

# Cabinet Report



Listening Learning Leading

Report of Head of Planning

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## Neighbourhood Planning District Grant Funding Review

### Recommendations

1. To cease the council's district Neighbourhood planning grant support from 1 April 2020.
2. To support neighbourhood planning groups in securing alternative grant funding towards developing new and revising neighbourhood plans.

### Purpose of Report

1. To update Cabinet on changes to the Government's neighbourhood planning grants and to seek approval from the Cabinet to bring the current district grant support to community groups preparing or reviewing neighbourhood plans to an end.

### Corporate Objectives

2. Strongly supporting the development of neighbourhood plans for our towns and villages.

### Background

#### Government Funding

3. The council has a duty to support and advise parish councils, neighbourhood forums and community right to build organisations and pay for the examination and referendum costs. The Government provides grant funding to help councils meet

their legislative duties in relation to neighbourhood planning. Specifically, the duties introduced by the Localism Act 2011 to provide advice or assistance; to hold an examination; and to make arrangements for a referendum.

4. Until April 2016 the district council received £30,000 grant funding from Government for each successful neighbourhood plan. From April 2016, the grant available to the district council was revised down to £20,000, payable following the successful examination of a neighbourhood plan and when a referendum date is agreed. The Government has confirmed that this funding arrangement will remain in place until 31 March 2020. Future funding arrangements beyond this time has not been confirmed.
5. In April 2018 the Government's neighbourhood grant scheme was updated. Under the revised arrangements councils can claim grant funding to help meet legislative duties in relation to the review/modification of neighbourhood plans. Changes to the neighbourhood plan (other than for the purpose of correcting errors) is eligible for one of two possible payments, depending on the level of modification undertaken:
  - i) In circumstances where substantive modifications are made to the plan, which require a new examination, but no referendum, the District Council can claim £10,000.
  - ii) In circumstances where more substantive modifications are made to the plan, which require an examination and new referendum, the district council will be eligible to claim £20,000.
6. Claims for both types of modified plan will be limited to one claim per neighbourhood planning area every five years. It should be noted, however, that there are no limits on the number of times the district council may be required to deal with proposals to modify a made plan within a five-year period.

### **District council grant funding**

7. The Grant given by the Government is currently used by the council to provide support for the formal stages of neighbourhood plan preparation. The council also currently provides a fixed one-off grant to community groups (via town or parish councils) preparing or reviewing/modifying neighbourhood plans. The grant amount is based on the size of the community as follows: Market Towns £15,000; Larger Villages £10,000 and Smaller and Other Villages £5,000.
8. The cost to the council of the publication, examination, and referendum will vary according to the to the complexity of the neighbourhood plan, and the population of the neighbourhood area. The table below shows the last three years average costs to the council including the one-off grant and the costs if the one-off grant is excluded.

<b>Size of settlement</b>	<b>Current average cost to the council including one-off grant.</b>	<b>Proposed average cost to the council excluding one-off grant.</b>
<b>Smaller and Other Villages</b> Based on Brightwell cum Sotwell, Dorchester on Thames, Long Wittenham, Little Milton, Pyrton, The Baldons and Warborough & Shillingford.	<b>£13,207</b>	<b>£8,207</b>
<b>Larger Villages</b> Based on Benson, Chalgrove, Chinnor, Cholsey, Goring and Watlington	<b>£24,132</b>	<b>£14,132</b>
<b>Towns</b> Based on larger villages average cost + £10K	<b>£34,132</b>	<b>£19,132</b>

9. Any costs incurred by the district council during the formal stages, which are in excess of available Government grant, is funded by the council. Funds from the Government grant which are not used up in progressing less complex neighbourhood plans (Smaller and Other Villages) help subsidise the costs of progressing more complex neighbourhood plans (Larger Villages and Towns). Staffing costs associated with supporting community groups and progressing neighbourhood plans through the formal stages are funded by the council.

#### **District council grant funding review 2017**

10. A review of the grant support provided to neighbourhood planning groups was undertaken in 2017 and an income and expenditure projection, from 2017 to 2020 was estimated. The table below compares our forecast against actual income/expenditure:

<b>income/expenditure for Neighbourhood planning 2017-2020 (excludes staff costs)</b>	<b>Projected £</b>	<b>Actual £</b>
Grants reserve (31/03/2017)	-31,369	-31,369
MHCLG grant income following agreed referendum. Projection assumed for 31 NPs @20K	-620,000	-220,000
Actual claims submitted for 11 NPs @20K and NPs eligible to receive MHCLG grant income following agreed referendum. (1NP @20K)		-20,000
<b>Gross income</b>	<b>-651,369</b>	<b>-271,369</b>

District council grants for new/revised NPs (1 Town; 1 Larger Village and 9 Smaller/Other Villages)  (Projection related to grants not yet paid)	70,000	
District council cost for; submission consultation, examination & referendum.  Projection assumed progressing 31 NPs @15k per NP. Actual (November 2019) - includes grants paid for new/revised NPs.	465,000	264,209
<b>Gross expenditure</b>	<b>535,000</b>	<b>264,209</b>
<b>Balance</b> for funding new plans, above average council costs, additional re-examination, loss of MHCLG grant if NP unsuccessful	<b>-116,369</b>	<b>-7,110</b>

11. The council does not have any control over the timetable for preparing neighbourhood plans. The 2017 projections shown in the table above did not materialise because neighbourhood plans did not progress as quickly as anticipated. It is important to note that delays in the progression of neighbourhood plans leaves the district council exposed to potential changes in the funding arrangements from Government.
12. If the current funding arrangements from Government remain unchanged and all our neighbourhood plans progress to a stage where the district council can set a referendum date, then it is anticipated the district council will be able to cover its costs associated with its legislative duties towards neighbourhood planning.
13. A summary of projected finances up to 31 March 2022 is set out in the table below. The first table shows the projected income and expenditure for 22 neighbourhood planning groups currently preparing or revising neighbourhood plans. It assumes they will all set referendum dates and therefore the district council will receive £20,000 Government grant income and each plan will attract average costs in line with the costs identified in paragraph 9. Most have already been paid the fixed grant by the district council, which is why only £5,000 remains to be paid. The table shows that there is a projected balance of £224,213. The second table shows the projected income and expenditure if nine new or revised neighbourhood plans come forward and the district council continues to provide grant to neighbourhood planning groups. It results in a net cost of £13,488. This cost could be met from the projected balance of the plans currently being prepared of £224,213.

<b>Project income/expenditure for Neighbourhood planning 2020- 2022</b>	<b>£</b>
Expected grants reserve (31/03/2020)	-7,110
MHCLG grant income following agreed referendum. (assumed for 22 NPs @20K)  * Provided funding arrangements are confirmed and kept the same beyond 31 March 2020.	-440,000*
<b>Gross income</b>	<b>-447,110</b>

Grants for new/revised NPs (this relates to grants not yet paid)	5,000
Council cost for submission consultation, examination & referendum (assumes £15k per NP)	217,897
<b>Gross expenditure</b>	<b>222,897</b>
<b>Balance</b> for funding new plans, above average council costs, additional re-examination, loss of MHCLG grant if NP unsuccessful	<b>-224,213</b>

<b>Example; projected costs/income for Nine NPs 2020-2022</b>	<b>£</b>
Grants for new/revised NPs (x2 Towns, x3 Larger Villages, x4 Villages)	80,000
Council cost for submission consultation, examination & referendum (Using assumptions in paragraph 9)	113,488
<b>Gross expenditure</b>	<b>193,488</b>
<b>Income</b> - DCLG grant following agreed referendum. (assumed for 9 NPs @20K)	<b>-180,000</b>
<b>Balance</b>	<b>13,488</b>

14. Officers have considered the impact of the reduction in funding from Government, of £10,000 per plan, the limitation on claims relating to the review/modification of made neighbourhood plans and the implications of plans potentially failing to pass examination and/or failing to reach adoption.
15. Bringing the district council grant support to neighbourhood planning groups to an end would help ensure the income from the Government grant is reassigned to meet its intended purpose which is to help the council meet its neighbourhood planning obligations. This would also help safeguard the council's ability to strongly support the development of neighbourhood plans in the longer term.
16. The end of the grant support is not considered to have a significant detrimental effect on our communities. The Government provide direct support for communities who choose to prepare neighbourhood plans. Community groups can access a range of free help including technical and financial support. Currently the Government's Neighbourhood Planning Support Programme up to 2022 offers;
  - a £9,000 grant, which is available immediately following the designation of the neighbourhood area,
  - an additional £8,000 is available to groups that meet certain criterion (e.g. allocating a site for housing or including a design code).
  - access to technical support which is awarded as a technical work package. Community groups in our district have used the technical support for specific projects such as Strategic Environmental Assessments and Housing Needs Assessments.

## Options

17. Cabinet needs to consider whether it can afford to continue providing grant support to community groups preparing/modifying neighbourhood plans, when there is

currently alternative Government funding for communities. In addition, with the risk of further changes to Government grants to district councils, we need to consider how it will fund the administrative costs to meet its legislative duties in relation to neighbourhood planning.

## **Financial Implications**

18. Any decision that has financial implications must be made with the knowledge of the council's overarching financial position. This is as reflected in the council's medium-term financial plan (MTFP) as reported to Full Council each February as part of the budget setting report. The February 2019 MTFP and the budget report showed that the council was due to receive £3.3 million less in revenue funding than it planned to spend in 2019/20 (with the balance coming from reserves and accumulated New Homes Bonus). This funding gap is predicted to increase to over £6 million per annum by 2023/24. Every decision should be made in cognisance of the need to substantially reduce this funding gap over the medium term and to eliminate it after five years.
19. If an examination is not successful or a parish chooses not to continue working on a neighbourhood plan, then there is a risk that we cannot claim the Government grant. In the case of modifications to made plans, if the district council is required to deal with requests to modify a plan more than once within a five-year period, the costs would have to be funded by the council.
20. The council does not control the timetable for preparing/reviewing neighbourhood plans. Delays in progressing neighbourhood plans leaves the council exposed to potential changes in the funding arrangements from Government.
21. The recommendation in this report seeks to mitigate these issues by safeguarding current Government grant funds to help the council meet its obligations to neighbourhood planning.

## **Legal Implications**

22. There are no legal implications by this proposal.

## **Risks**

23. Bringing the district council grant support to neighbourhood planning groups to an end may discourage groups from preparing/reviewing neighbourhood plans. However, officers believe this risk is very low considering the funding and technical support available directly from Government to community groups.

## **Conclusion**

24. Having considered the impact of potential changes to the funding from Government and our own financial position on our ability to continue to offer grant support and meet our neighbourhood planning obligations, it is recommended that the district council grant support to neighbourhood planning groups is brought to an end due to

uncertainty of future funding and uncertainty of costs that the council may incur not covered by the Government grant scheme.

25. The income from the Government grant should continue to meet its intended purpose which is to help the district council meet its neighbourhood planning obligations.
26. The withdrawal of this upfront financial support provided by the council is unlikely to discourage groups from preparing/reviewing neighbourhood plans in light of other sources of funding and technical support readily available.
27. Ending the district council grant support to community groups brings more control of expenditure and helps safeguard the council's ability to strongly support the development of neighbourhood plans in the future.