



Date: Wednesday, 11 April 2018

Time: 2.00 pm

Venue: Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

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PERFORMANCE MANAGEMENT SCRUTINY COMMITTEE

TO FOLLOW REPORT (S)

6 Report from the Section 106, Community Infrastructure Levy and New Homes Bonus Task and Finish Group [To follow]

To receive the final report of the S106, CIL and NHB Task and Finish Group.

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<u>Committee and date</u>	<u>Item No</u>
Committee: Performance Management Scrutiny Committee Date: 11 th April Time: 2pm	Public

Report of the Section 106, CIL and New Homes Bonus Task and Finish Group

Responsible Officer

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1. Summary

- 1.1 During consideration of the Draft Corporate Plan 2016/17 to 2018/19 the Financial Strategy Task and Finish Group took particular interest in the importance of ensuring Shropshire has a prosperous economy. The current and potential future use of Section 106, CIL and New Homes Bonus by the Council was an area of focus which emerged from the Task and Finish Group, which was subsequently agreed by the Performance Management Scrutiny Committee to be its own Task and Finish Group.
- 1.2 The Task and Finish Group reported interim recommendations to the Performance Management Scrutiny Committee on 21st September 2017. One of these recommendations was that arrangements for allocating CIL funds should be clarified to ensure available funding is used to support the highest investment priorities.
- 1.3 The purpose of this report is therefore focussed on the work the Task and Finish Group has carried out since the interim report and relates only to use of CIL funds. The recommendations of this report were agreed at the Task and Finish Group meeting on 21st March 2018.

2 Recommendations

- A. Members are asked to consider and comment on the report and these interim recommendations. Members are also asked to agree the recommendation(s) to Cabinet on 23rd May 2018.

- B. The interim recommendations of the CIL Task and Finish Group to the Performance Management Scrutiny Committee are:
- 1) That the CIL 'Local' fund be used to support infrastructure provision within the Place Plan area where the development occurred, unless it is agreed these funds should be used to facilitate the delivery of agreed infrastructure priorities across Place Plan areas where the cross boundary community benefits of doing so can be demonstrated, such as through the delivery of additional health, education or highway provision;
 - 2) That officers review the current 90/10 percentage split between CIL 'Local' and CIL 'Strategic' funds;
 - 3) That a Member Advisory Group be established to provide comments to the officer Internal Infrastructure Group for their consideration when recommending the use of CIL monies;
 - 4) That the CIL approach, including any agreed change, be communicated to all Parish and Town Councils in a clear manner

3 Opportunity Risk Assessment

- 3.1 A key issue identified by the Task and Finish Group is for the Council to use CIL monies most effectively to fund infrastructure of the highest priority. This is necessary to ensure the sustainable and timely delivery of infrastructure projects to support the objectives for development set out in the adopted Local Plan and the emerging Local Plan Review. It is considered the current distribution of CIL monies lacks sufficient clarity and in practice could lead to CIL monies being used on lower priority projects simply by virtue of the restrictive geography in which the funds are ring-fenced.

4. Financial Assessment

- 4.1 Developer contributions (Section 106 and CIL) provide a mechanism for Shropshire Council to fund additional infrastructure in support of new development. The New Homes Bonus (NHB) is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas.
- 4.2 Whilst the Task and Finish Group was established to look at Section 106, CIL and NHB, the focus of the Group's attention has been the CIL. In particular the Group has looked at how the CIL can be used most productively to support the demands on infrastructure associated with new development.
- 4.3 Evidence presented to the Task and Finish Group over the course of several meetings since June 2017 clearly indicates there are insufficient CIL funds to support all identified local and strategic

priorities for the County. These priorities are set out through the Local Plan and in the Place Plans, and include education provision, highway improvement schemes and additional utility needs as a result of new development. The Group also agreed the current arrangements for spending CIL funds needed to change in light of difficulties experienced in allocating CIL money to projects which has resulted in minimal spend to date.

Report

- 5.1 The Community Infrastructure Levy (CIL) is a charge on new development to help fund supporting infrastructure across Shropshire. In Shropshire the CIL applies to all new development that involves:
- The formation of one or more new dwellings, (including holiday lets), either through conversion or new build, regardless of size (unless it is 'affordable housing'); or
 - The establishment of new residential floorspace (including extensions and replacements) of 100sqm or above.
- 5.2 Local authorities must spend the levy on infrastructure needed to support the development of their area, and they will decide what infrastructure is needed. The levy is intended to focus on the provision of new infrastructure and should not be used to remedy pre-existing deficiencies in infrastructure provision unless those deficiencies will be made more severe by new development.
- 5.3 Shropshire Council took a decision in 2012 to distribute CIL funds in the following way, which has remained unchanged:
- Administrative Fee – up to 5% of total
 - Neighbourhood Fund – 15% or 25% where there is a Neighbourhood Plan or Neighbourhood Development Order
- Of the remainder:
- 'Strategic' – 10%
 - 'Local' – 90%
- 5.4 It is recognised Shropshire Council's current approach to CIL differs from every other CIL charging authority in the country who make no distinction between 'Local' and 'Strategic' funds. These other Councils operate a single CIL fund of remaining funds after the Neighbourhood Fund and administration fee have been taken into account.
- 5.5 For clarity, the current position with the use of CIL 'Local' funds is also shaped by the last Cabinet decision of June 29th 2015. This agreed that **priority be given to using CIL 'Local' funds to deliver appropriate critical infrastructure, or infrastructure required in order to fulfil the Council's statutory functions.**

- 5.6 The types of infrastructure the CIL funds can be used are placed into three categories: Critical, Priority, and Key. The category of an infrastructure item is defined in the Place Plans, which are reviewed on an annual basis.
- 5.7 Critical infrastructure is defined in the Core Strategy as necessary to ensure adequate provision of essential utilities, facilities (such as education places and health provision), water management and safe access, and are therefore higher priority items. Other infrastructure needs will either be defined as 'Priority' or 'Key' based on their importance in supporting the development.
- 5.8 By definition the CIL 'Strategic' fund will be spent on critical infrastructure which will have benefits to the whole County and certainly beyond the Place Plan geography. However, the current CIL approach as agreed by Cabinet in June 2015, does allow for CIL 'Local' funds to be used to support identified critical infrastructure within the relevant Place Plan area.
- 5.9 The Task and Finish Group has therefore focussed its work on clarifying the practical implications of applying the current approach to using CIL 'Local' funds, and the benefits of looking at alternative options for its use.
- 5.10 The option of consolidating all CIL funds into a single pot akin to other local authorities was considered by the Group. However, the Group considered this option was not appropriate within the Shropshire context given the size of the County and the continued desire to maintain a degree of local distinction for the use of the majority of CIL funds.
- 5.11 The Task and Finish Group has therefore agreed to recommend an approach which maintains the split between 'Strategic' and 'Local' CIL but redefines the area where all CIL 'Local' funds can be used to the **relevant Place Plan area**. A map showing Shropshire's 18 Place Plan areas is included as Appendix 1 to this report.
- 5.12 The recommended approach to using CIL 'Local' funds is detailed in Appendix 2. In summary this would mean:
- Parish and Town Councils would continue to receive 15% (or 25% in Neighbourhood Planning Areas) as the Neighbourhood Fund;
 - Shropshire Council would continue to retain up to 5% for administration of the CIL;
 - From the remainder, continue to apply 90% for CIL 'Local' and 10% for CIL 'Strategic';

- All the CIL 'Local' funds to be ring-fenced for spend **within the Place Plan area** where the development occurred
- Further consideration be given to how the proposed approach would apply to CIL 'Local' funds already with the Council or due in as a result of approved development

5.13 The key change from the current approach is that no CIL 'Local' Funds would be ring-fenced for the Parish area where the development occurred. Instead all CIL 'Local' funds would be allocated to projects within the Place Plan area where the development occurred. The proposed approach reflects the functional relationships of parishes and settlements within a defined Place Plan area.

5.14 It is acknowledged there are likely to be instances where it would be beneficial for the CIL 'Local' monies to be used between Place Plan areas as an exception to the proposed approach. This could particularly be the case with critical infrastructure provision such as education, highway and health provision which often have cross boundary implications and where the benefits of infrastructure are more widely felt. In these instances local Member involvement will be sought.

CIL Local / CIL Strategic Split

5.15 The Task and Finish Group is not recommending a change to percentage split of 90% 'Local' and 10% 'Strategic' as it is considered there is currently insufficient evidence to warrant such a change. However, the Group has suggested that it could be beneficial to further explore options to alter the current split to ensure a higher amount to be ring-fenced for strategic infrastructure. A split of 70% 'Local' and 30% 'Strategic' has been discussed by the Group as a potential option.

5.16 It is therefore recommended that further consideration be given and evidence collected which may support a future recommendation to change the percentage split between 'local' and 'strategic' CIL funds. It is considered a future Place Plan review is the most appropriate forum for considering such a change, alongside the continuing need to monitor the scale and nature of infrastructure provision needed in the County.

Member Advisory Group

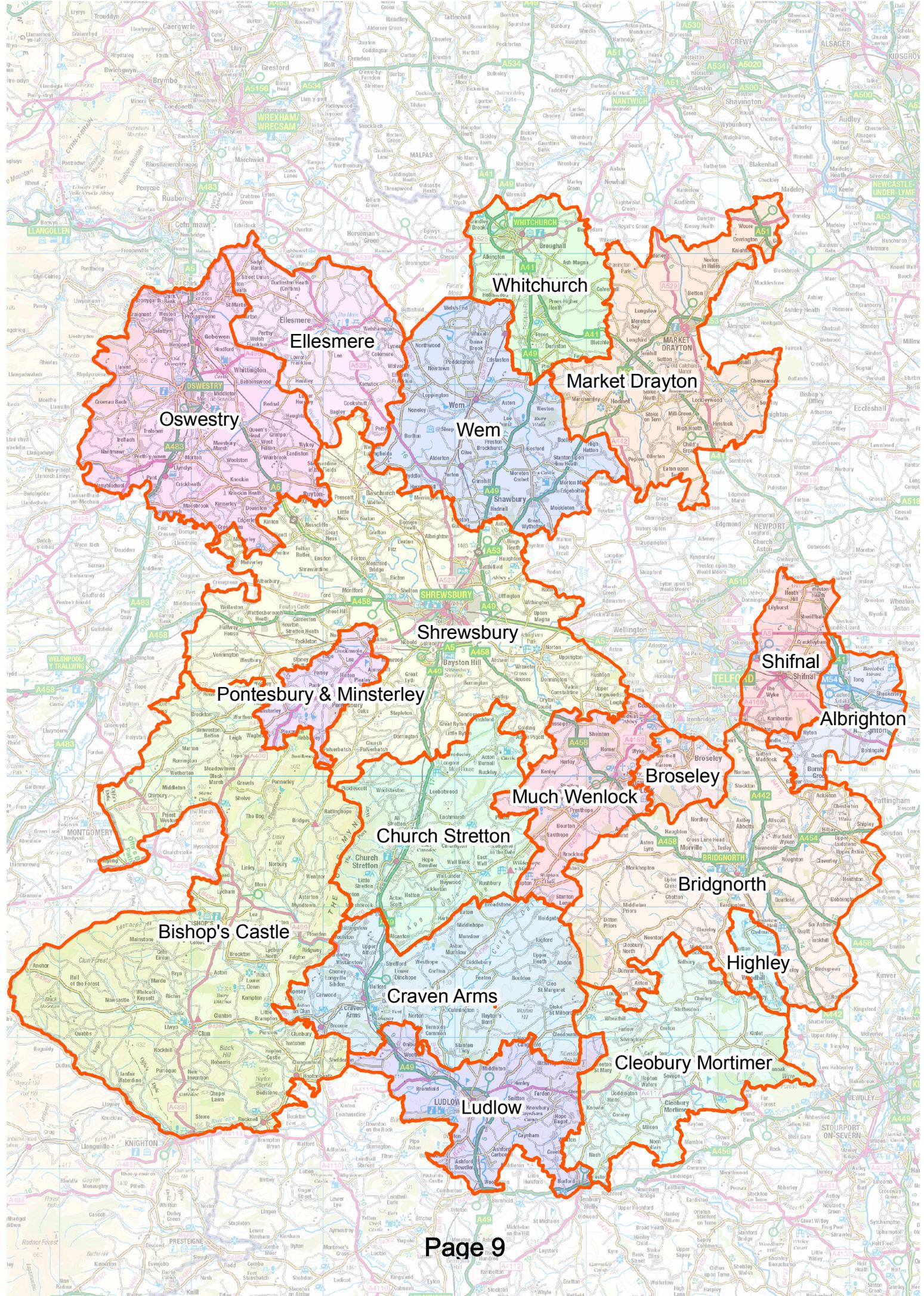
5.17 The Task and Finish Group recommends a new Member Advisory Group is established to support the role of the officer Internal Infrastructure Group.

5.18 If agreed in principle a detailed Terms of Reference will be prepared to support the work of the Member Advisory Group. Broadly, it is considered the role of the proposed Member Advisory Group would

include reviewing Expressions of Interest presented to the Council by Town and Parish Councils and provide comments to the officer Internal Infrastructure Group for their consideration when recommending the use of CIL monies. The Group could also take into account the views of the relevant local member where relevant.

Background Papers
Cabinet Member (Portfolio Holder)
Local Member
Appendices Appendix 1: Place Plan Map Appendix 2: Proposed Distribution of CIL Funds

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Whitchurch

Ellesmere

Market Drayton

Oswestry

Wem

Shrewsbury

Pontesbury & Minsterley

Shifnal

Albrighton

Broseley

Much Wenlock

Church Stretton

Bridgnorth

Bishop's Castle

Craven Arms

Highley

Cleobury Mortimer

Ludlow

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Appendix 2: Proposed Distribution of CIL 'Local' Funds

- CIL 'Local' funds will be used **within the Place Plan Area** where the development occurred. The allocation of CIL 'Local' funds will reflect the need to prioritise the delivery of known critical infrastructure within the Place Plan area and the views of a newly established Member Advisory Group will be taken into consideration.
- As an exception to the above approach, CIL 'Local' Funds from one Place Plan area may be used to support the delivery of agreed infrastructure priorities in another Place Plan area where there are demonstrable cross boundary community benefits from doing so. It is likely this will normally to support the delivery of critical infrastructure such as additional health, education or highway provision.
- Subject to the outcome of current government consultation, the Council will indicate known future priorities for CIL spend on a CIL 123 list or Infrastructure Funding Statement, which will be subject to Cabinet approval annually.

Key features:

- Continue to provide 15% (or 25% in Neighbourhood Planning Areas) to the relevant Parish or Town Council as a Neighbourhood Fund;
- Continue to use up to 5% for administration of the CIL;
- Continue to split the remaining CIL as follows: 90% for CIL (Local) / 10% for CIL (Strategic)
- **All CIL (Local) funds to be ring-fenced for spend within the Place Plan area where the development occurred;**
- As an exception to the above approach, consideration may be given to using CIL 'Local' Funds to support the identified infrastructure priorities of another Place Plan area, where the community benefits to both Place Plan areas can be demonstrated. Relevant local Member involvement will be sought in these instances;
- The priority will be to use CIL (Local) funds for identified critical infrastructure projects where they have been identified in the Place Plan and are not proposed to be funded by alternative sources;
- The use of CIL (Local) funds is recommended by the officer Internal Infrastructure Group with reference to the relevant Place Plan documents, following comments from the Member Advisory Group;

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