

## Appendix A

### **South Oxfordshire District Council Community Infrastructure Levy – Spending Strategy – April 2021**

#### Background

1. To support the continued housing growth of South Oxfordshire there is a need to ensure the appropriate infrastructure is in place to support development. To help fund this, developers pay a Community Infrastructure Levy (CIL) on new housing or retail developments to contribute towards the infrastructure supporting such developments.
2. The District proportion of CIL revenue can be used to fund new infrastructure projects as set out in our Infrastructure Delivery Plan (IDP) which is updated alongside the South Oxfordshire Local Plan, or for enhancing existing infrastructure providing that this supports development.
3. CIL has not fully replaced Section 106 (S106) planning obligations. These will continue to be used for infrastructure needs such as on-site open space, allotments, play areas, playing pitches, public transport, recycle bins, street naming and securing affordable housing on specified S106 designated developments. Currently these sites are: Didcot North-East, Ladygrove East, and Site B Wallingford, where infrastructure needs will continue to be secured through S106 planning obligations.<sup>1</sup>
4. The council staffing structure splits the collection and spending of S106 and CIL between the planning service (collection) and the infrastructure and development team within the development and regeneration service (spending). The infrastructure and development team will focus on ensuring effective spending and support to town and parishes to ensure infrastructure is delivered, including the possibility of providing parishes with approved projects on which they can support with their allocated CIL funds. CIL income and expenditure is monitored and reported in accordance with statutory CIL regulations and for financial accountability.
5. The CIL Regulations do not set out governance arrangements for the council, however they are clear that we have:
  - a) a duty to pass to any town and parish council 25 per cent of the CIL revenues raised in those towns/parishes where there is a made neighbourhood plan, or 15 per cent, subject to a cap of £100 per existing council tax dwelling, where there is no made neighbourhood plan;
  - b) a duty to transfer the CIL income to the relevant town or parish council by 28 April and 28 October in any financial year;
  - c) the ability to recover administrative expenses incurred in connection with CIL of up to five per cent of the income generated;

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<sup>1</sup> Such locations will remain the S106 specific areas until the new Local Plan is finalised, when new locations will be added for the strategic allocation sites.

- d) to spend the levy on infrastructure, and
  - e) a duty to report on CIL income generated and how it is spent.
6. CIL expenditure aims at mitigating the infrastructure impacts of an individual development, as well as the overall cumulative effect of development. However, although CIL spending does not have to be directly spent on the individual development through which it was raised and can be used to support infrastructure expenditure in general.
  7. It should be noted that CIL is not meant to pay for all infrastructure items set out in the IDP but will help to reduce the funding gap. Other sources of funding streams will need to be explored.

### **CIL income**

8. In the period from 1 April 2016 (start of CIL collection) to 31 July 2020, the council received CIL payments of £21,129,440.74. The CIL payments only become due once a development has started and for liabilities over £50,000 developers can spread payments over three years. There will always be a gap between the amount demanded and funds received.
9. By July 2020 CIL transfers of £2,621,312.33 were made to town and parish councils.
10. Regarding the maximum five per cent allocation of CIL revenue for administration expenses, £288,677.06 has been utilised to cover expenditures on staff costs and other administrative purposes up to 31 March 2020.
11. Expected CIL income, estimated in 2015, based on the housing trajectory in the Core Strategy Plan period to 2027, was £32.7 million, generating approximately £2.7 million per year. Estimating future CIL incomes annually is difficult as the charging rate although fixed is index linked and will therefore change over time, some developments may be delayed, and some expected developments may never get started. Therefore, the annual amount of funds generated will fluctuate dependent on the amount of new developments started in that year plus the rate of payment of CIL charges that have been carried forward from previous years. Should less than expected be received, a budget pressure may arise.
12. In order to simplify the allocation process, funds available for CIL spending will be based on actual amounts received, less transfers to town and parishes and administrative costs incurred. To meet the council's budget setting requirements the actual amount of funds available as at each December year end will be used as a basis for calculating the percentage allocation.<sup>2</sup>
13. The collection and spending arrangements of existing and new S106 agreements will continue in addition to CIL collection where necessary.

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<sup>2</sup> Fiscal year end actuals would arrive too late for budgeting timings.

## CIL percentage allocation

14. The advantage of allocating a percentage of CIL revenues towards key infrastructure types such as transport, education, libraries and household recycling centres (allocated to Oxfordshire County Council (OCC)) and healthcare (OCCG and other organisations, including the council) is that it:
- i) provides clarity for OCC so they can plan ahead and meet the transport, education, library and household recycling centre infrastructure needs for which they are responsible;
  - ii) will give the wider community the confidence that funding is allocated to the necessary infrastructure;
  - iii) negates the requirement for a bidding process to take place.
15. Once the 15 or 25 per cent allocations for the town or parish councils, and the maximum five per cent for CIL administration costs have been deducted, the balance remains with the council to be utilised. Taking into consideration historical S106 spending, the council's Infrastructure Delivery Plan, the Core Strategy, and comments from key council officers, the percentage allocations to OCC and health care, and the remaining allocation for council expenditure, are set out in Table 1 below.

Table 1: Percentage allocation of CIL

Infrastructure type	Percentage of CIL available
<b><u>OCC:</u></b>	
Education, transport, libraries and household recycling centres	50%
<b><u>OCCG / other organisations:</u></b>	
Community Health Care	20%
<b><u>SODC:</u></b>	
Provision of new infrastructure as identified by the IDP and / or corporate priorities and enhancement of existing infrastructure providing that this supports development	30%
<b>TOTAL</b>	<b>100%</b>

## Oxfordshire County Council

16. A certain percentage of the funding needs to be shared with OCC to ensure the broader provision of infrastructure items, identified as part of general development needs. In this instance restricted to transport, education, libraries and household recycling centres only. As per Table 1, OCC's allocation of CIL has been set at 50 per cent.
17. The funding allocation for OCC will be calculated at 30 September each year and included in the district council's budget for the following financial year. OCC are required to submit their annual application for funding by 31 January of each

year. If funds are not applied for by this date, all or part of OCC's allocation, may be redirected to district council or health care projects.

18. A funding agreement between the council and OCC will be outlined in this respect agreeing how CIL funds transferred to OCC will be spent. This will be revised annually and include the funding allocation available and which project(s) that this will be allocated to. The amount to be transferred will be calculated on an annual basis and should be included in our annual financial budget and released in either a lump sum annual payment or quarterly as per the agreement reached.
19. OCC will complete a request for CIL funding form annually in order to draw down the allocated funding. This request would be subject to set criteria:
  - meet the requirements of CIL Regulations
  - address the needs identified in our Infrastructure Development Plan
  - be fully costed
  - be deliverable within a specified timescale.

## Health care

20. A certain percentage of the funding will be apportioned to ensure that the provision of health care can also be increased in line with the demand generated by the increased number of residents in a location. As per Table 1, the health care allocation of CIL revenue for expenditure on such items has been set at 20 per cent. OCCG and other organisations, including the council, will be eligible to apply for this funding to deliver projects allowable under CIL regulations and in such cases, the same procedures as OCC would need to be applied in terms of agreeing a funding agreement and meeting the criteria set out in point 19.

## The Council's allocation

21. The council's allocation will be spent on provision of new infrastructure as identified by the IDP and / or corporate priorities and the improvement, replacement, operation or maintenance of existing infrastructure providing that this supports development as allowed by CIL regulations. To comply with the council's budget setting process the actual amount of CIL funds available at each September year end will be used as a basis for calculating the allocation amounts that should be included in the council's capital programme and approved as part of the council's budget setting each February. Should this not be done, or the full amount of available funding not be included in the budget, funding can be allocated and approved for projects during the year in line with the council's financial procedure rules.
22. It is important to note that developments liable for S106 planning obligations (Didcot North-East, Ladygrove East, and Site B Wallingford) will continue to secure funding for on-site specific infrastructure needs, as well as an element of offsite infrastructure. Strategic sites will continue to deliver key infrastructure such as new schools, transport improvements, health provision, leisure and community facilities.

## Town and Parishes

23. The neighbourhood portion of the levy can be spent on a wider range of things than the rest of the levy, provided that it meets the requirement to 'support the development of the area'. The wider definition means that the neighbourhood portion can be spent on things other than infrastructure provided it is concerned with addressing the demands that development places on the parish's area. For example, the funds could be used to fund affordable housing.
24. It should be noted that a significantly larger proportion of infrastructure monies will be going to town or parishes than historically secured via S106 funding. With this additional funding the town or parishes may therefore be expected to help fund local infrastructure improvements such as items set out in the council's IDP. The council will support town and parishes with advice on how to spend CIL funds when required and facilitate linkages to OCC and other organisations on project possibilities.
25. Should town or parishes wish to support projects at a district or county level or delivered by another organisation, such as OCCG, and should town/parish clerks have the relevant qualifications that enables them to do so (General Powers of Competence), guidance notes are available from the Oxfordshire Association of Local Councils (OALC) on how to do so.<sup>3</sup> These will be promoted to the relevant town and parish councils by the infrastructure and development team and support provided where needed.
26. Town and parish councils in receipt of CIL funding are required to report details of their CIL income and spend on an annual basis. These reports should be published on the town or parish council's website (should they have one) and also on the district council's website. Whilst the district council will advocate the use of the town and parish councils' CIL allocations towards projects identified within neighbourhood plans, where there is one, ultimately it is for the town or parish council to decide how they spend their funds providing that this is in line with CIL Regulations .

## CIL spending cycle

27. The CIL spending cycle will work as follows:
  - i. Identify current and previous years' unspent CIL revenue, as at 30 September.
  - ii. Calculate, based on percentage allocations, in time for inclusion in the council's annual budget setting process, CIL monies to be allocated to OCC, and health care (where applied for by a third party), to be transferred once applications for projects are received, approved and funding agreement signed.
  - iii. Any funds not included in the council's annual budget can be allocated and approved for spend in line with the council's financial procedure rules.

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<sup>3</sup> CIL – OALC guide for parish councils, October 2018.



- iv. For town and parish councils, funds will be released in line with regulations i.e. every six months in April and October, unless otherwise agreed.
- v. By the end of the calendar year all town and parish councils, OCC, organisations in receipt of health care allocation and relevant council departments will submit annual reports to the infrastructure and development team for the previous financial year
- vi. This approach will be monitored alongside the approval of the annual infrastructure funding statement at which point amendments can be identified to the strategy and a review can be triggered if required. This method would also allow the strategy to be agile enough to allow for any future changes in CIL / planning regulations.

### **Linking CIL Spending Strategy to the capital programme and use of admin allocation**

- 28. CIL is just one funding stream that can be used in conjunction with others to fund infrastructure projects. The allocation of CIL funding should ideally be included in the council's capital programme and approved as part of the council's budget setting each February. The advantage of linking the CIL funded spending estimates to the council's capital programme is to ensure a full overview of the key infrastructure projects supported under various funding streams and the identification of any gaps. However, if CIL funding is not included (or fully included) in the council's annual budget, it can be allocated and spent on projects in line with the council's financial procedure rules.
- 29. Allocations of CIL funding in the annual budget (approved in February, coming into force in April) will be made to relevant external organisations and internal council projects based on actual CIL figures available at 30 September the previous year. Any funds not allocated in the budget can be approved for spend in line with the council's financial procedure rules during the year or added to if they remain unallocated, to the approved budget the following year.
- 30. The budgetary allocation of the five per cent administration costs will be split evenly between CIL revenue management i.e. invoicing developers and tracking collection, and CIL spending and monitoring. After the first three years from adopting CIL, any underspend from the five per cent admin allocation at the end of the financial year must be added to the district council proportion for the following financial year.

### **Can the levy be spent outside South Oxfordshire?**

- 31. CIL regulations allow for funds to be spent in neighbouring authorities but the council will not exercise this option with the exception of:
  - i) funds generated in the Didcot Garden Town (DGT) boundary (which covers parishes in both South Oxfordshire and Vale of White Horse district areas – see Appendix 2), providing that the project(s) are within that area. CIL funding in relation to projects delivered within DGT should align and/or promote the DGT principles and priorities where possible. This approach will contribute positively to creating a high-quality place across the garden town and districts.

This provision will be replicated in the Vale of White Horse District Council CIL spending strategy.

- ii) further geographical flexibility can be considered at the district council's discretion for OCC education projects in exceptional circumstances, such as for special educational needs and disabilities (SEND) schools.

### **Can the CIL funds be spent outside the development area where they were generated?**

- 32. Local CIL funding is covered by the town and parish allocation. The district proportion is not restricted by locality and can be spent across the district. This allows greater flexibility when allocating funding to projects which in turn makes them more deliverable. This is particularly important where there is an identified need for larger infrastructure facilities, that also benefit a wider area and a large proportion of the population.

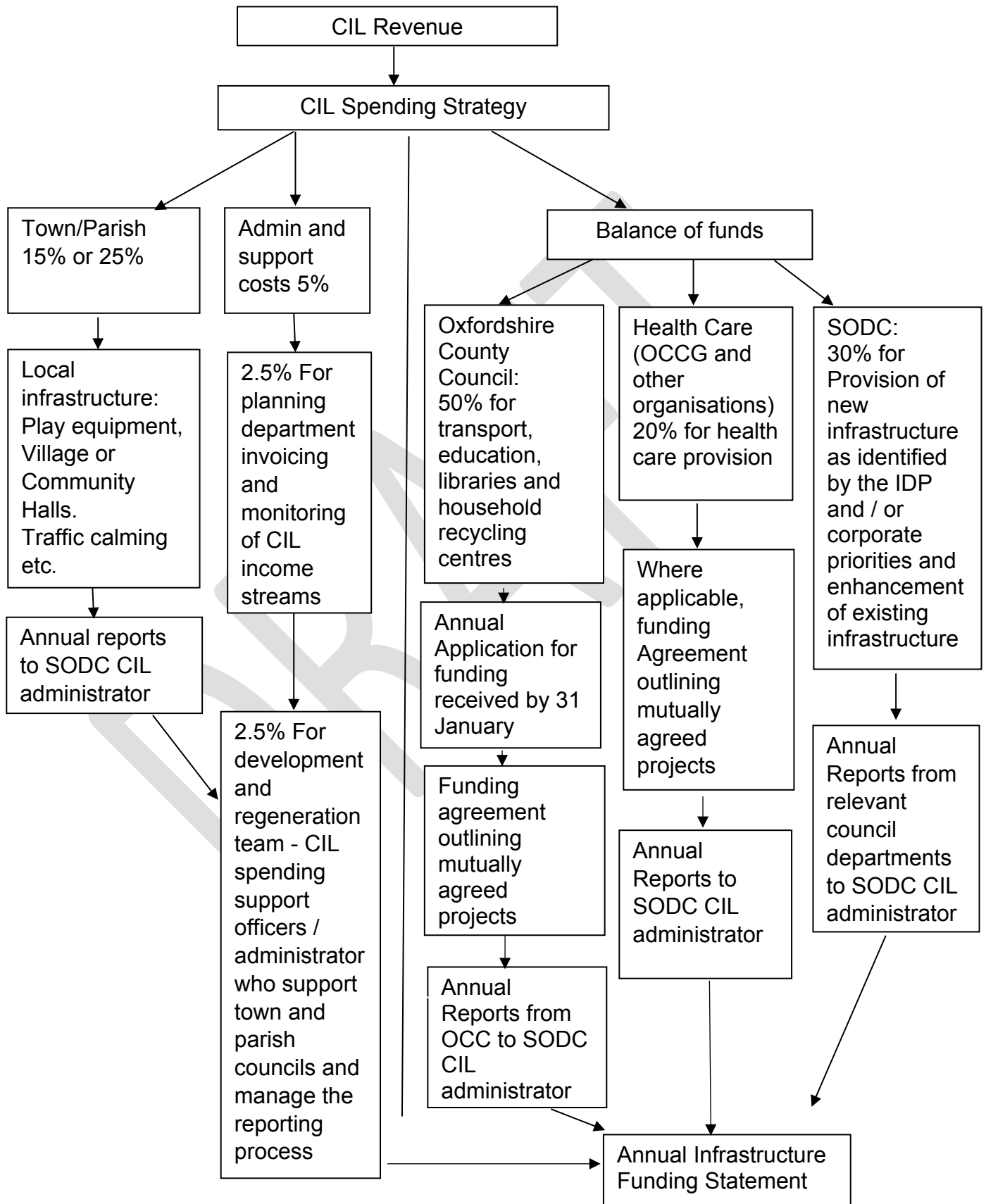
### **Reporting of CIL**

- 33. As a result of the September 2019 CIL Regulation amendments, the council is required to prepare an annual infrastructure funding statement that covers both CIL and S106 income and expenditure and publish on its website no later than 31 December each year for the proceeding financial year. Town and parish councils are required to produce an annual report, published on their website (if they have one) and to send a copy of this to the council. We will publish this information on our website. CIL monies passed on to town or parishes, which have not been spent within five years of receipt can be recovered by the council who then must spend such CIL monies to support the development of the area which they have been recovered from.

### **Summary**

- 34. The CIL spending strategy will utilise a percentage allocation approach, apportioning funds on an annual basis, calculated on received funds, once town or parish allocations and council administrative costs have been deducted. The rationale for this is detailed above in paragraphs 14 and 15 where Table 1 details the CIL percentage allocations. This process gives clarity of funding availability for transport, education, libraries and household recycling centres allocated to OCC so that they can plan financially for upcoming infrastructure projects whilst allowing flexibility for use of the health care allocation and for the district council to use its funds to support the demands of new development.
- 35. Such an approach will be monitored alongside the approval of the annual infrastructure statement at which point amendments can identified to the strategy and a review can be triggered if required. This method would also allow the strategy to be agile enough to allow for any future changes in CIL / planning regulations.
- 36. A procedural overview of the process for allocating, spending and reporting of CIL is outlined in Appendix 1.

## Appendix 1 – CIL procedural overview





## Appendix 2 – Didcot Garden Town Boundary

