

**Joint Report of: Director of City Development and the Assistant Chief Executive  
Citizens and Communities**

**Report to: Executive Board**

**Date: 21<sup>st</sup> October 2015**

**Subject: The Leeds Community Infrastructure Levy – Spending of the  
Neighbourhood Fund, and Other Spending Matters**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
		ALL
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The Community Infrastructure Levy (CIL) Charging Schedule was implemented on the 6<sup>th</sup> April 2015 and charging has been underway since then on all relevant developments. However, there will be a time lag before the Council holds any meaningful CIL receipts as a result. Central to the Best Council Plan is the desire to boost the local economy and maximise housing growth while ensuring that this is planned and delivered in a sustainable way, and that associated and necessary infrastructure is provided. Implementation of the CIL and gaining funding for infrastructure will directly contribute towards the Best Council Plan objective of promoting sustainable and inclusive economic growth. The CIL will assist in meeting Leeds' priorities by generating some funding to help provide infrastructure while being at appropriate rates which will continue to attract investment, create jobs, and deliver new housing. It could help fund some of the 'breakthrough projects' such as rethinking the City Centre. In this way the CIL is one of the delivery strands of the Core Strategy, and similarly will generate infrastructure funding from the development of sites identified in the emerging Site Allocations Plan, from windfall development, and from that occurring within future Neighbourhood Plan areas.
2. Executive Board in February 2015 made key decisions around spending of the future CIL income, directing it into two main funding streams; a strategic fund, and a neighbourhood fund, plus up to 5% for administrative costs. Executive Board agreed that the strategic CIL fund will be 70-80% of the total CIL received, and that priorities

for its spending will be decided on an annual basis as part of the Council's budget setting process, in line with the Regulation 123 List, and taking into account the impact of specific and cumulative infrastructure needs arising from new development. This demonstrates how the CIL is a part of the wider Council funding package that also includes aspects such as the New Homes Bonus and retained business rates, the West Yorkshire Transport Fund, and other public sector grants.

3. In relation to the neighbourhood fund, Executive Board agreed that this is to be 15% in an area without a Neighbourhood Plan, and 25% in an area with an adopted Neighbourhood Plan. In town and parish council areas this CIL neighbourhood fund is to be passed directly to those local councils, as required by national CIL regulations. In non-parished areas the decisions about spending are delegated to the relevant Community Committee (as the lowest democratic representative), and the CIL neighbourhood fund ringfenced by the City Council for that purpose.
4. Executive Board requested a further report outlining in more detail how this decision making process would work in Community Committees, to expand on its decision for "guidance/protocols to be established to ensure a consistent approach to defining the locality for spending and consultation purposes." Officers in Forward Planning and Implementation therefore worked jointly with officers in the Communities Team to undertake four workshops in July 2015 to which all ward members, town and parish councils, and neighbourhood planning groups were invited. Through this consultation and engagement, a wide range of issues relating to the CIL spending were explored. The overall outcome was the production of neighbourhood fund spending guidance which has been generated directly from those involved in the process. This was also in line with the Executive Board requirement that the Council would "continue to work closely with parish councils and other community groups and infrastructure providers, including through the Site Allocations Plan and Neighbourhood Planning, with the aim of shared infrastructure planning and maximising use of CIL resources."
5. Within the parameters set out in the CIL Regulations this report therefore provides spending guidance for Community Committees in making decisions on spending of their CIL neighbourhood funds. Executive Board is recommended to agree that all Community Committees follow this guidance and abide by its general principles in making their CIL spending decisions. A summary of feedback from the CIL workshops is also provided as the background context. This includes opinions made on matters and issues which are outside the direct remit of the guidance but which attendees wished to bring to the attention of the Executive Board, such as the CIL strategic fund, resourcing, and neighbourhood planning.
6. This report also covers other matters relating to the CIL, namely proposed minor amendments to the Regulation 123 List, and proposed withdrawal of the Council's current policy allowing discretionary charitable relief for investment activities.

## **Recommendations**

7. Executive Board is recommended to :
  - i) Agree the CIL neighbourhood fund spending guidance for use by Community Committees as set out at Appendix 1;

- ii) Agree the proposed minor changes to the Regulation 123 List (as set out at Appendix 2), to note that these changes will be subject to local consultation and to authorise the Chief Planning Officer to consider any representations made and to make any further amendments considered necessary as a result of the consultation prior to implementation of the revised list.
- iii) Agree to remove the Council's policy allowing discretionary charitable relief for investment activities to take effect from 1 December 2015.
- iv) Approve the amendment to the Community Committee Executive Delegation Scheme as set out at Appendix 3, noting that the delegation is shared with the Director of City Development.
- v) Note that the Chief Planning Officer is the officer responsible for implementation.

## **1 Purpose of this report**

- 1.1 This joint report from the Director of City Development and the Director of Citizens and Communities explains the process undertaken to generate spending guidance for Community Committees in making decisions on the CIL neighbourhood fund. A range of options are presented, and the proposed formal guidance document is included at Appendix 1. The report also proposes minor changes to the Regulation 123 List and withdrawal of the Council's policy allowing discretionary charitable relief for investment activities, to address and clarify some implementation issues following 6 months of charging.

## **2 Background information**

- 2.1 Executive Board in February 2015 made key decisions around spending of the future CIL income, directing it into two main funding streams; a strategic fund, and a neighbourhood fund, plus up to 5% for administrative costs. Executive Board agreed that the strategic CIL fund will be 70-80% of the total CIL received, and that priorities for its spending will be decided on an annual basis as part of the Council's budget setting process, in line with the Regulation 123 List, and taking into account the impact of specific and cumulative infrastructure needs arising from new development.
- 2.2 There is a national requirement for a 'meaningful proportion' of the CIL revenue to be passed directly to local communities, and in Leeds this is termed the 'CIL neighbourhood fund'. Executive Board agreed that this is to be 15% in an area without a Neighbourhood Plan, and 25% in an area with an adopted Neighbourhood Plan. In town and parish council areas this CIL neighbourhood fund is to be passed directly to those local councils, as required by national CIL regulations. In non-parished areas then the decisions about spending are delegated to the relevant Community Committee and the CIL neighbourhood fund ringfenced by the City Council for that purpose.
- 2.3 The CIL neighbourhood fund has to be spent on: "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” (CIL Regulations 59C and 59F).

- 2.4 Executive Board requested that officers produce a further report to give more detailed guidance on what is the ‘local area’ in terms of the CIL, and how Community Committees should make their spending decisions. This would ensure that spending decisions by Community Committees across the City are viewed as consistent, fair and transparent with sufficient information to manage expectations about the amounts of CIL which may be received, provide clarity on the accountability of parish and town councils to their residents, and help better understand Community Committee involvement with reviewing Neighbourhood Plans.
- 2.5 Officers in Forward Planning and Implementation therefore worked jointly with officers in the Communities Team to undertake four workshops in July 2015. One workshop covered the Outer North East Community Committee area, one covered the Outer South and Outer East areas, one covered the Outer West and Outer North West areas, and the final one covered all the Inner areas. All the ward members, town and parish councils, and neighbourhood planning groups in each relevant area were invited. The aim of the workshops was to generate consensus on key ideas from partners and stakeholders in order for officers to then produce the CIL spending guidance. It was also recognised that the workshops would present an opportunity to develop relationships, raise awareness of the CIL process and issues and choices around its spending, and create links with neighbourhood planning.
- 2.6 Following the consultation and engagement, the proposed CIL Neighbourhood Fund Spending Guidance has been produced and is attached at Appendix 1.
- 2.7 It was intended that working together to create the guidance should help improve relationships between the City Council and with town/parish councils in line with the Town and Parish Council Charter, and with neighbourhood planning and other groups. It should help create better links with and certainty of neighbourhood planning proposals, including cross-boundary issues.
- 2.8 For information, as at the 5<sup>th</sup> September 2015 (5 months since CIL charging was introduced in Leeds), Demand Notices for a total of £30,748 CIL have been issued (although none have as yet paid). This is very low but this is as expected due to the necessary time lag between planning applications being granted, progressing to start on site, and then the subsequent timescales for payment. In the same period the Council sent out 78 Liability Notices worth £1,289,659, i.e. if all those permissions go forwards to commencement then the Council will receive nearly £1.3m of CIL. This figure will rise as more and more developments commence which are subject to CIL charging. In meeting the challenges associated with the Council’s ambition for Leeds to be the best City in the UK, central to the Vision for Leeds is the desire to ensure that the need for growth in jobs and housing is planned and delivered in a sustainable way together with providing appropriate supporting infrastructure. The CIL income clearly will not meet all the District’s infrastructure needs but will provide an important contribution. Adoption of the CIL was included as an objective in the Best Council Plan as part of promoting sustainable and inclusive economic growth.

### **3 Main Issues**

#### **Development of the CIL Neighbourhood Fund Spending Guidance**

- 3.1 Over the course of the four workshop sessions held in July, a broad number of questions and concerns were raised. Issues ranged from those that would directly help shape the CIL spending guidance and those that formed part of broader conversation on both the neighbourhood planning and site allocations processes.
- 3.2 The issues raised relating to the CIL guidance, when grouped thematically, fell into six key areas:
- The spending of CIL Neighbourhood Fund in a Neighbourhood Plan area.
  - The spending of CIL Neighbourhood Fund in an area not covered by a Neighbourhood Plan(s).
  - CIL Neighbourhood Funding generated in the City Centre.
  - Consultation and relationships between Neighbourhood Forums, Town and Parish Council and Community Committees.
  - Cross boundary projects and spending.
  - Project delivery.
- 3.3 Accepting that the four workshop sessions, held geographically, were always likely to produce a wide range of feedback, it has been the aim of officers to produce a set of guiding principles for the spending of the CIL Neighbourhood Fund that acknowledges consensus concerns and seeks to address common issues. Community Committees may then choose to create further bespoke and more detailed guidance for their own area.

#### **Other issues raised in workshops outside of direct remit of the spending guidance**

##### Strategic Fund

- 3.4 Alongside the CIL neighbourhood fund is a strategic fund (70-80% of the total CIL received). The only decision made thus far relating to the spending of the strategic fund is that: "priorities for its spending will be decided on an annual basis as part of the Council's budget setting process, in line with the Regulation 123 List, and taking into account the impact of specific and cumulative infrastructure needs arising from new development" (Executive Board decision 11<sup>th</sup> February 2015).
- 3.5 Workshop attendees broadly queried the reasoning behind the 70% to 80% directed into the strategic fund and considered it should be lower, with more directed into the neighbourhood fund, match funded against neighbourhood fund spending, or ringfenced through another mechanism for local spending.
- 3.6 The reasons for the percentage split between the strategic and the neighbourhood fund are outlined in the Executive Board report of 11<sup>th</sup> February 2015. They can be summarised as:
- A large strategic fund increases flexibility to provide the sort of infrastructure that CIL is intended to deliver as a replacement for S106 (such as schools and public transport improvements).

- Retention of the majority of CIL in the local area may be insufficient to fund a key infrastructure need. Some areas will have significant development but raise little funding. It gives the potential to balance out the different charging rates across the District (ranging from £90 psm down to £5 psm for residential development).
- Whilst some strategic spend will be on schemes of city wide significance such as NGT or flood alleviation, many projects will directly benefit/mitigate the localities in which the development generating the CIL has taken place.
- New developments will be subject to policies requiring necessary infrastructure on site such as greenspace and drainage/flood alleviation and access. Site specific impacts of new developments will therefore largely be mitigated.
- Increased ability to match with other funding sources. To maintain as much simplicity and flexibility as possible. Ideas around per square metre, further ringfencing etc add even more complexity to an already very complex system.

3.7 Additional comments and discussion from the workshop sessions included concerns relating to:

- Transparency around the spend of the strategic CIL Fund.
- The potential for conflict between City-wide and local priorities, and the need to mitigate local impacts from development.
- The scope of what the neighbourhood fund could and should be used to support, such as education or major transport projects.
- How Community Committees and local groups can influence the Reg123 List and other elements of the strategic fund spending.

3.8 To date, there have been no detailed decisions on the spending of the strategic fund, and the budget setting process is only now underway. The comments above have therefore been included in this report in order to raise awareness of local concerns or ideas with Executive Board and other officers involved in the strategic fund decision making. Various LCC Services have also queried how they could 'bid' for some of the CIL in the strategic fund to meet the impacts of developments granted planning permission.

#### Resources for Community Committees and communities to develop CIL spending plans

3.9 The workshops also highlighted that there were widespread concerns around the amount of resources available to assist in infrastructure planning, CIL spending decisions, and neighbourhood planning.

3.10 These were particularly related to the need for further officer assistance, support (both financial and administrative), and access to Elected Members. The Regulations allow the Council to keep 5% of the CIL to cover administration costs, although in Leeds this is not anticipated to be available for additional resources over the next year as it needed to backfill the CIL set up costs.

#### Miscellaneous Matters Raised

3.11 Executive Board should also note the following broader comments were also raised as part of the CIL workshop sessions:

- Many attendees considered the neighbourhood fund should be 25% regardless of the status/presence of a Neighbourhood Plan.

- The spending of CIL at all levels should be transparent.
- The planning process needs to take into account infrastructure impacts and needs from the earliest opportunity.
- How Neighbourhood Plans can be used as a lever for funding opportunities outside of the CIL?

### **Regulation 123 List – Proposed Minor Changes**

- 3.12 CIL Regulation 123 requires the Council to set out a list of those projects or types of infrastructure that it intends will be, or may be, wholly or partly funded through the CIL. In order to ensure that individual developments are not charged for the same infrastructure items twice, a S106 contribution or a S278 agreement cannot then be made towards an item already on the List. Executive Board agreed the Leeds Regulation 123 List on 17<sup>th</sup> September 2014. This version was unchanged from that consulted on in October 2013. Following the adoption of the Core Strategy in November 2014, the implementation of the CIL on a day to day basis from April 2015, and the preparation of the Publication Draft of the Site Allocations Plan (SAP) in September 2015, minor issues have arisen relating to the precise wording of the R123 List. Minor changes are therefore proposed in order to increase clarity, provide consistency, and to reflect the current position as set out in the SAP.
- 3.13 The CIL Regulations are silent on the process for amending the Reg123 List. The Planning Practice Guidance states; “When charging authorities wish to revise their Regulation 123 List, they should ensure that these changes are clearly explained and subject to appropriate local consultation... Charging authorities should not remove an item from the Regulation 123 List just so that they can fund this item through a new Section 106 agreement. Authorities may amend the Regulation 123 List without revising their Charging Schedule, subject to appropriate consultation. However, where a change to the Regulation 123 List would have a very significant impact on the viability evidence that supported examination of the Charging Schedule, this should be made as part of a review of the Charging Schedule.”
- 3.14 It is considered that the changes proposed are minor and therefore would not impact on the viability evidence assessed at the CIL examination. The changes are also not being proposed in order that a specific infrastructure item can be funded through a new S106, but to give more clarity. Therefore the only requirement is that ‘appropriate local consultation’ takes place on the changes. In reality the changes are only likely to be of real interest to those submitting applications and becoming liable for the CIL charge. It is therefore proposed that the changes and the opportunity for comment be made available through the Council’s website and through limited targeted consultation. Given that only minor amendments are proposed to the Reg 123 list it is suggested that the Chief Planning Officer be authorised to make any further changes arising from this consultation.
- 3.15 Appendix 2 sets out the proposed Regulation 123 List as revised. The table below highlights what is proposed to be changed from the current version and provides an explanation.

<b>Current Reg123 List</b>	<b>Proposed change</b>	<b>Explanation</b>
Leeds Core Cycle Network	Leeds Core Cycle Network, except for where improvements or additions are necessary as a result of a specific development.	Where appropriate for the site, a development may be expected to provide a new cycle link or upgrade an adjacent existing route, via a S106. However, where that link or route happens to be part of the Leeds Core Cycle Network, this is not possible due to the generic category on the R123 List. Therefore by inserting the exclusion on the List, it will allow the CIL to be the main contributor (alongside other funding sources), yet not preclude S106 contributions from individual developments.
The Public Right of Way network	The Public Right of Way network, except for where improvements or additions are necessary as a result of a specific development.	Almost all development sites are expected to provide new pedestrian links or upgrade an adjacent existing route, and sometimes this is best sought through a S106. However, there have been instances where applicants have argued that because all walking routes are part of the public right of way network, then no S106 contribution should be made. It was never the intention that the CIL should supersede the proper planning of new development sites, therefore providing further clarity on this wording is considered appropriate.



<p>Primary education, except for large scale residential development identified in the Site Allocations Plan, which will be expected to provide primary schools either as an integral part of the development or as the result of no more than 5 separate planning obligations</p>	<p>Primary education, except for large scale residential development, which will be expected to provide primary schools as an integral part of the development.</p>	<p>It is very difficult to identify in advance which should be the specific sites to contribute towards off-site school need in each area. This is because it does not work out evenly basing this on size or location or phasing, because the need for the school and the timing of it will alter in each case depending on which sites come forwards at which points, and because there are inevitably more than 5 sites in most instances that will generate a cumulative demand for places. It also cannot be guaranteed which sites would come forwards first.</p> <p>In addition, the CIL Regulations refer to pooling of 5 S106 'obligations', which means that the tally includes where schemes may change and new/revised applications/S106s are required, and where reserved matters applications come forwards in phases spread across one sight which would each then require a S106. Therefore even a single site could on its own generate 5 obligations, after which no more could be taken into account either from that site or from any other site, no matter what was set out in the SAP and no matter whether the contributions would ever actually be received (i.e. if superseded by another application).</p> <p>The statutory consultation procedures relating to school expansions also means that even if a specific school were cited for expansion in the SAP or a S106 agreement, there is no guarantee that the outcome of the consultation would agree the expansion of that school.</p> <p>It is therefore more appropriate to remove the reference to identification of sites in the SAP to pool together up to 5 obligations.</p>
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Secondary education	Secondary education, except for large scale residential development which will be expected to provide secondary schools as an integral part of the development	To provide consistency with the position for primary schools, and to support the few sites in the Site Allocations Plan where on-site secondary provision will be a requirement.
Green infrastructure and public greenspace, except for on-site provision required by Core Strategy policies	Green infrastructure and public greenspace, except for site specific provision required by Core Strategy policies	To provide better clarity about the scope of Core Strategy Policies G4 and G5, and the potential for site-specific provision to be provided by an 'on-site contribution in lieu' and not just physically on-site provision.
Public realm improvements, except for on-site provision or where this is required as a direct result of an adjacent development	Public realm improvements, except for on-site provision, and off-site provision where this is required as a direct result of an adjacent development	To provide better clarity.

### **Removal of CIL Discretionary Relief for Charitable Investment**

- 3.16 The final CIL spending matter relates to charities. Some charitable relief is mandatory through a nationally set exemption under Regulation 43. This gives charitable relief from paying the CIL on anything developed on the charities land which is directly related to their charitable purposes. An example would be a university/college providing e.g. student accommodation, car parking, retail, and education buildings.
- 3.17 On top of this the Council also set a Policy on Discretionary Relief for Charitable Investment (approved by September 2014 Executive Board alongside the Charging Schedule adoption), under CIL Regulation 44 whereby CIL relief is granted where the profits applied are for charitable purposes:
- *In accordance with Regulation 46 of the Community Infrastructure Regulations 2010 (as amended), this document gives notice that discretionary charitable relief for investment activities is available in the Leeds District under Regulation 44.*
  - *Subject to the requirements as set out in the CIL Regulations 2010 (as amended), the following are the circumstances in which discretionary charitable relief will be granted by Leeds City Council:*

- *Where a charitable institution is otherwise liable for the CIL, and the whole or greater part of the development will be held by the charitable institution as an investment from which the profits will be applied for charitable purposes,*
- *That portion of the chargeable development to be held as an investment will not be occupied by the claimant for ineligible trading activities, and,*
- *The relief would not constitute notifiable State Aid.*

3.18 It was not fully appreciated that this policy could allow charities to avoid paying any CIL in circumstances where the sole purpose is to provide market housing. It is considered that all market housing should be liable for the CIL, in order to reflect the infrastructure needs arising from market housing and to provide benefit residents in those local communities. Therefore for the avoidance of uncertainty over future CIL payments on such land, it is recommended that the Policy on Discretionary Relief for Charitable Investment be withdrawn. Mandatory charitable relief under Regulation 43 will continue. The CIL Regulations require the Council to give 14 days' notice before the Policy is withdrawn and it is therefore proposed that this change takes effect from 1<sup>st</sup> December 2015.

## **4. Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 The strategic overview for the CIL spending as set by the Reg123 List has already been agreed by Executive Board.

4.1.2 Four workshops were undertaken in July as part of the exercise to draft the CIL neighbourhood fund spending guidance, jointly facilitated by the Council's Forward Planning and Implementation team, and the Communities team. One was held for the Outer North East Community Committee, one for the Outer South and Outer South East CCs, one for the Outer North West and Outer West CCs, and one for all of the Inner CCs. All elected Members, town and parish councils, and existing and emerging Neighbourhood Forums were invited. A full list of attendees can be made available on request. The workshops included an overview presentation and then themed discussion sessions, concluding with a final feedback opportunity.

4.1.3 In addition, correspondence has been received from the Inner North West Community Committee (Planning Sub-Group) relating to their suggestions for the spending guidance. These broadly reflect the comments and consensus at the workshops, and therefore have the same broad remit as is set out in the guidance document.

4.1.4 It is proposed to carry out appropriate consultation on the changes to the Reg 123 list as referred to in paragraph 3.15 above.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 A number of Equality, Diversity, Cohesion, and Integration Screenings were undertaken relating to the adoption of the CIL Charging Schedule, and also for the previous Executive Board report on 11<sup>th</sup> February 2015. Those screenings

identified that the consideration of most relevance to equality, diversity, cohesion, and integration will be relating to the choices to be made in spending the CIL.

- 4.2.2 A new Screening is attached as Appendix 4 of this report relating to the neighbourhood fund guidance. Issues which have been considered include:
- The consensus gained at the four Community Committee workshop events in July 2015.
  - The need to ensure equal outcomes across the Community Committee areas and across the District, bearing in mind the constraints about where development occurs and the differential CIL rates charged.
  - The need to ensure transparency in decision making and involve local communities in decision making.
  - The relationships with town and parish councils, Neighbourhood Forums, and other community planning groups.
- 4.2.3 The conclusions of the screening report are that Community Committees are an important part of the Council's decision making process. Attending the meetings allows local people and councillors to get to know groups and organisations that work in the area. Similarly, the role of parish councils as democratically accountable bodies means they offer a way of shaping the decisions that affect their communities. Parish and town councillors and officers possess local knowledge to make informed decisions, including on the equality needs and impacts of their communities.
- 4.2.4 That the guidance sets out the need for spending to consider cross boundary working and projects will assist the more disadvantaged inner city communities adjoining the City Centre, and allow best value for money and maximise infrastructure provision across the District.
- 4.2.5 The guidance requires Community Committees to have awareness of the need to include young people in their engagement work, with bespoke consultation as necessary. It also requires local communities to be consulted on spending, including as a minimum the relevant Neighbourhood Forum or other constituted urban environment group covering that area, plus those and Town and/or Parish Councils in adjacent areas. It recommends that City Councillors should continue to strengthen relationships with Town and/or Parish Councils through the Community Committee, and that the CC should strongly consider the use of sub groups and co-optees to be advisory consultees, with the potential for a formal agenda item on neighbourhood planning or infrastructure planning at meetings.
- 4.2.6 The Council will monitor the type, location, and value of CIL receipts and CIL infrastructure funding, and town and parish councils will also have to report on their own spending.
- 4.2.7 The proposal to remove the Council's policy allowing discretionary charitable relief for investment activities would disadvantage any charities proposing to use the current policy. However, it is considered that all market housing should be liable for the CIL, and this would create increased income for communities and equity for a wider range of stakeholders, which outweighs the potential negative impact for very

occasional instance for a charity. It would be to the benefit of all people in those local communities, including those with protected characteristics.

### **4.3 Council Policies and the Best Council Plan**

- 4.3.1 The CIL is a process which the Council has chosen to set up, as supported by the CIL Regulations 2010 (and Amendment Regulations 2011, 2012, 2013, 2014), and the formal Charging Schedule is a document within the Local Development Framework. The CIL broadly reflects Council policies and City priorities in that it emphasises incentivising growth, both to the development industry and local communities. Implementation of the CIL continues to contribute funding towards infrastructure which will therefore directly support the Best Council Plan objective to promote sustainable and inclusive economic growth. It could help fund some of the 'breakthrough projects' such as rethinking the City Centre. In this way it is a delivery mechanism for the Core Strategy, the Site Allocations Plan, and future Neighbourhood Plans.
- 4.3.2 The production of more detailed spending guidance, and using that process to build working relationships between a range of stakeholders, is considered to directly contribute to the Best Council Plan approach of adopting a new leadership style of civic enterprise, where the council becomes more enterprising, and citizens become more actively engaged in the work of the City.

### **4.4 Resources and Value for Money**

- 4.4.1 The implementation of the CIL in Leeds is expected to result in increased funding for infrastructure across the District overall, alongside the context of a forced reduction in the current use of S106s from April 2015 (via national Regulations).
- 4.4.2 The Regulations allow up to 5% of future CIL receipts to be reclaimed for the CIL set up and ongoing administration costs, and this has been previously agreed as appropriate for Leeds by Executive Board. This report includes a commentary on issues surrounding staffing and resources which have been raised by ward members and community stakeholders.
- 4.4.3 The recommendation that Community Committees follow the spending guidance allows for maximising value for money by encouraging communities to work with the Council and each other, for instance by further pooling across boundaries where appropriate.
- 4.4.4 The CIL Regulations state that the Council "must apply CIL to funding the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of its area." The CIL from the neighbourhood fund has a slighter wider remit as it must support the development of the local area or any part of that 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." This could therefore include affordable housing, or the costs of setting up a neighbourhood plan.

- 4.4.5 The Regulations set limits on spending of S106s, so that income from only five or less S106 obligations can be pooled towards a specific item or type of infrastructure and this must not be a type or project which is on the Reg123 List. Affordable housing S106s are exempt from this pooling, and the Council's strategic CIL cannot be spent on affordable housing.
- 4.4.6 Both the City Council and town and parish councils will have to provide annual reports on their CIL receipts and spending.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 The Community Infrastructure Levy Regulations (2010 as amended) set out that a charging authority can choose to charge the CIL on new development in its area. The Council has adopted its Charging Schedule and associated policies. The recommendations proposed will have implications for most communities across the District. The Council has a lot of discretion over how it spends the CIL income, provided that it is in line with the Regulations and particularly the Reg123 List and regulations relating to the neighbourhood fund.
- 4.5.2 This report is a key decision and is therefore subject to call-in following Executive Board.
- 4.5.3 The Council's Constitution sets out executive delegations to Community Committees at Part 3, Section 3D. It is proposed that this new delegation in relation to CIL spending is reflected in the delegation scheme as shown at Appendix 3 attached. Executive Board will note that the proposed wording includes reference to both the guidance and the requirement that Community Committees work with partners to ensure best use of CIL monies. The delegation is shared by the Director of City Development who can take decisions in respect of CIL funding where such decisions cannot be delayed until the meeting of the relevant Community Committee.

#### **4.6 Risk Management**

- 4.6.1 As the CIL will be an income stream treated in a similar manner to other income streams within the Capital Programme, risk will be assessed and managed through the Council's standard financial management procedures as part of that process. The use of new CIL guidance for Community Committees means that their spending decisions will be transparent and fair across the District, with influence from local communities. The guidance has been worked up after consultation and engagement with key stakeholders. This means that spending decisions made are more likely to receive support from local residents, and foster good relationships. This report has provided the range of opinions and options generated by the workshop attendees, even where those opinions do not align with the guidance itself.
- 4.6.2 Officers will continue to work with local communities in giving advice on maximising and managing their CIL spending, including through developing Neighbourhood Plans and shared priority arrangements as appropriate. The progression towards

adoption of the Site Allocations Plan and therefore the increasing certainty on the amount of CIL which individual areas may generate will also help with this process.

- 4.6.3 There is a risk that some types of infrastructure or some areas may result in lower infrastructure spending than they have received through the previous (S106) system, but this can be mitigated through the annual priority setting, which will also consider the balance of other funding sources and development and infrastructure pressures.
- 4.6.4 The CIL Regulations require LCC to publish an annual report of spending in relation to the strategic and neighbourhood fund CIL, and also requires town and parish councils to report annually on their own proportion of the neighbourhood fund. This will allow for transparency of decisions and for the Council and other stakeholders to monitor, review, and feedback as necessary.

## **5 Conclusion**

- 5.1 The CIL will be one of the delivery strands of the Core Strategy and is a key part of delivering the Best Council Plan objective of promoting sustainable and inclusive economic growth. It will be a part of the wider Council funding package that also includes aspects such as the New Homes Bonus and retained business rates, the City Region Infrastructure Fund and other public sector grants. The CIL will assist in meeting Leeds' priorities by generating some funding to help provide infrastructure while being at appropriate rates which will continue to attract investment, create jobs, and deliver new housing.
- 5.2 The need to work with local councils and neighbourhoods to explore opportunities for maximising available resources has to be set against the need to streamline the process by using existing decision making structures where possible, and also the technical requirements of financial administration within the authority.
- 5.3 It could help fund some of the 'breakthrough projects' such as rethinking the City Centre. In this way the CIL is one of the delivery strands of the Core Strategy, and similarly will generate infrastructure funding from the development of sites identified in the emerging Site Allocations Plan, from windfall development, and from that occurring within future Neighbourhood Plan areas.
- 5.4 The CIL neighbourhood fund has been agreed at 15% in an area without a Neighbourhood Plan, and 25% in an area with an adopted Neighbourhood Plan. In town and parish council areas the neighbourhood fund is to be passed directly to those local councils, as required by national CIL regulations. In non-parished areas the decisions about spending of the CIL neighbourhood fund are delegated to the relevant Community Committee (as the lowest democratic representative), and the fund is ringfenced by the City Council for that purpose.
- 5.5 Four workshops were undertaken in July 2015 to which all ward members, town and parish councils, and neighbourhood planning groups were invited. The overall outcome was the production of CIL neighbourhood fund spending guidance which has been generated directly from those involved in the process. Community

Committees may then choose to create further bespoke and more detailed guidance for their own area.

- 5.6 This report and Appendix 1 therefore provides spending guidance for Community Committees in making decisions on spending of their CIL neighbourhood funds. Executive Board is recommended to agree the spending guidance for use by all Community Committees. The issues raised in the workshops led to the creation of guidance grouped around six key areas:
- The spending of CIL Neighbourhood Fund in a Neighbourhood Plan area.
  - The spending of CIL Neighbourhood Fund in an area not covered by a Neighbourhood Plan(s).
  - CIL Neighbourhood Funding generated in the City Centre.
  - Consultation and relationships between Neighbourhood Forums, Town and Parish Council and Community Committees.
  - Cross boundary projects and spending.
  - Project delivery.
- 5.7 This report also covers the comments made at the workshops around the strategic CIL fund and resourcing. Other matters relating to the CIL are also identified, namely proposed minor amendments to the Regulation 123 List, and proposed withdrawal of the Council's current policy allowing discretionary charitable relief for investment activities.

## **6 Recommendations**

- 6.1 Executive Board is requested to agree:
- i) Agree the CIL neighbourhood fund spending guidance for use by Community Committees as set out at Appendix 1;
  - ii) Agree the proposed minor changes to the Regulation 123 List (as set out at Appendix 2), to note that these changes will be subject to local consultation and to authorise the Chief Planning Officer to consider any representations made and to make any further amendments considered necessary as a result of the consultation prior to implementation of the revised list;
  - iii) Agree to remove the Council's policy allowing discretionary charitable relief for investment activities to take effect from 1 December 2015;
  - iv) Approve the amendment to the Community Committee Executive Delegation Scheme as set out at Appendix 3, noting that the delegation is shared with the Director of City Development;
  - v) Note the Chief Planning Officer is the officer responsible for implementation.

## **7 Background Papers<sup>1</sup>**

- 7.1 There are no background papers associated with this report.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.



## **8 Appendices**

Appendix 1 – Proposed Leeds CIL Neighbourhood Fund Spending Guidance

Appendix 2 – Proposed Leeds CIL Regulation 123 List

Appendix 3 – Proposed amendment to the Community Committee Executive Delegation Scheme

Appendix 4 – Equality, Diversity, Cohesion, and Integration Screening