COMMUNITY INFRASTRUCTURE LEVY (CIL) SPENDING BOARD - REVIEW OF GOVERNANCE

Development and Conservation Advisory Committee - 7 July 2020

Report of Chief Officer Planning & Regulatory Services

Status For recommendation to Cabinet

Also considered by Cabinet - 9 July 2020

Key Decision No

Executive Summary:

This report follows on from the Community Infrastructure Levy (CIL) Governance Report that was discussed at the Development and Conservation Advisory Committee in July 2019. When the initial Governance arrangements were set up for CIL, it was expected that the Governance would be reviewed at least once a year and this report provides this yearly review.

The report considers what has been implemented since the last CIL Governance Review, and any changes that are required following this current review. The Chairman and Vice Chairman of the Spending Board, have been a part of this review and have instigated some of the changes. This report therefore includes their thoughts and recommendations. Our Legal team have also provided an input to this report.

This report supports the Key Aim of ensuring that Sevenoaks District remains a great place to live, work and visit and that development is supported by the relevant infrastructure.

Portfolio Holder Cllr. Julia Thornton

Contact Officer Claire Pamberi Ext. 7221

Recommendation to Development and Conservation Advisory Committee:

That the recommendations to Cabinet are supported.

Recommendation to Cabinet: That

a) the amendments to Appendix X1 of the Constitution, as set out in Appendices G and H of this report be agreed; and

b) the report be noted.
Reason for recommendation:

To ensure that the Council is able to make decisions on how the CIL process is governed in an open, transparent, appropriate, fair manner and to ensure consistency.

Introduction and Background

1 As you are aware the Council has been charging the Community Infrastructure Levy (CIL) since August 2014. From this date, until March 2020, the Council has collected just over £9 million of CIL contributions, with just under £3 million passed to relevant town and parish councils to help fund local infrastructure improvements. This has meant that there has been £6 million available to spend on local and strategic infrastructure projects, through the CIL Spending Board, with £4.5 million of this amount already committed to specific projects.

2 As part of the current CIL Governance arrangements, that were originally set up by Sevenoaks District Council (SDC), it was agreed that the structure and process governing the CIL Spending Board and also the process of allocating CIL money would be reviewed on an annual basis. This is to ensure that the Council’s processes and procedures remain relevant and fit for purpose. This report is therefore part of this process.

3 This report also provides an update on the current CIL Legislation. It will also look at the current structure of the CIL Spending Board and will highlight areas that have been improved since the last Governance review. It will also consider all the areas involved in the spending of CIL where further guidance or clarification is required.

Changes in Legislation

4 Since the last review, Members may be aware of the new CIL Regulations which came into force on 1st September 2019.

5 The regulations make a number of important changes to the operation of CIL and also section 106 planning obligations. These include:

- removing the requirement to consult on a preliminary draft charging schedule;
- applying indexation when planning permissions are amended;
- introducing new reporting requirements through Infrastructure Funding Statements (from December 2020);
- removing the restriction on the number of planning obligations that can be used to fund a single project; and
confirming that authorities are allowed to charge for the administration of Section 106 obligations.

6 It should be noted that whilst these are considered important they do not impact on the process of the CIL Spending Board and how CIL will be spent.

7 The Infrastructure Funding Statement will, however, impact the way we report on our CIL income and expenditure. Looking at the updated CIL guidance provided from the Ministry of Housing, Communities and Local Government in September 2019, Infrastructure funding statements must set out the following in Paragraph: 176 Reference ID: 25-176-20190901:

“A report relating to the previous financial year on the Community Infrastructure Levy;

A report relating to the previous financial year on section 106 planning obligations;

A report on the infrastructure projects or types of infrastructure that the authority intends to fund wholly or partly by the levy (excluding the neighbourhood portion).

The infrastructure funding statement must set out the amount of levy or planning obligation expenditure where funds have been allocated. Allocated means a decision has been made by the local authority to commit funds to a particular item of infrastructure or project.

It is recommended that authorities report on the delivery and provision of infrastructure, where they are able to do so. This will give communities a better understanding of how developer contributions have been used to deliver infrastructure in their area”.

8 We have to provide this document to the Government by the end of December 2020.

9 Looking at the legislation, there are very little changes shown as to how Town and Parish Councils report their CIL money. This may however be a good opportunity, when reviewing how SDC reports, to also review how they report and provide additional guidance and training to them. In particular, as the money given to Parish and Town Councils should be spent within 5 years and it is now 5 years since some Parish and Town Councils were first given CIL, this is a good opportunity to review their reporting and provide further training if needed or wanted.

Current CIL Governance Arrangements

10 The current arrangements and procedures for the CIL Spending Board and the spending of CIL, following last Governance Review in July 2019, are primarily set out in the Council’s Constitution at Appendix X1 (see background papers below for link).
In particular we have implemented the following changes since the last review:

- The role of members of the Board and Members’ conduct was clarified.
- The Board’s Structure, procedures and speaking protocol was clarified through last year’s review.
- The types of recommendations the Board could make was amended to provide the Board with more options.
- The pro-forma was amended last year to ensure we received the most relevant information from the organisations making the bids.
- Criteria for the Council’s assessment of the bids was amended last year to ensure that the officers and Board were assessing the bids under the most current and most suitable criteria. This has been made more widely available for organisations submitting bids and has therefore made it clear how officers assess the bids and how the CIL Spending Board considers the bids.
- The structure of the Legal Contract was set up through the Governance Review and has now been implemented for successful bids.
- We have provided clearer guidance when writing letters notifying those who have submitted bids.
- Monitoring of bids that have been allocated funding has begun to be implemented.
- The Council’s constitution has been amended to reflect all the changes above.

Feedback from Members and Officers

Since the last report on CIL Governance, one further Spending Board has been held in December last year. This worked in line with all the Governance changes that were put in place in July 2019 and was successful.

Working with the Chairman and Vice-Chairman, during the whole process of setting up and holding the CIL Spending Board, it became clear that there were still aspects of the CIL Governance that required clarification. In particular, these included:

A. Clearer guidelines and timescales for monitoring bids after they have been awarded CIL through the CIL Spending Board.

Out of the £4.5 million allocated through the Spending Board, £3.2 million remains unspent. A large proportion of this is because projects have not commenced (including some of the Council’s own projects) but there is also a chance that other projects from earlier CIL Spending Boards may not now
go ahead. Some of these projects were granted CIL monies before the Legal Agreement proposed at the last Governance Review (2019) was set up and therefore these will be monitored under a separate process. However, a process still needs to be agreed by officers as to when to chase these projects to see if they are still going to go ahead.

15 The current legal agreement sets out a number of conditions and time limits for organisations to submit information and updates etc. In particular, this includes a time limit of 6 months from the date of the contract to commence a project, unless an extension is agreed with the Council. However, it is clear that we require a clearly defined process for officers to monitor these bids that have been awarded funding and agreed timescales, in line with the legal agreement to ensure consistency in monitoring. This will also help us know when the money that is set aside for bids can be put back into the ‘pot’ for the CIL Spending Board to reallocate.

B. We need guidelines in place, to govern how we consider bids that change after money has been awarded.

16 We have had one bid, since the last review, where CIL was awarded through the CIL Spending Board and they increased the size of the scheme after the award was granted. This was because they had received more money towards the project from a local resident. Whilst we need to keep some flexibility, it is considered that some guidelines are required as to how officers approach projects that are amended either before they are discussed at the Board or after the project is granted CIL by the Board.

C. That updating the CIL Spending Board Chairman and Vice Chairman on the money available to spend through the CIL Spending Board and also a synopsis on the current state of the CIL awards should be provided quarterly.

D. Clarification is required for officers and the CIL Spending Board as to how to manage bids that are not successful.

17 One of the main issues that arose through the recent process of the CIL Spending Board, is that there is no formal process for how bids are dealt with. It is considered that guidelines should be agreed to indicate what occurs in the following situations:

- if a bid does not make it past the 1st stage of validation;
- if a bid does not make it past the 2nd stage of validation and onto the agenda; and
- those that are refused at the CIL Spending Board.

E. The need to make clear in the officer’s report to the CIL Spending Board Report, how each bid relates to the priorities of the Infrastructure Delivery Plan.
In addition to the above, it has also been noted by officers that we have received a number of emails from Town and Parish Councils asking for further information as to how to bid to the CIL Spending Board and asking what their own CIL money can be spent on. Town and Parish Councils have also challenged the first stage of the validation process for the CIL Spending Board and have challenged SDC’s decision to not put bids through to the Spending Board. In particular, when officers have provided their views as to whether certain projects are infrastructure or not, they have also been challenged on these decisions. Currently there is no process for officers as to how we deal with these challenges, so this also needs to be considered as part of this review.

Discussion

It is considered important to address each issue raised in turn:

A. Clearer guidelines and timescales for monitoring bids after they have been awarded CIL through the CIL Spending Board.

Clearer guidelines are required for reviewing and monitoring bids approved at the CIL Spending Board, the monitoring will be looked at in two parts.

- Projects that were awarded funding without the need for a legal agreement or without a timescale to have one in place.
- Projects awarded funding subject to a legal agreement.

I will address each one in turn:

Projects without a Legal agreement:

These will be for all bids awarded CIL before the last Governance review they include the Council’s own applications, Parish and Town Council bids and other statutory bodies. No legal agreement was required as the spending of the CIL money for these bodies is covered by the CIL Regulations 2000 (as amended).

Since CIL was first awarded through the CIL Spending Board, bids that have been granted to other organisations require a legal agreement, however before the last Governance review, no time scales were set for getting a legal agreement in place. There are only 3 however that fall within this category.

It is considered that the following monitoring is required for these bids:

- Officers will contact all organisations by the end of July, that have not requested the money or have signed a legal agreement to see whether they wish to proceed with their project. Officers will give them 21 days to respond. If no response is received, we will contact them again giving
them 14 days to respond, warning them if no response is provided that we will assume that the project is no longer going ahead and the money will be returned to the CIL Spending Board pot.

- If the organisation wants to carry on with their project, they need to sign a legal agreement and then the monitoring of their project will continue as laid out in the section further below:

- For these bids, they will be refused (and the money requested to be returned) and/or the money allocated to these bids be returned to the CIL Spending Board spending pot if the following occurs:

  1. If the organisation who makes the bid submits in writing that they no longer want to proceed with the project;

  2. If the organisation spends their CIL money outside the remits of the CIL Regulations 2019 as amended. This includes:

     - If the applicant/organisation provides SDC with any materially misleading or inaccurate information.

     - That the money is not spent on an infrastructure project.

     - If all or part of the CIL funding remains unspent after a period of 5 years then the monies should be repaid to Sevenoaks District Council and the money will be returned to the CIL Spending Board pot. Officers will chase and monitor this throughout the lifespan of the bid and will make this more formal 4 years into the project.

24 Please note that the officers will continue to monitor these bids and contact the relevant organisations every six months to ensure that the Legislation is adhered to. There is however nothing in the CIL Legislation where we can ask for money to be returned to us if it is not spent in under 5 years.

Projects with a Legal agreement:

25 This will put in place an agreement for officers as to how to monitor all bids awarded CIL since the last Governance review and all bids granted to outside organisations since the commencement of CIL which are protected by a Legal Agreement.

It is considered that the following monitoring is required for these bids:

- Officers will contact the organisations at 2 months and 4 months after the decision is made to award CIL is ratified by Cabinet, to ensure that the Legal Agreement is signed within 6 months of this decision.

- That bids will be refused and/or the money allocated to these bids be returned to the CIL Spending Board pot if the following occurs:
1. If a Legal Agreement is not signed within 6 months.
2. If any other conditions made by the Spending Board are not met.
3. If the organisation who makes the bid submits in writing that they no longer want to proceed with the project;
4. If the organisation breaches any of the conditions of the Legal Agreement and fails to rectify such a failure within 30 days of receiving written notice (from SDC) detailing the failure. The conditions include the following:
   - The applicant shall provide updates in the form of a financial report and an operational report on its use of CIL funding and delivery of the project every 6 months. Officers will monitor each bid and chase organisations that do not provide an update every 6 months.
     Please note that the timing of these updates will change depending on the project. Some of the smaller projects - i.e. medical pod only took a few weeks to install so we may state in the legal agreement that we require an update every 3 months. Officers will contact the organisation 1 month before an update is required.
   - Spending CIL money for any other purpose, without prior written agreement of the Collecting Authority. Officers will monitor this through regular required updates.
   - If the organisation makes a significant change to the project without the Collecting Authorities written agreement. Officers will monitor this through regular required updates.
   - If the organisation transfers any part of the CIL funding to bank accounts which are not ordinary business accounts without prior written agreement of the Collecting Authority. Officers will again monitor this through regular required updates.
   - If all or part of the CIL funding remains unspent after a period of 5 years then the monies should be repaid to Sevenoaks District Council and the money will be returned to the CIL Spending Board pot. Officers will chase and monitor this throughout the lifespan of the bid and will make this more formal 4 years into the project.
   - The delivery of the project does not start within 6/12 months of the commencement date and the applicant has failed to provide SDC with a reasonable explanation for the delay. Officers will chase and monitor this at 4/10 months.
Please note - these dates will differ depending on the size and scale of the project.

- The collecting authority considers that satisfactory progress has not been made on the delivery of the project. Officers will review the progress at every 6 months for larger projects and every 2 months for smaller projects.

- If the applicant/organisation provides SDC with any materially misleading or inaccurate information. Officers will monitor this through the regular updates provided by the organisation.

Please note: If the money is returned the organisations who are responsible for the bid will need to pay interest.

26 In order to assist organisations in requesting their CIL money, please find a document provided under Appendix A which makes it clear what information any organisation needs to be provide before SDC can transfer any CIL money to them.

B. We need guidelines in place, to govern how we consider bids that change after money has been awarded.

27 Firstly, it should be made clear that bids should not generally be amended after they have been submitted to the CIL Spending Board and the submission deadline has passed. In addition to this, in line with the current Council’s Constitution the CIL Spending Board cannot amend any bids put forward.

28 The decision by the CIL Spending Board is giving an approval to a particular project with particular circumstances. Each bid has been assessed against all the other projects put forward to that Board and assessed against the Council’s criteria including the project management, the impact of the bid and the amount of CIL asked for amongst others. This ensures consistency and fairness.

29 If the details of any of the bids change this will impact upon how they are considered against other bids submitted. It would be improper for CIL monies to be spent on a markedly different project.

30 However, there is a clear need to be flexible, and it may be considered disproportionate for a new bid to have to be made to the Board each time there is a minor change, or a change that has a significantly positive effect. For example, in one recent case a project developer received more money from other sources, allowing for a facility which was fundamentally similar, but improved and at less proportionate risk to the Council.

31 Currently successful bidders must keep as close to possible to the project as originally approved by the Council. The contract requires any changes to be approved by the Council in writing.
It is considered that the Council should permit some changes but only where the following circumstances apply:

- where the project (and the community benefits provided) is at least substantially similar to that approved; and
- where the risk to the CIL monies does not materially increase

As at present, under no circumstances would this allow for more monies from the Council without a fresh bid.

C. Updating the CIL Spending Board Chair and Vice Chair quarterly on the money available to spend through the CIL Spending Board and also a synopsis on the current state of the CIL awarded.

It is considered important to keep the Chairman and Vice Chairman updated on the bids that have been awarded money through the CIL Spending Board. It is also important to keep them informed of the CIL income that has been paid as this will determine when the next CIL Spending Board is held.

Currently there is nothing set up for this formally and updates are provided when requested. Through discussions with the CIL Chairman and Vice Chairman it has been agreed that these updates should be provided quarterly on or around the following dates; 30\(^{th}\) January, 30\(^{th}\) April, 30\(^{th}\) July and 30\(^{th}\) October.

D. Clarification is required for officers and the CIL Spending Board as to how to manage bids that are not successful.

During the course of the last CIL Spending Board, it became clear that existing procedures did not sufficiently cater for those bids that are unsuccessful, including the advice that will be given to bidders.

It is considered appropriate to consider each stage at which the bids are refused:

First stage of Validation

In line with the Council’s constitution, bids are only rejected at this stage if they are incomplete, if they would not have the right to carry out the scheme or if the project is not considered to be for infrastructure to support development. Please see Appendix B where a template letter informs an organisation that their bid has not been successful. The letter makes it clear that the organisation should not bid again for this particular project without amendment as it is likely to be rejected again. It also provides an opportunity to request a review of the bid and decision of the Council.
request to review will generally only be accepted if the organisation provides additional information to justify its validation.

**Second Stage of Validation:**

39 In line with the constitution, Officers consider bids at this stage working with the Chairman and Vice Chairman of the Board. Bids will currently be referred to the Board where it is considered that they are assessed to perform strongly against the evaluation criteria.

40 The Constitution should clarify that those bids which are not referred to the Board are formally refused.

41 We will send letters to all the unsuccessful bids to inform them of our decision. Please see Appendix C, which will provide a template letter to explain the reason why this bid was rejected at the second stage of validation. You will note that the template letter also explains the criteria that SDC thought the bid was weak on and the process for re-submitting a bid. It also provides the organisation with 2 options, either to re-submit and forward the bid to the next CIL Spending Board or change the bid and resubmit. There is no opportunity to be able to request a review here as every organisation has the opportunity to submit a new/revised bid to another CIL Spending Board.

**Bids refused at the CIL Spending Board.**

42 In line with the Council’s constitution, bids are only rejected/deferred by the CIL Spending Board for the following reasons:

- Funding for the scheme is not approved on the basis that other proposed schemes have been given greater priority.

- Funding for the scheme is not approved on the basis that insufficient evidence has been provided to justify it.

- A decision of the provision of funding for a scheme is deferred. It is considered that further evidence is required to fully show the benefits of the scheme.

- A decision of the provision of funding for a scheme is deferred. It is considered that further evidence is required to indicate whether the project is viable.

43 Please see Appendix D attached where a template letter is provided to organisations submitting the bids explaining why their bid has been rejected by the CIL Spending Board. As you can see this letter will indicate what the Board considered to be its strengths and weaknesses together with the reasons it was refused. If the CIL Board consider that this was a strong bid, this will be made clear and the letter will also explain clearly the reasons it was rejected and providing the options for them to resubmit. It also makes it clear that Bids will not automatically be re-submitted to the next Board.
otherwise we will be inundated, but as above it will ask them to consider whether they want to submit the bid as originally submitted or whether they want to make changes and resubmit.

44 If the CIL Board was definite that a bid was not going to be successful, then this is also made clear in the letter sent to the bidder.

45 Please also see Appendix E where a template letter is provided to organisations, who have submitted a bid explaining why their bid has been deferred by the CIL Spending Board. This makes it clear the reasons why it was deferred and what further evidence is requested by the Board. This letter also makes it clear that the bid will be presented back to the Board and will not need to go through the Validation process again. It also gives the applicant the opportunity to amend and withdraw the bid before the next Board.

E. The need to make clear in the officer’s report to the CIL Spending Board Report, how each bid relates to the priorities of the Infrastructure Delivery Plan.

46 Through the governance review last year, the information requested in the pro forma was amended to ensure that organisations making a bid to the Board provided evidence as to how they consider their bid identifies with the Council’s Infrastructure Delivery Plan (IDP) and its priorities.

47 In addition to this, the criteria for assessing bids were also amended, so that when officers assess the bids submitted to the Board, they are required to consider whether the bid is supported or part of an existing strategy or plan. Bids that are identified in the Council’s IDP will clearly provide towards an identified need and would receive a higher score when assessed against this criterion.

48 Following this request, whilst it is clear that the relationship between the bid and the IDP is important and that evidence in this regard is requested and available, officers need to make this relationship clearer in their CIL Spending Board Report. This issue will therefore be made more prominent in the report, to assist members in making their decision on each bid brought forward to the Board.

Review of the Council’s decision

49 It has been recognised that there are 2 possible situations, throughout the CIL Governance process where organisations have a right to ask SDC to review their decision.

50 The first situation is when a Town or Parish Council originally contact SDC to ask whether they can spend their CIL money on a particular project, the CIL and Infrastructure officer or Team Leader will assess any request for CIL spending. A decision on their initial request will be made in writing. If the decision is made that their project is not considered to be infrastructure and therefore not an appropriate use of CIL then the Parish or Town Council will
be informed of that decision and be given a right to start discussions in regard to this issue.

51 Please see attached Appendix F which lays down the process of to allow a discussion to take place between officers and any Town or Parish Council. This will include a request to ensure that any part of the discussion must be made in writing. As part of their discussion, the Town or Parish Council will be asked to provide further information as to how a project is for infrastructure or how it provides for the increase of development in their area. This process laid out, whilst not formal will enable officers to request the information provided and they will not enter into a discussion if the request is not made in writing and no further evidence is provided.

52 The other process we need to consider here is when a bid is not successful after the first stage of validation, for example if a bid is not taken forward to the CIL Spending Board as it is not considered to be infrastructure.

53 This review will follow a more formal format to that above, please see Appendix G which lays down a review process for bids made to the CIL Spending Board that do not pass the first stage of validation. The format provides time scales to request a review, it will ensure any request to review is made in writing and that it must contain additional information/evidence to support it. If agreed, this review process will be added to the Council’s constitution as shown in Appendix H. This shows the section of the Constitution to be amended.

54 The laying out of a review process will provide applicants with a process to follow and will allow any challenge of the Councils’ decision to be dealt with more consistently. Please note there is no right of appeal or opportunity to request a review against the CIL Spending Board’s decisions. This is because they will be ratified by Cabinet and the organisation will always have a right to submit another bid to another Board.

Additional proposals

55 In carrying out this governance review it has also been recognised that not all the guidance suggested in the last Governance review has been fully implemented. Through discussions with the Chairman and Vice Chair, and through the review above, it is considered that the following guidance is required and will be provided over the next year:

- Guidance notes for those submitting bids to the CIL Spending Board before the next Spending Board is held.

- Guidance notes for Town and Parish Councils to assist them in reporting, managing the use of their own CIL money and their rights of review if their spending proposals are not agreed, as soon as possible.

- Guidance Notes and training as to how Town and Parish Councils report their CIL income, within the next 6 months.
Other Options Considered and/or Rejected

56 Members could decide not to agree the proposed changes to the current governance arrangements. However, the proposed changes seek to build on the existing arrangements to make the process more consistent, manageable and robust to ensure that future funding allocated by the CIL Spending Board is appropriately spent and monitored.

57 In addition, any further identified weaknesses in the system can be addressed through the annual review process.

Key Implications

Financial

There are no financial implications regarding this report.

Legal Implications and Risk Assessment Statement

There are no legal implications regarding this report.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

The CIL Spending Board provides the Council’s oversight of allocating CIL funding to local and strategic infrastructure projects across Sevenoaks District. The current CIL governance arrangements were agreed by Members of the Development and Conservation Advisory Committee in July 2019 and are reviewed annually to ensure that they are still fit for purpose. This report sets out some suggested changes to the CIL Governance following feedback received from Officers and the Chairman and Vice Chairman of the CIL Spending Board and it is therefore asked that Members grant the Chief Planning Officer and Legal Team delegated authority to implement these changes.

Appendices

Appendix A - Information required from organisations for them to receive CIL funds from Sevenoaks District Council approved by the CIL Spending Board.

Appendix B - Template to send to organisation if bid is rejected at the first stage of validation.

Appendix C - Template to send to organisations if a bid is rejected at the second stage of validation.

Appendix D - Template to send to organisations if a bid is
refused by the CIL Spending Board.

Appendix E - Template to send to organisations if a bid is deferred by the CIL Spending Board.

Appendix F - Process if a Town or Parish Council wish to discuss an officer’s decision that a project they wish to spend through their own CIL money is not considered to be infrastructure.

Appendix G - Appeal process for any organisation, where their bid is refused at the first validation stage as it is not considered to be infrastructure.

Appendix H - Community Infrastructure Levy Board - Decision Making Process - Proposed amendments

Background Papers

Governance of the Community Infrastructure Levy (CIL) (Planning Advisory Committee - 16 May 2017)

Governance of the Community Infrastructure Levy (CIL) (Cabinet - 15 June 2017)

Referral from Cabinet - Further Advice to PAC re Governance of the Community Infrastructure Levy (22 June 2017)

Planning Advisory Committee response to referral - Community Infrastructure Levy (Cabinet - 13 July 2017)

Planning Advisory Committee - 12 March 2019

Development and Conservation Advisory Committee - 9 July 2019

Council’s Constitution - Appendix X1.

Richard Morris

Chief Officer Planning & Regulatory Services