
REPORT FOR: MAJOR DEVELOPMENTS PANEL

Date of Meeting:	14 November 2017
Subject:	Community Infrastructure Levy (CIL) – Proposed Allocations Process
Key Decision:	No
Responsible Officer:	Paul Nichols, Divisional Director - Regeneration and Planning
Portfolio Holders:	Councillor Keith Ferry, Portfolio Holder for Business, Planning and Regeneration Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
Exempt:	No
Decision subject to Call-in:	Yes, when considered by Cabinet
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report provides a background to the Community Infrastructure Levy (CIL), which was introduced by the Planning Act 2008. It is a levy on new development to ensure that costs incurred in supporting the development of an area is funded by owners or developers of land in a way that does not make development of the area economically unviable.

Under the Community Infrastructure Levy Regulations 2010/948 (“CIL Regulations”), at least 15% of CIL funds received through the levy (subject to a cap of £100 per dwelling in the local area) must be spent on projects that take account of the views of the communities in which development has taken place and supports the development of the area in which the CIL is generated. The percentage is more (25%) if there is a neighbourhood plan or a neighbourhood development order.

With a significant level of development planned for within the borough over the next ten years, CIL receipts are anticipated to grow. This report outlines the recommended approach to the process of allocating CIL at the borough-wide level, as well as options for allocating the 15% neighbourhood portion. It also considers and recommends draft CIL allocation criteria for considering individual projects.

Recommendations:

The Panel is requested to:

- a) Note and consider the CIL receipts (received and projected) from new development in the borough (Section 4 of the report) and the requirements on how these are spent (Section 3 of the report).
- b) Note and consider the proposed approach to allocating Borough CIL (Section 5) and options for allocating Neighbourhood CIL (Section 6), and potential project-specific criteria for allocating CIL (Section 7 of the report).
- c) Recommend to Cabinet that:
 - i. The allocation of Borough CIL is included as part of the Annual Budget Setting process and included in the Capital Programme report which is presented to Cabinet every year in December (draft budget) and February (final budget).
 - ii. The allocation of Borough CIL is informed by the Harrow Local Plan, Infrastructure Delivery Plan, corporate priorities and external funding opportunities and has regard to the criteria outlined in Section 7 of this report.
- d) Recommend to Cabinet the following approaches to allocating Neighbourhood CIL:
 - i. Allocation of 15% of CIL receipts raised in each ward back to the respective ward in which it was generated, provided there is no neighbourhood plan for that area (if there is, the amount is 25%).
 - ii. For CIL received within the four wards covered by the Harrow and Wealdstone Opportunity Area (Headstone North,

Marlborough, Greenhill and Wealdstone, which are considered to form a neighbourhood), allocation of 15% of CIL receipts received in these wards into a combined fund to be spent on projects across the entire area, to reflect that the area contains the greater proportion of strategic development sites within the borough.

- iii. The broad allocation of Neighbourhood CIL is agreed as part of the Capital Programme (based on available funds at the time and allocated as per (i) and (ii) above), and included in the Capital Programme report which is presented to Cabinet every year in December (draft budget) and February (final budget).
- iv. Once the broad allocation of NCIL is agreed as part of the Capital Programme, individual projects put forward by the relevant Directorates / Ward members are assessed against the criteria outlined in section 7 of this report (including the extent of consultation and level of community support), with the final decision on what projects are funded from the agreed CIL allocations being delegated to the Divisional Director – Regeneration and Planning, in consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation.

Reason: (For recommendations)

The Community Infrastructure Levy Regulations and the National Planning Practice Guidance set a framework in which CIL receipts need to be spent. Establishing a robust mechanism for the allocation of CIL that seeks to ensure these requirements are complied with and links expenditure to supporting new development in the borough to maximise the benefit such expenditure brings. A transparent mechanism also provides opportunity for input from stakeholders.

Section 2 – Report

1. Introduction

- 1.1 The report incorporates the corporate priority concerning:
- Making a difference for communities
- 1.2 The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.
- 1.3 By following a considered, robust and transparent approach to the allocation of CIL receipts, the benefits that these can bring will be maximised, thereby making a positive difference to communities.

2. Options considered

- 2.1 Currently there is no formally agreed process within the Council for the allocation of CIL funds, leaving the potential to make decisions on spend in isolation of any broader, holistic picture of Council infrastructure priorities and needs required to meet the impacts of new development within the borough. Additionally, there is the significant risk that projects funded will not meet the requirements of the CIL Regulations. A more structured process is considered necessary to ensure the best utilisation of CIL receipts and ensure compliance with the CIL Regulations. Section 5 below identifies the proposed approach to Borough CIL and Section 6 considers a number of geographic options for allocating Neighbourhood CIL.

3. Background

Purpose of this report

- 3.1 This report outlines recommended arrangements for the allocation of Harrow Community Infrastructure Levy (CIL) funds, including the strategic / borough portion of receipts (BCIL) and the portion of CIL funds that are required under the CIL regulations to comprise the Neighbourhood element (NCIL).
- 3.2 The report is presented to the Panel in accordance with its Terms of Reference (extract below):
- 3 To give detailed consideration to and make recommendations to Cabinet in respect of:
- The use of the Community Infrastructure Levies funds;
 - Reviewing and commenting upon changes to the CIL Charging Scheduled and S106 SPG.

4. To oversee the implementation of the Borough Wide CIL / Infrastructure Delivery Plan prepared to support strategic growth in the Borough and to make recommendations to Cabinet, to include:
 - Reviewing and commenting upon the draft IDP's comprising annual and longer term infrastructure delivery programmes and projects;
 - Considering the result of public consultation on such plans and programmes and make recommendations to Cabinet on any proposed changes / revisions;
 - Monitor the delivery of the IDP against budget and delivery provisions;
 - Consider and comment upon reports / presentations on infrastructure innovations and best practice in infrastructure delivery.

Context

- 3.3 The Community Infrastructure Levy (CIL) is a relatively new power which enables the Council to raise funds for infrastructure from new development. It is levied on the net increase in floorspace arising from new development and is paid when that development starts.
- 3.4 The Harrow CIL applies borough-wide for certain uses of over 100 sqm gross internal floor space. Harrow's CIL charges are:
 - (a) Residential (Use Class C3) - £110 per sqm
 - (b) Hotels (Use Class C1), Residential Institutions except Hospitals, (Use Class C2), Student Accommodation, Hostels and HMOs (Sui Generis) - £55 per sqm
 - (c) Retail (Use Class A1), Financial & Professional Services (Use Class A2), Restaurants and Cafes (Use Class A3) Drinking Establishments (Use Class A4) Hot Food Takeaways (Use Class A5) - £100 per sqm
 - (d) All other uses – nil
- 3.5 Harrow's CIL charges are in addition to the Mayor's CIL to fund Crossrail which is £35 per sqm in Harrow for all types of development (excluding health and education).
- 3.6 CIL rates are set locally, having regard to development viability and cannot be set at levels that would make development within the borough unviable. The CIL Charging Schedule is subject to independent examination.
- 3.7 Under the CIL Regulations, at least 15% of CIL funds received through the levy must be spent on projects that take account of the views of the communities in which development has taken place and spent on projects supporting the development of that area. This is subject to a cap of £100 per dwelling. Where Neighbourhood Plans exist these funds are increased to 25% of CIL funds. Neighbourhood funds or 'NCIL' can be spent on a wider range of projects to support development in their areas. This includes those related to infrastructure, but also anything else concerned with addressing the demands that development places on an area. Harrow does not have

any adopted Neighbourhood Plans but has recently received applications for the designation of a Harrow Hill Neighbourhood Area and Neighbourhood Forum.

- 3.8 Harrow's CIL charging schedule came into effect on the 16th September 2013. The Harrow CIL monetary receipts currently stand at £7,904,887 (as at 30.09.17). A further £3.3 million of Harrow CIL arising from the 51 College Road (former Harrow post office) development will be received as an 'in-kind' payment through the provision of a new Central Library within the development once it is complete.
- 3.9 A 15% NCIL balance against the current Harrow CIL monetary receipts stands at £919,885 (as at 31 March 2017) excluding the in-kind payment received from the 51 College Road scheme providing the new Harrow Central Library.
- 3.10 The CIL funding source can be seen as complementary to funding received as part of S106 planning obligation agreements. S106 funds stand at a current balance of £5,829,169 (31 March 2017). S106 payments are made to offset the specific impacts of individual development sites in order to make the development acceptable in planning terms. Consequently, S106 payments received can only be spent on the purposes for which they are received and are generally site specific with limited flexibility in terms of pooling (a maximum of five s106 receipts to a single project) whereas CIL monies are not so constrained and can be used borough wide to support the delivery of infrastructure (BCIL can also be used on infrastructure outside the borough, provided that it benefits the borough and infrastructure works already carried out). However there can be no 'double counting' in terms of what can be delivered under both regimes. The limitation on double counting also applies to highways works carried out or funded by a developer under a section 278 Highways agreement.
- 3.11 Taking into account Harrow's housing projections for the next ten years and anticipated demand for retail floor space it is anticipated that Harrow could expect to receive in the order of £25 million in CIL receipts between 2017-2027. However, this is contingent on all planning permissions granted being implemented which is not always the case and that there are a number of 'relief' options from CIL contributions (i.e. social housing, credit for existing floor space etc) - so the projections are indicative only. The figure also does not include indexation (which is calculated based on when Harrow CIL was first adopted and when planning permission for an individual development is granted).
- 3.12 The potential £25 million in CIL receipts identified above includes those anticipated to be received from Council-led Regeneration sites, as CIL is payable regardless of the owner of the development. CIL receipts anticipated from Council-led sites are estimated to total £13 million (excluding indexation). This reduces the level of 'new' money potentially received from CIL down to £12 million.

- 3.13 In order to ensure a consistent and transparent approach to future spending of CIL, it is considered important that the Council adopts clear processes of governance and prioritisation criteria for projects to be CIL funded.
- 3.14 Almost all local authorities prioritise delivery of new infrastructure on whether it is critical, necessary or desirable, although there is local variance on how similar infrastructure projects are ultimately prioritised. Some local authorities prioritise projects through discussion of the relative merits at elected member and senior officer level, while others use a more technical process of project prioritisation. A number of local authorities have also started looking at projects based on their ability to unlock development that will result in increased revenue for the Council through, for example, New Homes Bonus or an increase in the tax base. Harrow is currently revising and updating its CIL Infrastructure Delivery Plan (IDP) to specifically address and prioritise its infrastructure delivery projects.
- 3.15 Currently there is no formally agreed process within the Council for the allocation of CIL funds, leaving the potential to make decisions on spend made in isolation of any broader, holistic picture of Council infrastructure priorities and needs required to meet the impacts of new development within the borough. A more formal process is considered necessary to ensure the best utilisation of CIL receipts and ensure compliance with the CIL Regulations.
- 3.16 Recognising the growing CIL balance and pressures on the Council's overall financial position, Cabinet agreed on 16th February 2017 to allocate £4.8 million of CIL funds over a 2 year period on Highway improvements. This will leave a 2016/17 BCIL balance of £106,055 to spend (once the NCIL and CIL administration top slice is deducted).
- 3.17 Approaches to the allocation of NCIL also vary between local authorities. Some use existing structures i.e. the Capital Programme to govern Borough wide spend (BCIL) whilst creating CIL 'neighbourhoods' (based around groups of wards) for the purposes of the neighbourhood element of the CIL spend (NCIL) that benefit directly from development taking place in that area, with spending informed by local priorities. Others have delegated the neighbourhood portion to ward-level, with ward members providing local leadership and in some cases having delegated authority to approve which projects should receive funding, subject to financial capping.
- 3.18 CIL is calculated based on net new floor space arising from development. With a significant level of development expected to occur within the borough over the next decade, particularly through the Regeneration Programme it is anticipated that both the BCIL and NCIL funds are likely to increase significantly over this period. CIL will however not be collected evenly across the borough as some areas of the borough (particularly Harrow and Wealdstone) are expected to see much higher levels of development than others. This raises questions about how the Council can ensure an appropriate allocation of CIL funds whilst maintaining proper levels of governance. Decisions will need to be taken on whether NCIL projects should be delivered

directly by community groups or via Council service areas on behalf of local communities or both.

- 3.19 NCIL also offers an opportunity for the Council to engage further with local communities and help them understand the potential benefits of new development, as originally intended by the legislation. Meanwhile, the remaining BCIL funds may be used to attract in other funding for new infrastructure funding or provide the means for match funding. If these funds are invested prudently there could be significant benefits to Harrow not only in terms of mitigating the impact of development, but also in supporting inward investment (including leveraging additional external grant funding), growth, regeneration and place making.

Legislative Requirements - CIL Governance and Spending

- 3.20 CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities.
- 3.21 Harrow’s list of strategic infrastructure requirements known as a Regulation 123 list is shown below:

Regulation 123 List

The following table comprises Harrow Council’s Regulation 123 List. It includes the strategic infrastructure that the Council currently considers it is likely to apply CIL revenues to. The Regulation 123 List will be kept under review and may change depending upon the following:

- Changes to local or national funding streams in respect of CIL eligible infrastructure; and
- The requirements of the regulations governing the level of the “meaningful proportion” of CIL that is to be passed to local communities.

Infrastructure currently considered likely to benefit from the application of CIL funding	
Education facilities	Early years, primary and secondary schools
Health services	GPs, acute healthcare
Social care	Supported accommodation
Emergency services	Police, Ambulance and Fire Services
Cultural and community facilities	Libraries and community halls
Improvements to public open space	Parks, natural green space, civic space and green corridors and green grid
Improvements to biodiversity	
Public recreation and leisure facilities	Neighbourhood and Youth Play space, sports and leisure centres, swimming pools and playing pitches
Cemeteries and burial space	
Strategic transport facilities	Roads, buses, cycling, rail and underground
Strategic flood mitigation	

- 3.22 Local authorities must spend the levy on infrastructure needed to support the development of their area, with a focus on the provision of new infrastructure. However, CIL can be used to increase the capacity of existing infrastructure or to repair failing infrastructure, if necessary to support development.
- 3.23 Strategic decisions about CIL expenditure at a borough-wide level (BCIL) is determined by the Council. However, at least 15% of these funds Neighbourhood CIL (NCIL) must be spent on projects that have taken account of the views of the communities in which the income

was generated and these projects should support the development of the area.

- 3.24 The CIL Regulations state that the NCIL portion of funds must be used “to support the development of the local area by funding:
- (a) the provision, improvement, replacement, operation or maintenance of infrastructure; or
 - (b) anything else that is concerned with addressing the demands that development places on an area.”
- 3.25 This is a wider definition than for BCIL. The Council needs to engage with communities to agree with them how best to spend NCIL funding through existing community consultation and engagement processes.
- 3.26 Where a Neighbourhood Plan has been adopted communities must be consulted on how to spend 25% (rather than the standard 15%) of CIL levy revenues arising from the development that takes place in their area. The Council and communities must consider how NCIL funding can be used to deliver the infrastructure identified in any Neighbourhood Plan required to address the demands of development. At present there are no Neighbourhood Plans in Harrow but, as stated above, the Council has recently received applications for the designation of a Harrow Hill Neighbourhood Area and Neighbourhood Forum.
- 3.27 With the exception of any CIL receipts within areas which have adopted neighbourhood plans, the neighbourhood portion of CIL can be applied anywhere in the borough. However, this is provided that the community agrees this and it is spent on a project that supports the development of the area in which the CIL was generated. Charging authorities may also pass money to bodies outside their administrative area to deliver infrastructure which will benefit the development of their area, or pool receipts with other charging authorities to support the delivery of sub-regional infrastructure e.g. a large transport project, where they are satisfied that this would support the development of their own area.
- 3.28 Up to 5% of total Harrow CIL receipts can be used by the Council to recover the costs of establishing and administering CIL although the overwhelming majority of revenue from the levy is to be directed towards infrastructure provision.
- 3.29 CIL collection and expenditure (including the neighbourhood portion) must be monitored by the Council and reported on annually and published on the Council’s website to ensure accountability and to enable the local community to see what infrastructure is being funded from the levy.

4. CIL Receipts (actual and anticipated) and Allocations to date

4.1 The table below shows total CIL receipts collected to date and the allocation agreed by Cabinet in February (excluding the in-kind payments from the 51 College Road scheme for the Harrow Central Library).

Table 1: CIL Receipts and Allocation

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Income						
Receipts – In year	£14,108	£195,701	£554,529	£5,457,774	£1,772,318	
Admin fee applied - In year	£0	£9,583	£27,185	£52,774	£0	
Net Receipts - In year	£14,108	£186,117	£527,344	£5,405,000	£1,772,318	
Net Receipts - Cumulative	£14,108	£200,225	£727,569	£6,132,569	£7,904,887	
Allocation						
Highways					£2,400,000	£2,400,000

Note: 2017/18 receipts to 30 September 2017 (end Q2)

CIL Income by Ward

4.2 Table 2 below shows CIL income by ward and shows that the income is not distributed evenly throughout the Borough's 21 wards; this reflects the distribution of new development in the borough, which is focused on the Harrow and Wealdstone Opportunity Area.

Table 2: CIL receipts (to nearest £) by ward with Neighbourhood Proportion (as at 31 March 2017)

Ward	Harrow CIL Collected	Neighbourhood CIL element (15%)	Balance (excluding administration top-slice)
Belmont	£8,864	£1,330	£7,091
Canons	£89,165	£13,375	£71,332
Edgware	£98,955	£14,843	£79,164
Greenhill	£4,838,411	£725,762	£3,870,729
Harrow on the Hill	£422,136	£63,320	£337,709
Harrow Weald	£16,675	£2,501	£13,340
Hatch End	£127,080	£19,062	£101,664
Headstone North	£17,051	£2,558	£13,641
Headstone South	£87,369	£13,105	£69,895
Kenton East	£25,489	£3,823	£20,391
Kenton West	£10,589	£1,588	£8,471
Marlborough	£55,957	£8,394	£44,765
Pinner	£0	£0	£0
Pinner South	£43,772	£6,566	£35,018
Queensbury	£58,881	£8,832	£47,105
Rayners Lane	£13,600	£2,040	£10,880
Roxbourne	£46,200	£6,930	£36,960

Ward	Harrow CIL Collected	Neighbourhood CIL element (15%)	Balance (excluding administration top-slice)
Roxeth	£39,927	£5,989	£31,941
Stanmore Park	£64,624	£9,694	£51,699
Wealdstone	£63,344	£9,502	£50,675
West Harrow	£1,980	£297	£1,584

Note: Figures subject to cross-checking of receipts / wards, so £92,041 / £13,806 yet to be allocated to a ward

CIL Income by Core Strategy Sub Areas

4.3 Table 3 below shows the CIL income based on the 9 sub areas comprising of grouping of wards as shown in the Core Strategy.

Table 3: Harrow Sub areas 2013–16 CIL receipts (as at 31 March 2017)

Sub Area	Wards	CIL	Total CIL	Neighbourhood CIL (15%)	Total Neighbourhood CIL (15%)
Area 1 Pinner & Hatch End	Hatch End	£127,080	£170,852	£19,062	£25,628
	Pinner	£0		£0	
	Pinner South	£43,772		£6,566	
Area 2 Stanmore	Cannons	£89,165	£170,464	£13,375	£25,570
	Harrow	£16,675		£2,501	
	Weald	£64,624		£9,694	
	Stanmore Park				
Area 3 North Harrow and Rayners Lane	Headstone	£17,051	£120,000	£2,558	£18,000
	North	£87,369		£13,105	
	Headstone	£13,600		£2,040	
	South	£1,980		£297	
	Rayners Lane				
	West Harrow				
Area 4 Harrow & Wealdstone	Greenhill	£4,838,411	£4,957,712	£725,762	£743,658
	Marlborough	£55,957		£8,394	
	Wealdstone	£63,344		£9,502	
Area 5 Kenton and Belmont	Belmont	£8,864	£19,453	£1,330	£2,918
	Kenton West	£10,589		£1,588	
Area 6 Kingsbury and Queensbury	Kenton East	£25,489	£84,370	£3,823	£12,655
	Queensbury	£58,881		£8,832	
Area 7 Edgware and Burnt Oak	Edgware	£98,955	£98,955	£14,843	£14,843
Area 8 South Harrow	Roxbourne	£46,200	£86,127	£6,930	£12,919
	Roxeth	£39,927		£5,989	
Area 9 Harrow Hill and Sudbury	Harrow on the Hill	£422,136	£422,136	£63,320	£63,320

Note: Figures subject to cross-checking of receipts / wards, so £92,041 / £13,806 yet to be allocated to a ward

4.4 The effect of grouping wards into Neighbourhoods indicates a more even spread of BCIL and NCIL funds.

Anticipated receipts

- 4.5 As previously stated total projected CIL receipts 2017-2027 is £25,328,183.00 this represents an annual average income BCIL income per year of £2,026,254.64 and NCIL of £379,227.45.

Total Receipts Anticipated

Overall TOTAL CIL (£) (Housing + Retail/A-use Class totals)	TOTAL Neighbourhood CIL Portion (£) (15% of TOTAL CIL)	TOTAL CIL available for allocation directly by the Council (i.e. excluding neighbourhood 15% and administration 5%)
£25,328,183.00	£3,799,227.45	£20,262,546.40

Potential CIL receipts (to the nearest £) by year (2017-2027)

Year	Anticipated Housing Completions	Anticipated CIL receipts
2016/17	814	£2,253,732
2017/18	951	£2,633,046
2018/19	2277	£6,304,359
2019/20	1643	£4,548,995
2020/21	1063	£2,943,142
2021/22	780	£2,159,596
2022/23	712	£1,971,323
2023/24	410	£1,135,172
2024/25	225	£622,960
2025/26	273	£755,859
Total (10 years)	9148	£25,328,183

- 4.6 A number of future large developments around Harrow Town Centre and the Harrow and Wealdstone Opportunity Area are projected to generate in excess of two-thirds of the CIL income i.e. £17.9 million for the Wealdstone, Marlborough and Greenhill wards with the rest of the Borough benefiting from £7.4 million.
- 4.7 It should be noted that developments are often phased and will take several years to complete. CIL income may therefore be received in instalments over the course of a development period. This is important contextual information where major infrastructure projects are intended to be delivered over a number of years.
- 4.8 As noted above, £13 million of CIL receipts (excluding indexation) will come from Council-led Regeneration sites, reducing the level of anticipated 'new' money received through CIL down to 12 million.

5. Proposed Borough CIL Allocations process

- 5.1 As noted above, CIL is intended to assist in the provision of infrastructure required to support new development. The Council's Local Plan provides the framework for new development in the borough, with development focused in the Harrow and Wealdstone Opportunity Area. The Harrow Infrastructure Delivery Plan (IDP) provides a holistic understanding of infrastructure required to support this development, including whether it is considered critical (in order

for development to be able to proceed), important (to support new development / population growth) and desirable (but neither essential nor important).

5.2 The Council has an established process for identifying the capital programme for the Council, which covers a wide range of expenditure. Whilst capital, Borough CIL has its own very specific objectives and requirements (as outlined in Section 3 above). Consequently a tailored approach to identifying infrastructure priorities and broad Borough CIL allocations is considered necessary in order to maximise the benefits of Borough CIL and ensure the requirements of the CIL Regulations and associated guidance are met.

5.3 It is proposed that Borough CIL is allocated and spent in accordance with the following broad principles:

(a) As part of the Capital Programme setting process, recommendations are made to Cabinet regarding the allocation of available / anticipated CIL funds which fit with the infrastructure headings (based on the Council's Regulation 123 list – see paragraph 3.21 above). These recommendations will have regard to:

- (i) Where development has occurred and is anticipated to occur (as outlined in the Harrow Local Plan);
- (ii) The infrastructure required to support this new development and associated population growth (as outlined in the Infrastructure Delivery Plan, which will be updated regularly);
- (iii) Corporate priorities;
- (iv) Known funding gaps and external funding opportunities; and has regard to the criteria outlined in Section 7 of this report.

(b) Financial Governance and monitoring of projects agreed for CIL funding will be in line with Financial Regulations.

5.4 It is anticipated that it will be necessary for internal arrangements to be established to ensure recommendations on CIL allocations (as part of the Capital Programme) take into consideration the matters identified in 5.3 (a) above and ensure a holistic, cross-Council approach. Similarly, it is envisaged that cross-Council input into deciding which projects are agreed for CIL funding will be necessary to maximise the benefits of CIL with respect to infrastructure provision and reducing pressure on Council revenue budgets and borrowings.

6. Options for Neighbourhood CIL (NCIL) Governance and Processes

6.1 A number of geographic options for allocating Neighbourhood CIL are outlined below, along with the recommended options. Regardless of which allocation option is finally decided, it is recommended that this is reflected as part of the annual budget setting process and agreed

by Cabinet each year. In order to ensure these allocations are spent in a timely manner, it is recommended that agreement on individual projects to be funded is delegated to an officer (namely the Divisional Director – Regeneration and Planning) rather than further approval being sought from Cabinet. Member input into agreeing individual projects for funding would be two-fold - firstly, in terms of which projects ward Councillors prioritise for putting forward for funding from their CIL allocation, and secondly, projects to be funded would be agreed in consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation. The Divisional Director – Regeneration and Planning will need to be satisfied that the CIL Regulations are met and regard is given to the Harrow criteria (outlined in Section 7 below).

Current Governance and Project Delivery

- 6.2 There are a number of existing / recent funding mechanism within the Council that seek to identify and deliver projects at a small-scale, local level and with significant involvement of local ward Members; these potentially serve as models for allocating NCIL to individual projects and can be broadly summarised as follows: bids are submitted by Councillors, with Community Engagement Officers checking the feasibility of projects and ensuring they are supported by local neighbourhood groups etc. They are then considered by relevant stakeholders, namely the Community Manager, the Leader of the Council, a finance officer and a Community Engagement officer. The process is relatively informal as the projects are ready to be handed over to the relevant service to deliver. The Community Engagement officers liaise with the service departments and guide the project programme.
- 6.3 A similar arrangement could be pursued for agreeing Neighbourhood CIL, but involving the Divisional Director – Regeneration and Planning (as delegated officer), Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation, finance officer and Community Manager / Community Engagement Officer. A key element of the process would be ensuring that individual bids meet the CIL Regulations and regard is given to the Harrow criteria (outlined in Section 7 below).
- 6.4 Consideration would need to be given to establishing prioritisation criteria which have a clearer focus on infrastructure and on mitigating the impact of development and unlocking new development in localities. This is considered important as the focus on CIL spend should be to deliver the projects identified in the Infrastructure Delivery Plan which itself is a delivery tool of the Local Plan. As with BCIL, NCIL spend must be seen in the context of implementing the aims and objectives of Harrow's Local Plan documents (Core Strategy, Harrow and Wealdstone Area Action Plan, Site Allocation DPD) and address resident concerns regarding the impact of new development in their area. It has to be used to develop or benefit the neighbourhood area.

Options for NCIL Funding Allocation in Harrow

- 6.5 There are 21 wards in Harrow. The Core Strategy (part of the Council's Local Plan) identifies 9 sub areas comprises a grouping of wards to reflect distinctive neighbourhoods which are individually subject to Local Area Planning Policies.
- 6.6 There are no Neighbourhood Plans or proposed Neighbourhood Plans in Harrow so the CIL expenditure for NCIL is 15% as distinct from 25% where an adopted Neighbourhood Plan is in place (as noted above, there are early proposals to prepare a neighbourhood plan for Harrow Hill).
- 6.7 There are several options for how NCIL funding could be allocated within the Borough, based on geography. Three options have however been ruled out as they are not considered to meet the requirement that the NCIL it is spent on a project that supports the development of the area in which the CIL was generated. These options included allocating at least 15% of all CIL receipts on a borough-wide basis through consultation with the community; prioritising areas with the greatest proportion of strategic development sites as 'CIL neighbourhoods' to benefit from at least 15% of all CIL revenues collected in the borough; and allocating at least 15% of total CIL receipts to each ward on an equal basis.
- 6.8 Two options considered to comply with the CIL regulations are:
- i. **Divide the borough into 'CIL neighbourhoods' sub areas** based on clusters of electoral wards and allocate at least 15% of CIL receipts collected in each neighbourhood back to that area.
 - ii. **Allocate at least 15% of CIL receipts raised in each ward back to the respective ward** in which it was generated.
- 6.9 These options are discussed in more detail in the following section.
- 6.10 Incorporating the allocation and governance process into existing structures and processes is likely to ensure a quicker and smoother implementation.
- 6.11 It should be noted that a crowd funding initiative could be incorporated in any of the NCIL options outlined below as a means of gauging support and leveraging additional funding for community projects from local residents.

Option 1: Divide the borough into 'CIL neighbourhoods'

- 6.12 Many charging authorities, such as the London Boroughs of Wandsworth, Lambeth, Croydon and Brent, have taken the decision to create CIL neighbourhoods for the purposes of allocating NCIL funds. These neighbourhoods are either based on clusters of electoral wards or around locally understood – and therefore more meaningful – communities or town centre localities.

- 6.13 In the case of the LB Lambeth, it was considered that NCIL allocation down to single ward level would not be financially or administratively viable. The Council wanted to ensure that areas were big enough to ensure a sufficient quantum of NCIL funding to enable meaningful projects could be delivered but small enough to be recognisable as community areas.
- 6.14 The process of agreeing which projects should receive NCIL funding is likely to attract significant member and community interest and reaching a consensus may be difficult. It is therefore likely to be extremely resource intensive for officers to manage clusters of wards, which could contain up to twelve members each if Harrow's 21 wards are grouped into nine neighbourhoods, for the purposes of NCIL allocation.
- 6.15 Creating a larger number of recognisable neighbourhoods, for example by clustering two to three wards together as has been done for the Core Strategy, may be more manageable and make particular sense. However, this still creates a potential challenges for the Community officers supporting these neighbourhoods in terms of managing a number of elected members with potentially competing priorities. It would also require new structures and ways of working to be established, rather than using those already in place.

Option 2: Allocate at least 15% of CIL receipts raised in each ward back to the respective ward

- 6.16 In order to achieve an allocation process which is perceived as relatively fair and which could be mapped into existing Harrow governance structures and financial processes, the Council could choose to allocate 15% from a given ward back to that specific ward. This would ensure that NCIL spending is kept very local to the area in which development has taken place. This would also, as originally intended by the legislation, act as a direct local 'incentive' for local communities to support new development and realise the positive benefits of new development.
- 6.17 However, it may be that the negative impact from a development in one ward is felt more keenly in a neighbouring ward or wards. Furthermore, as Table 2 above demonstrates, NCIL receipts are not evenly distributed across the Borough. Certain wards with large CIL receipts could accumulate significant NCIL funds during the course of the next few years, whereas others may accumulate none.

- 6.18 The pros and cons of each option are considered in Table 6.1 below.

NCIL Summary and Preferred Option- Recommendation

- 6.19 The current NCIL receipts with the exception of two or three wards based around Harrow Town Centre are relatively small in scale and it would be easy to integrate NCIL spend into current / recent ward level funding structures whilst complementing existing spending arrangements without introducing new administrative burdens. Therefore:

Option 2 - Allocate at least 15% of CIL receipts raised in each ward back to the respective ward in which it was generated is the recommended option.

- 6.20 However the scale of current and future development occurring in the Harrow and Wealdstone Opportunity Area (HWOA) means a different approach should be considered. Here NCIL funds could be substantial so a bespoke approach based on the four wards within the Opportunity Area (namely Headstone North, Marlborough, Greenhill, Wealdstone). Under the CIL Regulations, there is provision to claw back NCIL that is not spent within 5 years and such a situation is more likely to arise if large sums of NCIL are restricted to being just spent within the ward in which they were received. So in addition to the above it is recommended that:

Option 1: Prioritise areas with the greatest proportion of strategic development sites is a second recommended option, with 15% of CIL receipts from the four wards being pooled for allocation to projects across the entire area, which in the context of the Harrow and Wealdstone Opportunity Area can be considered as a single neighbourhood.

- 6.21 The approach / areas outlined above relate to the process of allocating and agreeing the expenditure of Neighbourhood CIL received from development within each ward. It does not preclude these funds being agreed to be spent in another ward (i.e. on a park in the immediately adjoining ward) should ward members of the ward in which it was generated consider that appropriate and the ward benefits from the spend.
- 6.22 In order to ensure that projects reflect local priorities, it is recommended that they should be supported by at least two-thirds of the relevant ward members from which the funds are being drawn.

Table 6.1- Comparison of Options for NCIL allocation

Option	Pros	Cons
<p>1. Divide the borough into 'CIL neighbourhoods'</p>	<p>Potentially reduces the administrative burden by splitting the borough into fewer, larger areas</p> <p>Distribution of NCIL can be justified more easily with receipts from the CIL neighbourhood going directly back to that neighbourhood</p> <p>Strongest link to the Harrow Local Plan</p>	<p>Does not mirror existing structures for ease of administration</p> <p>Creates a large group of members to work with in each area, including those from different political parties</p> <p>Less likely to be community consensus on priority issues in larger geographical areas</p>
<p>2. Allocate at least 15% of CIL receipts raised in each ward back to the respective ward</p>	<p>Directly benefits the local area in which development has taken place</p> <p>Acts as a direct local 'incentive' for local communities to support new development and realise the positive benefits of such new development</p> <p>Mirrors existing structures for ease of administration</p>	<p>Harrow is a geographically compact borough which apart from green belt land to the north and metropolitan land to the south, is single urban area; likely that development could have an impact on a wider area than just the ward in which it has taken place</p> <p>Wide discrepancies in NCIL distribution as a result of large developments in some wards and none in others</p> <p>Wards with less vocal communities may have highest NCIL funds to spend</p> <p>Perception that parts of the borough (where development is likely) are receiving more funding than those more deprived wards</p>

7. CIL Criteria for Spend

Proposed Allocation Criteria

- 7.1 It is essential that a formal assessment methodology is agreed to ensure a consistent approach to individual projects to be funded by BCIL/NCIL and that this assessment methodology is understood by service areas and elected members across the Council. The essential decision making criteria are laid out below followed by a 'long list' of other factors to be considered in any weighting process to determine the merits of projects.
- 7.2 The proposed key criteria have two elements. Firstly, Allocation Criteria that reflect the legal requirements under the CIL Regulations; projects need to meet these to be considered further. Secondly, Additional Scoring / Weighting criteria will assist in prioritising projects for funding; final criteria will be determined by the Divisional Director – Regeneration and Planning, in consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation.

Allocation Criteria

1. **Does the proposed project satisfy CIL statutory spending requirements i.e. is it legally compliant and in accordance with the Council's Reg. 123 list?**
2. **Does it demonstrate an alignment with the Council's Corporate Priorities and Strategy including that of the CIL or other Infrastructure Delivery Plan?**
3. **Does it unlock strategic or other development sites and/or support growth?**
4. **Are there no other planning / development related mechanisms able to be used to fund the project (i.e. through a planning obligation or a highways agreement)?**

Neighbourhood CIL

5. **Does the project reflect local priorities agreed after engagement with the local community in areas where the CIL is generated and does it benefit that area?**
6. **Does the project have ward member support? (Projects should be supported by at least two-thirds of relevant ward members)**

Additional Scoring / Weighting criteria

Service Plans

- A. Is it included in a departmental service plan?

Statutory

- B. Is it required to meet a statutory duty?

Local Plan

- C. Does it comply with relevant policies in the Local Plan? (Core Strategy, Harrow and Wealdstone AAP etc.)
- D. Is it included in an adopted plan or strategy, such as a Neighbourhood Plan?

Finance

- E. Does it draw in additional funding from other bodies, e.g. grants / donations, crowd-funding, volunteer time?
- F. Does it generate revenue savings / income for the Council?
- G. When is funding required? During the current financial year, next financial year, or in subsequent years?
- H. Have all other funding options been considered?
- I. Are there sufficient CIL funds available for the project?
- J. Is there an on-going revenue cost to the Council?

Regeneration

- K. Does the project relate to a Council-led development which has paid or will pay CIL contributions and the proposed infrastructure benefits / supports that development?
- L. Does it demonstrate added benefit for the Borough, for example through using local businesses or developing skills of local people?
- M. Does it reduce or tackle inequality?
- N. Does it deliver Social Value?

Delivery

- O. What is the readiness to deliver? Capacity to deliver? How long will it take to start?
 - (i) Up to 12 months (quick wins)
 - (ii) 12–24 months
 - (iii) 24+ months

Project Management

- P. What is the quality of the supporting evidence base – programme, cost estimate, risk / issues, strength of business case?
- Q. Has a feasibility study been undertaken (if required) and is the project deliverable within the proposed budget and timescale?

Environment

- R. Does it help improve the local environment and public spaces?

Community

- S. Does it benefit the wider community e.g. in terms of health and wellbeing?
- T. Is the proposal at least neutral with respect to impacts upon equalities groups? Positive impacts on equalities groups should be achieved where possible / relevant.

8. Future Project delivery and monitoring

Borough CIL

- 8.1 Depending on the scale / value of the project and its relevance to existing service plans, it will still be prudent for the Council to deliver the majority of projects through its main capital programme although there may be situations where it is appropriate to transfer funds to external bodies if they will be delivering the project.

Neighbourhood CIL

- 8.2 CIL funds have the potential to be passed to community groups to deliver projects directly, provided they meet certain requirements and obtain a minimum number of quotes for any goods/services to be funded.
- 8.3 In the case of NCIL, the amount of money involved could be considerably larger than the current level of funding and could fluctuate on an annual basis dependant on the total CIL receipts from the previous period. The Council therefore needs to ensure a robust monitoring process is in place to ensure CIL are spent properly and in accordance with the relevant regulations. In this way the NCIL allocation would need to be seen as a means of consulting local people and generating project ideas rather than fully delegating funds to local communities to deliver.

9. Performance Issues

- 9.1 Establishing a robust approach to the allocation of CIL receipts will seek to ensure the CIL Regulations are complied with and spending decisions are made in a manner that maximises the benefit that infrastructure funded by CIL will bring to supporting new development in the borough.

10. Environmental Impact

- 10.1 The Council's list of infrastructure types that CIL can be spent on (its 'Regulation 123 list' includes a range of green infrastructure, as well as flood mitigation infrastructure. Provision of this infrastructure (should CIL be allocated to it) will have a positive environmental impact.
- 10.2 Infrastructure funded by CIL will be subject to the relevant environmental assessments (i.e. planning permission for schools etc).

11. Risk Management Implications

Risk included on Directorate risk register? No

Separate risk register in place? No

Failure to spend CIL in a transparent and appropriate manner that meets the requirements of the CIL Regulations carries a risk of challenge and reputational damage. Under the CIL Regulations the Council is required to report on how CIL is being spent (this is published as part of the 'Authorities Monitoring Report'), as well as on the Council's website. Government also regularly seeks details on the expenditure of CIL.

Inappropriate expenditure of CIL also risks undermining future increases in Harrow CIL rates. The Council will be looking to review its CIL Charging Schedule in the next 18 months, with the view to increasing them (subject to any revised rates not impacting upon overall development viability within the borough). This should in turn increase CIL income from the current projections contained in this report, which are based on the current rates. As part of the independent Examination in Public on any proposed CIL charging schedule, the Council needs to demonstrate that there is a funding shortfall against infrastructure required to support new development in the borough and which can be funded by CIL. Allocating previous CIL funds to non-CIL eligible infrastructure is unlikely to help in making this case.

CIL is one mechanism used to fund new infrastructure to support development within the borough. The majority of objections to new development in the borough include concerns relating to the impact of new development on infrastructure. In responding to these concerns the Council makes reference to developments paying CIL and this being used on infrastructure such as schools and health in the local area (two most commonly raised concerns). The allocation of CIL to purposes that does not support new development risks not addressing concerns that would help local residents and business accept new development in the borough (including the Council's own Regeneration Programme).

The development industry is continually challenging the merits of CIL (and any other 'imposts' on development). Using CIL funds in a way that does not support new development or bring tangible benefit to the immediate area only provides further arguments for developers to use against the ability to levy CIL.

12. Legal Implications

- 12.1 The Legal requirements for the expenditure of CIL are outlined in the body of the report.

13. Financial Implications

- 13.1 Financial implications are outlined in the body of the report.

14. Equalities implications / Public Sector Equality Duty

Was an Equality Impact Assessment carried out? No.

- 14.1 The criteria relating to the allocation of CIL receipts includes a criterion relating to equalities.

15. Council Priorities

- 15.1 Establishing an effective and defensible means of allocating CIL will help the Council meet the priority of a making a difference for communities by maximising the contribution that infrastructure funded by CIL makes to addressing the impacts of new development. For Neighbourhood CIL, it will demonstrate that the Council seeks and listens to the views of its residents.

Section 3 - Statutory Officer Clearance

Name: Sharon Daniels / Jessie Man on behalf of the*
Chief Financial Officer

Date: 30 October 2017

Name: Mrinalini Rajaratnam / Jimmy Walsh on behalf of the
Monitoring Officer

Date: 30 October 2017

Ward Councillors notified: **N/A (entire borough)**

EqIA carried out: **YES**

EqIA cleared by:
See body of report

Section 4 - Contact Details and Background Papers

Contact: David Hughes, Planning Policy Manager, 0208 736 6082

Call-In Waived by the Chair of
Overview and Scrutiny
Committee **NO**