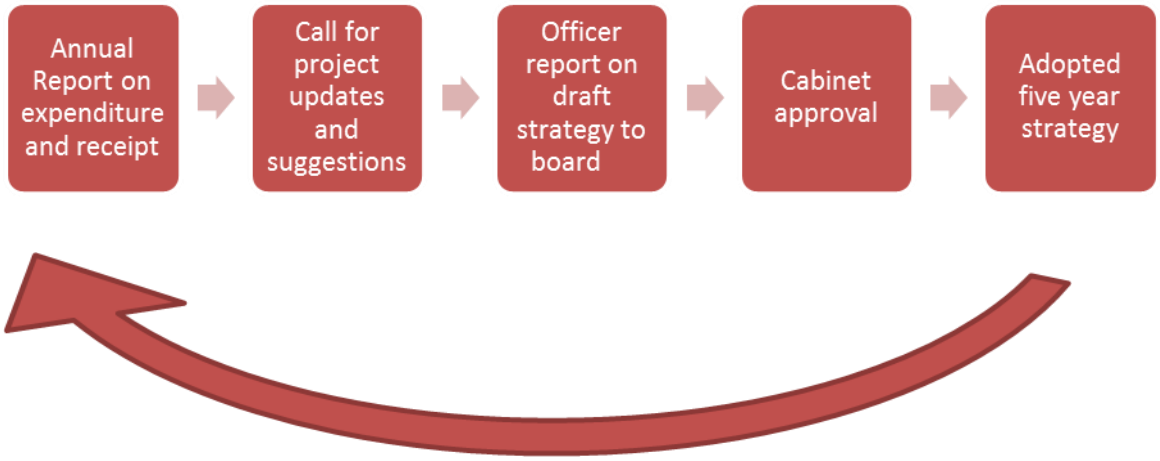
The infrastructure projects are led by a range of statutory authorities and infrastructure providers and therefore this stage will involve requesting that appropriate bodies prepare and submit project data, including total cost, contribution sought from CIL (and what percentage of total funding this would amount to), additional match funding secured, relationship to Local Plan/IDP, and timescale for delivery. Projects which meet these essential criteria would progress to stage 3.

Through the assessment process, it is recognised that education infrastructure projects must be delivered in accordance with DfE guidance, whereby the expansion in schools created by housing development should be funded through developer contributions alone.

A five year strategy will be reported to and agreed by Cabinet, and will be reviewed annually (reporting on progress on delivery, allowing new projects to be identified or existing projects which are no longer required). Requests would be made to responsible bodies for updates on projects and to identify any new projects they wish to be considered for CIL funding (including CBC Leisure, and Derbyshire County Council (Highways/Transportation and Education (co-ordinated by the County Infrastructure Officer)

Officers will then identify proposals to move to stage 3. The process will commence in January each year, following the required annual report on CIL collection and expenditure, with the intention to have each review agreed and in place for start of next financial year. The suggested process is summarised in Figure 1below.

Figure 1:



<u>Stage Three</u>: **Ranking of schemes**
The assessment, ranking and prioritising could be based on the following criteria (relating to status, financial standing, and deliverability:

- Is the project on the CIL Regulation 123 list? (Yes/No)
  (*N.B. unless Regulation 123 Lists are rescinded through the government's newly published proposals for developer contributions*).
- Is the project included in the Local Plan Infrastructure Delivery Plan (IDP)? (Yes/No) –
- If the project is not on either the CIL Regulation 123 list or the Local Plan IDP, could it be considered for funding through the Neighbourhood Portion?
- To what extent would the project contribute towards Local Plan objectives (below)? (Weak or N/A / Medium / Strong / Essential to Delivery)

  - S1: Minimise greenhouse gas emissions in line with Government targets, increase the use of renewable energy and help the borough adapt to the effects of climate change.
  - S2: Provide sites for 4629 homes to be built between 2016 and 2033 to meet the housing requirement for Chesterfield borough
  - S3: Support the growth, vitality and viability of Chesterfield and Staveley town centres and the borough's district and local centres.
  - S4: Adopt the approach to flood risk set out by the Government in allocating land for development, so that risk of flooding at existing and new properties is reduced.
  - S5: Deliver significant amounts of affordable and adaptable housing to meet identified needs.
  - S6: Provide 83 ha of new employment land between 2016 and 2033
  - S7: Promote a net gain in biodiversity and protect and improve the borough's key green infrastructure assets and landscape character
  - S8: Ensure that new development is designed to a high standard, promotes architectural quality, protects and enhances the boroughs historic environment and reflects local distinctiveness.
  - S9: Tackle traffic congestion, improve air quality, secure strategic improvements to the transport system in the borough and enable healthier and more sustainable transport choices.
  - S10: Ensure that all development is supported by appropriate and inclusive

infrastructure provision.
- S11: Maintain and enhance the Green Belt.
- S12: Restore the Chesterfield Canal to a navigable state along all its length within the borough.
- S13: Enhance the health and wellbeing of the borough's residents.

- What evidence is there of need (in relation to specific developments – housing for example and standard pupil formula)?
- What evidence is there of delivery? (the amount of gap funding required, as a percentage of total project cost required to enable the project to be delivered , any match funding secured, programme in place to obtain permissions, carry out works etc.)

Stage Four: **Recommendations**
A series of recommendations will be made to the CIL approval body for approval. This will include a summary of the projects and what they will deliver, alongside confirmation of the total CIL funding for infrastructure.

Stage Five: **Allocation and Monitoring:**
Allocation of the CIL monies to schemes will be presented to Council as part of the budget cycle and published in the annual CIL monitoring report. More frequent reports will be presented to Cabinet to allow adequate scrutiny and transparency.

CIL Expenditure Approval

4.9 Cabinet will decide the overall expenditure strategy and have a continuing role in considering regular reports of ongoing CIL expenditure. Decisions on whether or not to approve CIL expenditure in accordance with the agreed strategy will be made by the Cabinet Member for Economic Growth after consultation with the Leader.

Forward Funding

4.10 In order to provide an adequate level of certainty to infrastructure delivery partners, the Strategy puts in place a long term investment framework covering a 5 year period. This will enable delivery partners to commit to forward funding projects with an undertaking that the CIL funds will be directed to them. It may be that some investment commitments are not taken forward. In these cases and to maintain the investment framework time horizon, an annual review will be undertaken to respond to any changes in circumstances, including development activity, and set priorities for future years.

County Functions

4.11 Derbyshire County Council is the local education and transport authority. The County Council provides infrastructure that the Infrastructure Delivery Plan identifies as critical to delivering the Borough Local Plan.

4.12 Work will continue alongside the County Council on apportioning CIL income to the County Council's education and transport functions, including using CIL income to secure match funding wherever opportunities arise, in a way which helps to support development growth proposed for the Borough. The County Council will be invited to contribute to the officer group which will identify and appraise candidate schemes and make recommendations for priority approval.

Balancing short term and long term priorities

4.13 Given current financial pressures, it is inevitable there will be pressure on the authority to seek to utilise CIL funding for purposes which are not central to provision of infrastructure to support growth and development, including commercial ventures. The risks of taking such an approach are that it could undermine the long term development strategy for the Borough and ultimately the ongoing credibility of the CIL charging scheme, to which developers contribute in the expectation that available funds will support growth and mitigate the impacts of development.

Local Plan Delivery

4.14 The Strategy will contribute to demonstrating that the new Local Plan is deliverable. A significant component of this will be in ensuring that the infrastructure identified as being necessary to support planned development can be funded. CIL is the Council's primary mechanism for achieving this. However, in order to be able to demonstrate this, it is vital that decisions on CIL expenditure continue to support infrastructure which is central to delivering planned development.

C. <u>Local Infrastructure / Neighbourhood Funding</u>

4.15 The CIL Regulations place a duty on charging authorities to allocate at least 15% (up to a cap of £100 per existing council tax dwelling) of CIL receipts to spend where development is taking place. This is known as the 'Neighbourhood Portion'. The CIL Regulations state that the Neighbourhood Portion must be used 'to support the development of the local area by funding:

- The provision, improvement, replacement, operation, or maintenance of infrastructure; or
- Anything else that is concerned with addressing the demands that development places on an area

4.16 In practice this means that the neighbourhood portion could be spent on a wide range of projects. This could include anything from public art, upgrading green spaces and improving streets, to supporting community events. It follows that local communities and their ward members should decide what they need to help mitigate the impacts of development.

How much CIL will be available to spend under the Neighbourhood Portion?

4.17 Table 2 below provides an estimate of the neighbourhood portion of CIL which may be expected to be available over the local plan period (to 2033). It is important to note that the figures shown are provided only as an illustration of the levels of CIL which might be

expected... The actual amount of CIL collected and available to spend locally is likely to change according to the scale, nature, and timing of development coming forward.

Table 2: Projected CIL Income			
	Total available 2016-18 (£)	Projected available funding to 2033 (lower assumption)	Projected available funding to 2033 (higher assumption)
Staveley Town Council area	4,284	691,000	979,000
Brimington Parish Council area	0	104,000	144,000
Unparished Area	94,270	1,729,000	2,394,000

(i) Parished Areas

4.18 The 2010 Regulations require charging authorities to pass the 15% of CIL receipts directly to parish councils where the chargeable development has taken place[1]. Parishes can contribute towards strategic projects but are ultimately autonomous in taking spending decisions.

4.19 Chesterfield Borough Council has 2 parishes Staveley and Brimington, where the neighbourhood portion of CIL receipts will pass to Staveley Town Council or Brimington Parish Council if chargeable developments take place. The parishes cover the following Wards:

Staveley Town Council:
Barrow Hill & New Whittington (part)
Lowgates & Woodthorpe
Middlecroft & Poolsbrook
Hollingwood & Inkersall

Brimington Parish Council:
Brimington North
Brimington South (part)

(ii) Non-Parished Areas

4.20 The extent of the parishes however does not cover the majority of the urban area of Chesterfield Borough. This creates a gap in the coverage for the neighbourhood portion in the Borough where there are no parishes or town councils to oversee its expenditure.

4.21 Parishes and Wards are shown on map 'Chesterfield Ward Boundaries and Parished Areas' in Appendix 1. The non-parished areas of Chesterfield Borough cover the following Wards:

Barrow Hill & New Whittington (part)

[1] (This increases to 25% where there is a neighbourhood development plan in place or where permission is granted for a neighbourhood development order. That amount will not be subject to an annual limit).

Brimington South (part)
Brockwell,
Dunston
Hasland
Holmebrook
Linacre
Loundsley Green
Moor
Old Whittington
Rother
St Helens
St Leonards
Walton
West

4.22 Communities without a parish or town council will still benefit from the 15% neighbourhood portion. There is no prescribed process for agreeing how the neighbourhood portion should be spent in non-parish areas. This section of the Strategy sets out how the Council will consult with the local communities over how the neighbourhood portion of CIL receipts will be spent in non-parish areas.

4.23 Where the chargeable development takes place in an area where there is no parish council, the charging authority retains the levy receipts but must spend the neighbourhood portion on providing, improving or maintaining infrastructure, or anything else that is concerned with addressing the demands that development places on an area.

4.24 Funds can be used for a wider range of spending that is open to local councils. In deciding what to spend the neighbourhood portion on, the charging authority and communities should consider such issues as the phasing of development, the costs of different projects, the prioritisation, delivery and phasing of projects, the amount of the levy that is expected to be retained in this way and the importance of certain projects for delivering development that the area needs.

4.25 There is the potential for some of this neighbourhood portion to be aligned with corporate spending priorities where this takes place in accordance with an agreed protocol and in consultation with local communities and ward members.

Identification and Consultation on Local Infrastructure Projects in non-parish areas

Step 1: **Identifying expected CIL receipts and available neighbourhood funding**

4.26 CIL monies available for allocation would be limited to the amount of neighbourhood funding expected to be collected from chargeable developments. As indicated above, the actual amount of CIL collected and available to spend locally is likely to change according to the scale, nature, and timing of development coming forward.

Step 2: **Identifying Potential Projects**

4.27 Local communities and ward members will be invited to identify appropriate projects for expenditure of the neighbourhood portion of CIL receipts. This could involve the Council identifying the objectives and eligibility criteria, and then inviting councillors, officers, organisations, individuals and groups apply for CIL funding for specific projects.

4.28 The whole non-parish area of the Borough will be treated as a single community for the purposes of eligibility for expenditure of the neighbourhood portion.

4.29 Project proposals will be required to identify certain key information, including:

- Details of project lead;
- Detailed costings for the project;
- Amount of funding required through CIL;
- whether any other funding is available;
- project plan, with phases and their costs;
- details of any permissions needed;
- need/benefits/outcomes, and
- arrangements for long term maintenance.

Step 3: Identifying Candidate Projects

4.30 Alongside a forecast of expected CIL receipts for the upcoming year, the Borough Council will then prepare on an annual basis, a schedule of candidate projects. This will identify the projected neighbourhood portion of CIL receipts expected to be received for the non-parish area of the Borough. Candidate projects will be presented as a single Neighbourhood Fund List. This List will be include the projects and schemes which the CIL Neighbourhood Portion for non-parish areas could be spent on over the next few years.

Step 4: Assessment of Candidate Projects

4.31 All candidate schemes would be considered by the CIL Neighbourhood Projects Panel, a multi-disciplinary officer group, which would assess each scheme against the identified criteria and rank candidate schemes. The officer group will then prepare a report identifying the schemes recommended for funding. This will then be considered by the Cabinet member for Planning, before Cabinet formally agrees the final neighbourhood portion funding allocations.

4.32 Candidate projects will be assessed in a similar way to strategic infrastructure projects, but against the following criteria:

- Contribution to Council Plan objectives
- Contribution to Local Plan objectives
- Evidence of ability to deliver
- Evidence of wider support

- Evidence of justification for project

In addition:

- Funding will only be granted to projects which directly benefit Chesterfield residents in the non-parished areas of the Borough.
- Any CIL funding award does not have to fund the whole amount requested; particular parts of projects could be funded, or a contribution made, from CIL.
- Projects with match funding should be viewed as favourable

Step 5: Allocation of Funding

4.33 If a project is successful with its request for neighbourhood funding, the funds will then either be allocated to the relevant Borough Council service area, or transferred to a third party who will then be responsible for delivering the project. If funds are to be transferred to a third party, a legal funding agreement will be signed. It is expected that the CIL Neighbourhood Project Panel will receive regular updates on the progress of each project.

4.34 Unsuccessful projects will receive feedback detailing the reasons why the request for funding was unsuccessful and if appropriate, details of what information or actions would be required in order to secure a future positive result.

Step 6: Monitoring and Review

4.35 The Borough Council is committed to ensuring that the use of CIL is open and transparent. To this end, the Borough Council is committed to publishing an Annual CIL Monitoring Report setting out CIL receipts, balances and expenditure, including details of the neighbourhood allocation of CIL for non-parished areas. The report will be published on the Council's website.

4.36 The Borough Council will monitor the operation and implementation of the neighbourhood allocation of CIL. An annual review of the process will be undertaken and any amendments made as and when necessary.

Contact: Strategic Projects & Key Sites Team, Chesterfield Borough Council